

The Economist

FOUNDED 1843

January 1, 1955

ONE SHILLING



Avoiding a Railway Crash

Vote of Small Confidence

Diggers and Developers

Stunted Schooldays

Steel This Year

AMERICAN SURVEY: President in a Divided House

THE WORLD OVERSEAS: Cairo's Pavement Politics

BOOKS: Colour Complex

Annual Postal Subscriptions: by ordinary mail £3; by air see page 75

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

VOLUME CLXXIV • NUMBER 5810

THOUGHTS ON THERMAL INSULATION

No. 7

How can insulation help productivity

THERE IS A significant connection between thermal insulation and productivity. Productivity is one of the keys to our industrial future. Many factors, of course, have a bearing on this problem, but in a large measure increased productivity depends on the substitution of mechanical and electrical energy for human exertion. One of the interesting facts referred to by the Teams who visited the U.S.A. was that the average American worker has something like 2½ times more power at his disposal compared with his British counterpart. If, then, we are planning for a rise in productivity we must also expect a rise in the demand for industrial power.

Coal production, however, is not keeping pace; although output per man shift in the mines is up, total production is down. What can we do about it? One of the most effective ways to reduce coal consumption is by the greater use of thermal insulation and this can produce astonishing savings.

In this specialised field, Newalls have a wide experience both as manufacturers and contractors. If you would like to know how much fuel you could save by improved thermal insulation—and it is a figure you should have—call in Newalls for a preliminary investigation, which will cost you nothing. A line from your Plant Engineer will suffice.

Issued in the interests of a better understanding of thermal insulation in industry
by

NEWALLS INSULATION CO. LTD • Washington • Co. Durham

A member of the TURNER & NEWALL ORGANISATION

Offices and Depots at LONDON, GLASGOW, MANCHESTER, NEWCASTLE UPON TYNE, BIRMINGHAM, BIRKBECK, BRISTOL AND CARDIFF. AGENTS AND VENDORS IN MOST MARKETS ABROAD.

Glenfield Control



IN WATER SUPPLY

There can be no expansion without "pure-water," and there can be no "pure-water" without applying efficient methods of control in places of storage, in pipelines, in treatment plants and throughout distribution networks. In all these fields Glenfield Control Equipment has been in ever-increasing demand for over one hundred years.

Glenfield
GLENFIELD & SONS LIMITED, LONDON

HEAD OFFICE & WORKS: KILMARNOCK SCOTLAND



British Transport Review

The fuller use of FREIGHT ROLLING STOCK is discussed in the second of a series of articles under the title TOWARDS FULLER EMPLOYMENT in the December 1954 issue, just published.

Experts in their respective fields deal in this 84-page issue with current thought and ideas affecting the nationalised transport industry.

Other subjects include:

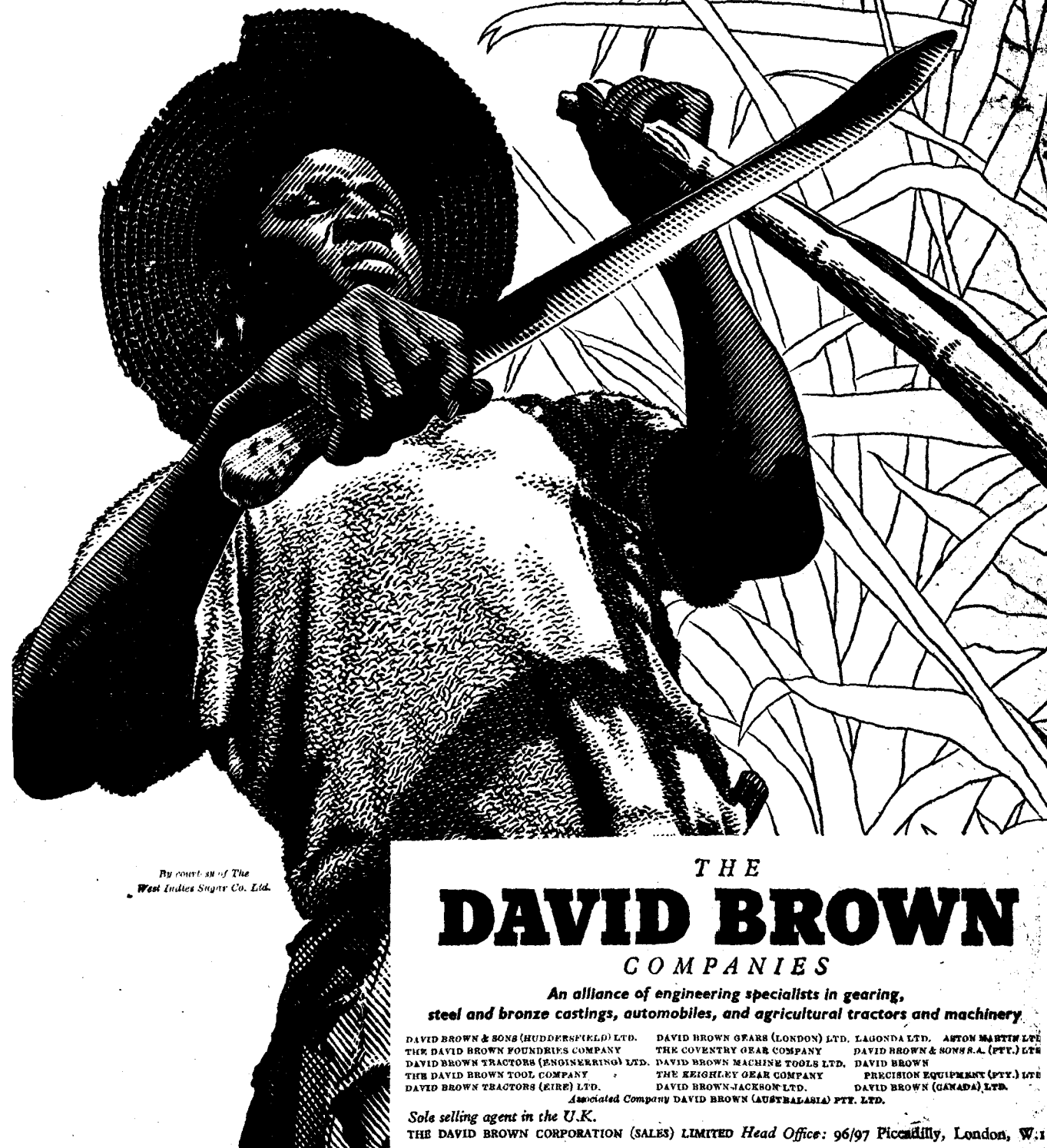
FREIGHT CHARGES ON BRITISH RAILWAYS
A ROAD HAULIER'S DAILY ROUND
THE RAILWAYS AND THE NATIONAL ACCOUNTS
CAPITAL DEVELOPMENT IN U.S. TRANSPORTATION
HIGH-SPEED REFUELLING
PROFILE OF A RAILWAYMAN

Available from the Publicity Officer,
British Transport Commission
222 Marylebone Road, London N.W.1.

Single copies - 1s. post free.
Annual Subscription - 3s. post free.
Subscription for 4 years - 10s. post free.

DAVID BROWN AND THE SUGAR INDUSTRY

Some of the largest Sugar mills and refineries in Britain and the Commonwealth rely on the engineering skill of the David Brown companies. In the arduous conditions of this industry, many David Brown products— notably gears and gear units— play a key role. The guarantee of maximum efficiency is the fact that the resources and combined skill of the whole Group contribute to the making of each product bearing the name David Brown.



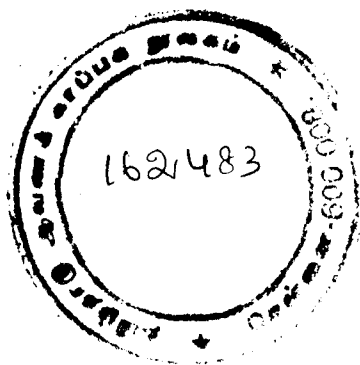
By courtesy of The
West Indies Sugar Co. Ltd.

THE DAVID BROWN COMPANIES

An alliance of engineering specialists in gearing,
steel and bronze castings, automobiles, and agricultural tractors and machinery

DAVID BROWN & SONS (HUDDERSFIELD) LTD. DAVID BROWN GEARS (LONDON) LTD. LAGONDA LTD. AFTON MARTIN LTD.
THE DAVID BROWN FOUNDRIES COMPANY THE COVENTRY GEAR COMPANY DAVID BROWN & SONS S.A. (PTY.) LTD.
DAVID BROWN TRACTORS (ENGINEERING) LTD. DAVID BROWN MACHINE TOOLS LTD. DAVID BROWN
THE DAVID BROWN TOOL COMPANY THE KEIGHLEY GEAR COMPANY PRECISION EQUIPMENT (PTY.) LTD.
DAVID BROWN TRACTORS (KIRE) LTD. DAVID BROWN-JACKSON LTD. DAVID BROWN (CANADA) LTD.
Associated Company DAVID BROWN (AUSTRALIA) PTY. LTD.

Sole selling agent in the U.K.
THE DAVID BROWN CORPORATION (SALES) LIMITED Head Office: 96/97 Piccadilly, London, W.1



NO JUNGLE TOO IMPASSABLE....

WHEREVER THE DRILL GOES.....
..... SCHLUMBERGER GOES

10/5/55

The Economist

FOUNDED 1843

JANUARY 1, 1955

ONE SHILLING

Avoiding a Railway Crash	5
Vote of Small Confidence	7
Diggers and Developers	9
Stunted Schooldays	11

NOTES OF THE WEEK

Afro-Asian Rendezvous; Italy Ratifies; Nearly Liberal Highlands; Clash with Shop Stewards; Complications in Buganda; Dr Adenauer's Future; Mr Dedijer in Trouble; Farm Prices on Manoeuvre; Means Test for Scholars; Dr Nkrumah in Difficulties; Sudanisation and Scapegoats; Co-existing in Indo-China; X in a Spot; Costing a Cholecystectomy; Love in Too Cold a Climate; Perón's Christmas; More Legal Aid. 12

BOOKS AND PUBLICATIONS	22
----------------------------------	----

LETTERS TO THE EDITOR	26
---------------------------------	----

AMERICAN SURVEY

President in a Divided House	27
--	----

New Look or Old?; More Heat than Power; Private Life for Synthetic Rubber; Prosperity on Wheels; Little White School-House?; Sugaring the Farmer's Pill; Atomic Packages.

THE WORLD OVERSEAS

Cairo's Pavement Politics	33
-------------------------------------	----

The Marathon in Paris; Hatoyama in Power; Communist Chances in Germany; Switzerland's Success Story; Israel and German Reparations.

THE BUSINESS WORLD

Steel This Year	47
---------------------------	----

BUSINESS NOTES

A Little Market Festivity; Record Cash for Christmas; Rubber's New Peak; American Coal for Sterling; Coal Stocks for 1955; Colvilles for Sale; Lancashire Cotton's Orders; Bright New Sparkle; H Line for Purchase Tax; Phoenix in the Builders' Yard; Powell Duffryn Pays Out; Business in the Air; Trade Agreement with Germany; Hire Purchase Insurance; New World Bank Loans; Help for Yugoslavia; Freight in 1954; At Your Doorstep Madam; Uranium in the Union. 49

COMPANY NOTES AND SECURITY

PRICES	61
------------------	----

STATISTICS	64
----------------------	----

The Economy at Full Stretch

PAGE 39

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

Avoiding a Railway Crash

IN just over a week's time the country may fall into the grip of a national railway strike. Such a stoppage would be an inconvenience to everybody, and a personal and financial tragedy to some (including some railwaymen). It is therefore natural that the general mood should be one of unreasoning apprehension: the train is bearing down on the damsel who is tied to the railway line, and there will no doubt be loud applause for Sir Walter Monckton or the members of the Court of Inquiry or anybody else who carries out a last-minute rescue operation. But, before reason becomes lost in melodrama once again, the public would be wise to think out very carefully on what terms it would be worth while to avoid this strike.

Nobody need stand fast on the argument that no increase should be offered to any railwayman; there will be general agreement that some of the workers—especially the skilled men and certain of the lower grades who have little or no opportunity to add to their basic wage—are still underpaid. But there should be still more general agreement, among all who are ready to look beyond immediate inconveniences, that the worst outcome of all would be unconditional surrender to the union's demand, for a flat percentage increase to every grade financed by a Government subsidy. A flat percentage increase would make nonsense of the exercise in restoring differentials between grades, on which the Transport Commission and the union leaders themselves have been working for twelve months. A Government subsidy might conceivably be justifiable if the troubles of the railways were due wholly to what are known as the railways' "public obligations"; in the present circumstances, however, Government money would be a direct encouragement to unenterprising management and to some thoroughly bad labour practices. There should be no subsidising them.

If a subsidy is ruled out, are there any other ways in which wage increases could be financed? There are three possible ways, and taken together they could finance very substantial increases indeed. The first way would be to cut down the large number of what can only be called "spiv" jobs on the railways. A glaring example—not the worst, but perhaps the most familiar to the traveller—is provided by the profusion of porters waiting to carry passengers' luggage on London railway stations. Quite often, less than half of these men will be genuine passenger porters: they get a basic wage of £6 10s. a week and, when their tips are added, some of them may sometimes take home more money than skilled engine-drivers. Many of the rest, on some stations at any rate, will be goods porters who should not be there at all; either they are enjoying an extended lunch hour or—a practice that has proved very difficult to stop—a goods gang somewhere is short of a man and will share his tips when he gets back. Similar systems of feather-bedding, not so much to increase earnings as to spin out work, exist in certain districts among linemen, cleaners, and many of the other lower grades.

All these practices react directly upon the wages that can be paid to other railwaymen. The first step towards a sane wage structure should clearly be to cut out the dead wood that results from them. There is an appalling amount ready for the axe. The number of employees on the railways has already come down from some 670,000 at one period in 1948 to under 600,000 now, but there is good reason to believe that the railways could carry on with equal efficiency—though less feather-bedding—with 100,000 fewer workers still. This cut of between 15 and 20 per cent in staff would make possible an increase of between 15 and 20 per cent in wage rates; the balance of the claim for which the NUR is now prepared to strike ranges from 4 per cent for some grades to about 7 per cent for others. Necessarily, the redundant workers could not be laid off overnight; necessarily, the money thus saved should not be spread among all workers in the equal proportions that the NUR—for the sake of peace and quiet in its ranks—has proposed. But unless the union accepts a hard and fast agreement about pruning down the labour force, even though this would involve some redeployment of workers in the face of retirements and occasional instances of forced redundancy, then the country will be wise to stand up and meet this strike.

★

This is the corner that the union should take if it really believes in furthering the best interests of the majority of its members, instead of feathering the beds of a few. If it would do this the way would be open for the second step towards restoring prosperity to the railways, which should be yet another review of the system's "public obligations." It is at this point that one of the railwaymen's favourite political arguments—that their troubles are partly due to the denationalisation of road transport—comes into the picture.

Under any transport system, nationalised or private, the prerequisite of efficiency is that each passenger and package should be carried across the country by the medium that can bear him or it at the smallest real cost. Under nationalisation, the idea was that some "co-ordinator" or "integrator" would see to this—in the last resort, by offering no choice beyond the service that he considered most economic. The idea never worked; while some of the commission's back room experts made mystical assessments of relative real costs, its front room operators were more concerned with not disturbing the convenience of existing interests, of which the unions were one, than with re-directing any traffic on economic principles. The argument that renationalisation of road transport would help the railway unions' present policy—although it may well be true—is therefore not the original argument for "co-ordination" at all; it is that argument stood upon its head.

But if "co-ordination" will not in practice lead to greater efficiency in transport, something else must be

put in its place, or else the industry never will be able to pay a decent wage to all its employees. The only possible "something else" is competition. But if this is what the present government believes in, then it needs to clear certain encumbrances out of the way. Though the railways are no longer a monopoly, they still act—indeed, in many ways they are still required by law to act—as if they were. The changes in their attitudes and actions that would be required if they were really to start competing can best be explained by considering what would happen if these "public obligations," legally binding or otherwise, did not exist at all. For example, under really competitive conditions, long distance train services would be reduced until each train could be sure of running reasonably full, as airline services (to some extent) and long distance buses are reduced at the moment; if this happened, however, then—at times of sudden rush—a passenger buying a ticket to Sheffield might be told that the railways could not accommodate him until next Thursday week. Again, costs per passenger mile or ton mile on certain branch lines are sometimes twenty or thirty times those on the main and most frequented lines; under a really economic system of charges rates would reflect these differentials, and more branch lines would be closed down. This would not mean that all charges should go up; in some cases—because the demand for railway travel can be elastic—it would certainly be economic to bring them down.

★

All these examples have been quoted in terms of passenger traffic; there are similar obligations in the even more important field of goods traffic, but here another factor comes into play. The railways have hitherto always reacted to the inconvenient invention of the motor lorry as a defensive ex-monopolist seeking the protection of the state, not as an aggressive competitor. In this they have been abetted by the law, which has only last year begun to give them the freedom they will need if they are to compete with vigour. It remains to be seen whether, with their desire never to disturb anybody if they can avoid it, they will make full use of their new powers. As with the problem of redundancy, reforms of this type cannot be carried through overnight; and nobody (not even an economist) wants them to be carried through to the ultimate and painful extreme of recanting on public obligations altogether. But, in the desperate search for more revenue with which to pay their employees, it is in these directions—towards higher charges for season tickets and for difficult hauls on branch lines, towards basing goods charges on the clear economies of carrying a full wagon load, and towards the reduction or closure of uneconomic services—that the railways will have to move. The higher charges would be very unpopular politically, and the reduction of services would require flexibility from

the unions. Once again, however, this will be a necessary flexibility, if the railways are to pay decent wages and their own way.

The final way of raising the revenue of—and thus wage levels on—the railways will need to be by modernisation of their equipment. Once again, the unions have a part to play here. It is, in part, the conservatism of labour—especially the unions' desire that the railways' money should be used to pay tolerable rates to far too many unskilled men, instead of high rates that would attract sufficient skilled engineers—that has stood in the way of modernisation so far; in much larger part, however, it has been the conservatism of management. The Government will certainly have to lend a hand in financing the modernisation programme that is now being discussed; it is much better that it should invest in success for all concerned in the future, rather than subsidise soft jobs for a minority of railwaymen now.

The Government is clearly aware that these are the lines along which policy for the railways should move. It would like any offer to the railwaymen to be tied very closely to the union's acceptance of new obligations. Mr Boyd-Carpenter referred to the three basic prerequisites—redemption of labour, freedom of charges, and modernisation of equipment—in his interview with the NUR in the middle of last month. But the time for talk is passing, and the time for action has

come. If the threat of a strike is averted by another supine and unconditional retreat before the union's demands, then the Transport Commission (which has a lot of constructive thinking to do, and has so far not done it particularly well) will have lost all opportunity for effective leadership. If the strike is forced, and if the railwaymen win it—with perhaps little more than the conventional and vague promises to be more concerned about productivity in the future—then at least the memory will linger that this year's bout of threats struck bone. If the strike is forced, and if it becomes clear that the railwaymen are not going to win it, then the Transport Commission and the Government could speed its end by proposals that would give the railwaymen their eventual rise on conditions; the interest of the public is that the union leaders should lose either the will or the power to hold the country to ransom, not that they should lose face.

Best of all, of course, would be if an offer on these lines could be formulated within the next week, and if the union leaders could accept it without a strike. Even if they sense high hopes for an eventual victory—and it is by no means certain that their sense is keen—they should ponder carefully what that victory would bring; it would be no happy position to be forced to ask, each year and from governments of differing political persuasions, for a higher standard of living for their members than those members allow themselves to earn.

Vote of Small Confidence

ON Christmas Eve, a chasm of doubt suddenly yawned in Paris—an all too familiar chasm, dividing Frenchmen from each other and France from its friends. The fact that, as this New Year opens, the gaping rift has been sealed over ought not to lead to any comfortable illusions. M. Mendès-France has secured a modest majority in the French Assembly for the ratification of the Paris agreements on western defence, and a much larger number of deputies have reaffirmed their faith in the partnership of the free nations. Across this bridge, the advance towards Western European Union can continue. There is still a hard road ahead; but at least the ponderous progress initiated at the London and Paris conferences in the autumn has not been brought to a jarring and fatal halt. Throughout the free world, the prevailing reaction will be one of relief—but not of exultation. It should be clear enough to all eyes that the chasm, although bridged, has not been filled in. Beneath the formal agreements, the doubts remain: not only French doubts about the role of Germany in western defence, and allied doubts about the role of France, but, gravest of all, Frenchmen's doubts of their own country.

To call the decisions M. Mendès-France obtained on Wednesday and Thursday "votes of confidence" is

an abuse of nomenclature, for his victory depended, in the event, on the votes of many deputies who dislike both him and his policies, and who will probably seek the first opportunity of overthrowing his government now that the debate on Western Union is over. But there is also a deeper meaning here. Many speakers in the Assembly's debate, the Prime Minister foremost among them, begged their hearers to consider whether France could hope to retain any weight in the western partnership if it rejected agreements which most of its allies regarded as the last possible compromise. And M. Mendès-France, for one, pushed this logic further, pointing out that France must not only keep its friends' respect but recover its own self-respect too. What prospect is there of such a recovery? If the Christmas debates are examined, as they should be, for the light they shed on Frenchmen's confidence in France, little ground for optimism emerges.

At times, it seemed that the Assembly's debate was being conducted on two quite separate planes. There was little to connect the unsavoury intrigues and calculated evasions with the notes of genuine anguish and resolution struck by some of the speakers. It is hardly possible to accept at its face value the idea that last Friday's negative vote was the true mirror of French

opinion, undisturbed by the prime minister's forcefulness or by warning words from allied capitals. Many deputies, completely taken aback by the Friday vote, later frankly revealed that they had counted on ratification going through without their support, and had abstained, or voted against the government instead of abstaining, from motives ranging from personal hostility towards M. Mendès-France to pure reluctance to share responsibility for a painful decision.

★

Those members of the Assembly who stooped to such cynical calculations provided the justification for the brusque terms used by the British Foreign Office in commenting on last week's vote. This comment was violently denounced by Moscow as amounting to "crude pressure"—an odd phrase to fall from lips that had been bellowing threats and barefaced falsehoods at France for weeks. However, the British statement was also deplored, if obliquely, by M. Mendès-France. Such criticism cannot be ignored; the Foreign Office did not couch its comments in the language of a Christmas card, although equally it used no words comparable to Mr Molotov's menaces. Yet was it anything more than a statement of facts to recall that Britain's commitment of troops to the Continent for fifty years depends on the formation of the new Western Union, and to point out that, since a sovereign German state will eventually acquire armed forces anyway, what matters vitally is the terms on which they are acquired? Many deputies revealed in the Assembly debate that they fully appreciated these truths. It was to others that the British words were clearly directed—to the irresponsible and, last week, mistaken calculators of minimum majorities.

It is a first duty of any parliamentary representative in any country to shoulder his share of responsibility for measures which are unwelcome but to which he knows there is no practicable alternative. Where this duty can be shirked with impunity, can any government hope even to impose essential taxes, let alone to carry out vital reforms? French deputies are not unique in their dislike of responsibility; before their eyes last week was the example of the Labour Party's abstention on the very same Paris agreements. But there is overwhelming evidence that the French party and parliamentary system encourages a shirking of this duty up to the very borders of anarchy. To find a parallel to the absurdities perpetrated in the Palais Bourbon on the eve of Christmas, one must almost turn back to the old, chaotic Polish diet. Did any of the deputies who disgusted a watching world by their antics—described by an eye-witness in an article on page 34—pause for a moment to reflect on the fate of Poland?

Yet, paradoxically, on the other and higher plane of the debate, sincere emotion and crystal-clear reasoning emerged, and painful decisions were taken by such men as M. Schuman. Their mental agony, and that of such veterans as M. Herriot, was entirely understand-

able. No thinking person anywhere in the free world ever expected a single Frenchman to give enthusiastic backing to a plan that involves arming Germans. What France's friends did expect was that a people with a cherished reputation for logical thought would grasp the fact that there was no alternative. At the very end of the debate, M. Guy Mollet, the secretary-general of the Socialist party, which, although still outside M. Mendès-France's coalition, has proved his best source of support in the past fortnight, urged deputies to realise that Britain and America have urged France to this distasteful course simply because of the undeniable and overriding threat of Soviet military and political pressure. More, indeed, might have been said. In particular, how would any of the deputies who opposed the Paris agreements explain the support given to them, and earlier to the EDC, by France's other allies—Dutch, Belgian, Norwegian and Italian, to name no more? Holland, Belgium and Norway felt the horrors of Nazi occupation as keenly as France. Italy has to grapple with even greater social and economic problems than France. Why, then, has France been alone in carrying its hesitations to the brink of disaster for the whole western partnership?

★

The essential answer is clear. Too many Frenchmen lack confidence in their own country. Many things have contributed to this—the disaster of 1940, the futilities of parliamentary life in Paris, the biting suspicions between political and religious factions, the long draining of blood and treasure into the Indo-Chinese war, the economic *immobilisme* springing from governmental instability. Until this psychological state is altered, there can be small comfort for France or for its friends in a technical victory that allows the strengthening of the West to continue on the technical plane. In London, Washington and every other allied capital, it will be recognised that even a France so restored to health as to be uncomfortably assertive would be a better partner than a limp, distracted and feverish country. And the past fortnight's events reveal how far France still has to go to attain a new and vigorous health.

Will it, even now, be able to make progress towards that goal? Admittedly, it has survived one agonising fit. The extraordinary efforts of one Frenchman have saved his country from a relapse that would have set it far back in the direction of complete paralysis. But can even M. Mendès-France escape the traps that his enemies will lay for him in the months to come, and if he falls, is there any other leader who can maintain the psychological impetus that he has set off? France's allies are now deeply in his debt; but they will have even greater cause for gratitude if he succeeds, in the year that is now opening, in giving his fellow countrymen enough faith in themselves and in France to enable Europe to work out its new pattern harmoniously.

Diggers and Developers

BY A SPECIAL CORRESPONDENT

IN the palms of the Botanic Gardens, the cicadas are unbearably shrill. In the Sydney shopwindows, Christmas tradition has again been stubbornly observed, and the time has come to remove the fir trees and the artificial snow. The ladies as they shop are sleeveless and many of the men coatless, encouraged by sub-tropical sunshine towards free spending and good living. Australia is living high on the sheep's back, enjoying a standard of living perhaps unmatched anywhere outside the United States. In the big coastal cities, where some three-quarters of Australia's nine million live, there is all the appearance of an economy steamed up for prosperity. There is no apparent dismay that the Commonwealth has this year been spending abroad beyond its income, and using up its London funds at the rate of £150 million a year. Short of manpower, short of capital, and short of water, Australia insists on enjoying itself, in a climate that makes enjoyment temptingly possible.

Some have said that the temptation is too great. It was an Australian himself who used the stinging phrase "the milk bar economy" to describe an Australia keener on eating than on building. Today, the sting has a much blunter point. Consumption may still remain the keynote, but new construction is visibly impressive. Australia could have done more, for there has been no tightening of Australian belts; but girth has been added to the Australian economy in real industrial growth, beyond the mere corpulence of sheltered secondary industries. There is a new pioneering feeling in the air. The "digger" has for long been a folk-symbol, tenaciously sentimentalised by the town-dwelling Australian; now the town-dwellers are as alert as any to the future development of a country that has been dangerously dependent in the past upon a few primary products.

Few of the normal economic recipes can be applied directly to Australia's case. Inflation is the ever-present risk in any modern democracy; but inflation has been built into the Australian economy for a couple of generations through the basic wage enactments. The task of controlling an economy so devoted to consumption and so responsive to wool for its prosperity can never be easy. Wool sets the pace of Australian spending abroad; a booming wool cheque in one season is followed by a booming import bill in the next as predictably as night follows day. This season's wool cheque will be down, perhaps from about £A400 million to £A360 million, and the country will be bound to look more closely at its balance of payments. But no wool grower feels that prosperity has departed. Wool is still the most efficient industry that Australia has, and it has kept pace with the times. The jackaroo

now gets around the sheep station on a motor bicycle; more productive pastures have been developed and water supplies have been improved. The old extensive running of sheep is giving way to more intensive and scientifically controlled methods. It may be asking a lot of Nature to be as kind to the industry as it has been in recent years; but wool has fought off the threat of the synthetic fibres, and it now sees what full employment all over the world can do to demand.

★

The Commonwealth Government has recently raised a loan at 4½ per cent which was not enthusiastically received. Australians, indeed, show a marked reluctance to contemplate the true rates of interest that in theory should apply to an economy so short of capital; this fact, coupled with the inadequacies of the capital market, must be held responsible for the failure to attract a sufficient volume of savings from high Australian incomes, except perhaps from the surpluses of the wool growers who "have everything" and cannot spend much more. The next stage in Australia's progress clearly rests on the gathering of more capital, from both domestic and overseas sources. Some of the States and the public utilities are casting an eye towards the London market, and they have many projects that should be able to attract support at the right price. Recently, the main sources of foreign capital have been the World Bank and the heavy private investment made by the leading oil groups in new refineries. Obviously, an influx of overseas capital will do nothing to increase the physical resources that are now being strained to the very limit in Australia, but it will relieve pressure on the balance of payments.

Is this strain a permanent condition? There are some grounds for believing that, given Australia's circumstances and labour traditions, a perpetual head of inflation is the only condition under which capital formation can take place at all. If the frictions of the capital market and the hangover of capital controls inhibit the free forces of interest rates, then the result must be a tussle of competing projects scrambling for what physical resources there are—and a good deal of the investment will be at the expense of an inflation of prices. One result, plainly visible during recent months, has been a degree of pressure on bank finance that runs well beyond the limits that the Commonwealth Bank holds to be appropriate. Another sign is the offer by a well-established hire purchase finance company to pay 7 per cent for two-year deposits; the counterpart to this is the fact that Australia now has thirty sizeable producers of washing machines.

The disposition of Australia's capital resources through three main channels—the banks, hire-purchase finance, and the operations of the Loan Council (which in 1954-55 will be disposing of £A200 million to finance States' works and housing)—sets a limit to the part that the capital market ought to play in Australia's new development. It would be a less feverish market if Australians were less attached to the notion of making a fortune in oil prospecting or uranium. But a gamble is in the Australian tradition, and it is useless to moralise about it. It is more to the point that a respectable volume of personal savings is beginning to be generated in the Commonwealth, and that people's eyes are directed much more than they were towards new economic horizons, and much less towards the familiar ground at their feet. If one could dare to hope for a change in Australian labour attitudes, a radical advance would be possible. But the most precious possession in Australia is still a pair of hands, allied to a demanding and restrictive union organisation. Given the fact that the basic wage for forty hours of unskilled work is £A12 6s. (with extra margins for skill and double pay for overtime) the more responsible union leaders might well reflect that the size of the cake will in future be more important than the thickness of the slice that labour now gets.

★

There are, perhaps, three main factors in Australia's present situation that give promise of new advance. One is the rapid growth of population, assisted since the war by an ambitious and highly successful immigration programme. The migrants, or "New Australians," have already proved their value in market gardening, catering, personal service and the clothing trades. At first they were an expensive strain on the economy; now, increasingly, they are making a positive contribution to it, not only in the menial chores but also in some of the graces of life. They do not settle in the scarcely-populated "outback," but in that they are no different from most of the "old Australians." And it is doubtful whether any great increase in labour will be required in those regions until the limits of husbandry, cattle raising, and irrigation have been pushed back much further than they are today.

The second factor is the evident benefit that is now beginning to appear from postwar investment programmes. There may, indeed, be too many washing machines and refrigerators, but there is certainly a lot more power to drive them, and many more houses (expensive though they are) in which to install them. And accompanying the emergence of an American-type consuming economy are the beginnings of an American-type industrial structure. Hundreds of thousands of tons of steel sheet and tinplate will, in the next few years, be running off the new mills at Port Kembla. Roughly eight million tons of oil products will be pouring out of the new refineries. Western Australia has put

itself on the industrial map with the new British Petroleum refinery at Kwinana and a steel rolling mill and cement works alongside. General Motors-Holdens are at the throes of another expansion scheme, having made the pardonable mistake of leaving themselves too little space in the first place for later building.

★

Not all of this development is over-expensive, even in Australian terms. And comparatively little of it is "secondary industry" in the pejorative meaning usually applied to that word. In two or three years, the Australian economy will certainly be able fully to support the refinery programme. With coal costing perhaps 30s. a ton and ore containing more than 60 per cent of iron, the Australian steel industry is still the cheapest in the world, though its costs are rising. And if the building up of engineering and metal using skills could be loftily criticised as an economic indulgence before 1939, when the rest of the world was enjoying Australia's produce at dirt-cheap prices, the war settled the argument for good. Australians look at the four hulks in Darwin harbour and the Japanese midget submarine that penetrated the Sydney defences, and have no doubt about the part that manufacturing industry has to play in their economy and defence.

The third factor—it may in the end be the most important of all—is Australia's preoccupation with scientific research. Probably no single organisation in the world has such widely-ranging activities in these fields as the Commonwealth Scientific and Industrial Research Organisation. Its work on trace elements long ago passed into the scientific alphabet, and this is only one example of the way it is extending scientific frontiers in agriculture and industry. Work on atomic energy goes forward, with hopes of a low-power reactor at Sydney and the world's biggest cyclotron at Canberra. Both in technology and in industrial investment, Australia is determined, and may well be able, to do most things for itself.

A tiny part of Australia's crust has been scratched, and has brought forth riches. Disappointed again about crude oil, the country is convinced that oil exists, and major groups are actively searching for it. The discovery of oil, even more than the recent finds of uranium and other metals, might be the springboard from which Australia could leap ahead after the slower but still impressive results that have materialised from "Operation Bootstraps." The important thing for the British to realise is that Australia no longer regards itself as a primary producer bound to the British market, or a consumer bound to British products irrespective of price. And the important thing for Australians to realise is that the promise of their economy by the end of this century ought to be well worth some small inroads on the comfort and plenty they now enjoy.

Stunted Schooldays

THE report of the Ministry of Education's Central Advisory Council,* published this week, contains some quite unexpected social and political dynamite. The subject that the council had been asked to illuminate had seemed uncontroversial: that of premature leaving from grammar schools. Why was it that of those who entered the grammar schools in 1946, 24 per cent left at the age of fifteen, and only 17 per cent availed themselves of their opportunity, so hardly won, to stay at school until they were eighteen? The proportion who stay on until that age has admittedly been rising steadily since the war (in the prewar years it had fallen to as low as 10.6 per cent); but far too many grammar school places, which might have been occupied by others who would have made full use of them, are still being wasted by early leavers. In consequence far too much talent withers on the stalk.

The council's terms of reference were to report on: what factors influence the age at which boys and girls leave secondary schools which provide courses beyond the minimum school leaving age; to what extent it is desirable to increase the proportion of those who remain at school roughly to the age of 18; and what steps should be taken to secure such an increase.

The research was conducted on a 10 per cent sample of maintained and direct grant grammar schools in England. The heads of 120 grammar schools were asked questions about all pupils who had entered their schools in 1946—the last year that would have enabled those children to complete a seven-year course by the time the inquiries began.

The most interesting facts that emerge from the inquiry are first, that out of 27,000 who were thought suitable for advanced courses no less than 10,000 boys and girls left without taking them; and secondly, that it is the middle classes who make the best use of equal educational opportunity. Children from professional and managerial families account for 15 per cent of the population, but for 25 per cent of the grammar school population and 43.7 per cent of the sixth form population. It is not merely that, by and large, their performance is better in the selection tests at eleven and that they stay at school longer; it is also that they do better at the grammar school. Many middle-class children in this sample who were near the borderline in the selection tests had far more satisfactory academic careers than children from poorer homes who at eleven had been placed at the top of the list. In the words of the report:

we have found that from the children of parents in professional or managerial occupations at one extreme to the children of unskilled workers at the other there is a steady and marked decline in performance at the grammar

*Early Leaving. HMSO. 3s. 6d.

school, in the length of school life, and in academic promise at the time of leaving.

There will be two sorts of reaction to these findings. Middle-class parents whose children have failed to get grammar school places will say how wrong it is that they, who would have made good use of a grammar school place, are unable to secure one even by paying. On the other hand those who still carry the torch for "the underprivileged" can find in this report ample confirmation of their belief that there is still no real equality of educational opportunity in Britain. The poorer child, struggling to do his homework, is handicapped by an overcrowded home, a blaring radio (not to mention television). He may be held back by the attitude of parents who had little schooling themselves and cannot see the point of it (least of all, for girls); and by neighbours who think he is old enough to be contributing, as they do, to the family exchequer—although the council found that financial difficulties were not the most common reason for leaving.

★

This is the nature of the problem. What can be done about it? The council flatly rejects the idea that a proportion of places at all grammar schools should be open, as they were before the war, to those who pay fees, on the ground that it would be unacceptable to public opinion and would benefit only the wealthier of the aggrieved parents. It also rejects the notion that the handicaps already suffered by the poorer child should be increased by discriminating against him in the entrance examination. It points out that not until a whole generation of parents have had a secondary school education can a full appreciation of its value be expected. In the meantime it suggests a few carrots that might be dangled in front of the would-be leaver—for example, employers and professional bodies might alter their conditions of entry in employment to make it worth while to have stayed at school until eighteen. It would also like to see steps taken to lessen the handicaps of the poorer child—for example, by keeping open public libraries and schools so that he may work there in the evenings. So far, so good. But the council's financial proposals are more controversial, and the Minister of Education is openly dubious about them.

In the first place, the council believes that there should be a substantial increase in the maintenance allowance which local authorities can pay to those who could not otherwise keep their children at school without hardship. An all-round increase is not required, but there are areas where the allowances (which vary widely) ought to be increased. Allowances, of course, can never compensate parents for lack of juvenile earn-

ings—but, as the council suggests, they should surely offer a larger carrot for pupils of seventeen and eighteen than for pupils of fifteen and sixteen.

Secondly, the council believes that family allowances should be paid for children still at school up to any age—instead of to the age of sixteen (fifteen if they are not at school) as now. This is a quite separate problem. To make a change here would require legislation, which is one disadvantage. Another is that family allowances do not apply to the first child; and a third is that any such concession would have to be made indiscriminately, without regard to the “need and merit” of which Sir David Eccles writes.

The council shows signs of realising that to mitigate the hardships of the child who leaves early—who is probably a poorer child—is not enough. What about the hardships of the (probably middle class) child who just missed a grammar school place, and could after all have filled it more profitably than the child who will leave after a year or two? For his benefit the council has two suggestions—not counting the obvious one that transfers from other secondary schools should be made easier. The first is that the proportion of grammar school places should be increased—or at any rate should not be allowed to fall as the “bulge” in the school population moves into the secondary schools. The second is that the secondary modern schools should provide more advance courses for those who can benefit from them.

Notes of the Week

Afro-Asian Rendezvous

THE meeting of five Asian prime ministers just outside Jakarta this week has done much to deflect the attention of the Indonesian people from the depressing confusion of their own political and economic situation. Whether it can have done more, whether indeed it was ever seriously expected to do much more by the man who called it, Dr Ali Sastroamidjojo, is still a moot question. The Indonesian prime minister has played host to Mr Nehru, to Mr Mohammed Ali from Pakistan, to Burma's U Nu, and to Sir John Kotelawala of Ceylon. Their aim in getting together was to renew the personal contact first made as members of the Colombo powers in Ceylon last May, and ostensibly to discuss the specific project of holding a much wider conference of Asian and African states, now arranged

The Minister plainly inclines to the set British Petro controversial proposal. He is doubtful about the W and a of an all-round increase in the proportion of grammar school places—although, as he says, there are certainly areas where there are too few. The report may have added to his doubts, showing as it does that 40 per cent of those who attend grammar schools leave without obtaining even three passes in the General Certificate at ordinary level and that more than half are unsuited to sixth form work as at present organised.

The net effect of the report is to bring back into the educational controversy some awkward facts that the educationists and the politicians have for a decade or more been conspiring to ignore. The most awkward—but also the most undeniable—of these facts is that heredity and environment do, after all, matter a great deal. It would be convenient to pretend that there are no class distinctions in ability or promise; “equality of educational opportunity” could then be assured by simple and rigid rules. But the facts, unfortunately, are otherwise, and they create the dilemma: which is more in the public interest, to see that no potentially useful brain is handicapped, or to see that every third-class brain gets a chance? Different people will give different answers to this question until the end of time, and in a universal suffrage democracy politicians will have to do their best to straddle between the two views. Meanwhile, this report at least suggests some practical ways in which the problem might be mitigated.

for April. It would be wrong to be purely critical of the idea, but the report of Mr Nehru's rather defensive “I have not come on a stunt,” when he landed in Jakarta, confirms the impression of hesitation verging on definite unwillingness which had characterised the attitude of almost all but Dr Sastroamidjojo himself.

If the proposal for an Afro-Asian conference were to be confined to those states which are known to aim at some form of genuine neutralism, it could be argued that their closer alignment might have a definite contribution to make to world peace. This is not, of course, the point of view of most of those in the West who have had previous experience of dealing with the Communist powers. They believe that any so-called “area of peace,” whether parading under the title of a third force or a neutral bloc, would be more likely to endanger peace than to safeguard it, since its leaders would act as if they had their heads in the sand. But in London at any rate the attitude is fully appreciated

who dread involvement because, according to their scale of values, they genuinely think that the war is not the world's most important problem.

What has not been so clear is how the membership of the proposed Afro-Asian conference could best be determined, and how such a meeting can in practice avoid merely descending into the sterility of that anti-colonialism which appears to be in the minds of its Indonesian sponsors. As it now transpires, the Chinese have been invited, and they must be licking their chops at the prospect of such a wonderful opportunity for making trouble; their presence will certainly put paid to any claim about evolving a neutral bloc. Notably, and for the first time since the war, the Japanese have also been asked as a counterweight—though over Indonesia's dead body. And, as the price of Arab participation, Israel has been left out. The fact is that Asia is no more united or unbiased than Europe; and it will be instructive, for the participants as well as outsiders, to see how the April conference clears its many obvious hurdles. Little concrete may be accomplished, but if the meeting can help Asian statesmen to face facts it will have done good.

Italy Ratifies

AT the end of last week the Italian Chamber of Deputies voted by 335 to 215 in favour of ratification of the London and Paris agreements. In contrast to the exhibition of bitterness and irresponsibility in Paris, there was almost no intrusion of purely personal spite into the debate in Rome. Nearly all those who opposed the motion did so for well-known reasons of party belief and allegiance; in fact the explanation of the big majority, the largest since Signor Scelba's government came to power last March, was that the right-wing nationalist parties supported the motion. The Communists joined with the left-wing Socialists in fighting the agreements by the tactic of proposing postponement rather than outright rejection of German rearmament. Only a splinter group of 29 Christian Democrats fell for this manoeuvre and favoured a three-month delay in which further talks with Russia might be held.

Italy, at one time a stronghold of federalism, is today a disillusioned supporter of the new Brussels Pact approach to the ideal of European union. Before the French debate there had consequently been some hope that the Italian Christian Democrats might be able to influence the French Catholics, the MRP, in favour of ratification. Some reference was also made to the dying but not quite extinct ideal of a common French-Italian policy “within the framework of a united Europe and the Atlantic Pact,” expressed four years ago at Santa Margherita. But it was characteristic of the present era in France that M. Pleven, who, as prime minister, had made the pact with De Gasperi, himself opposed the new Western European Union.

No one can pretend that Italy's experiences in the war were happy ones. Admittedly, the country was never occupied by the Germans on the same terms as France; indeed, to begin with the Germans and Italians were Axis allies. But Italy was subsequently laid waste quite as much as France, and many Italians fought each other with

equal bitterness. And today it is not France but Italy that has the largest Communist party outside the Soviet orbit. The fact is that, as General Smuts once predicted nearly ten years ago, the Italians have completed their psychological as well as their economic recovery more quickly and more fully than the French. This is a factor in the new Europe as creditable to them as it is important to their neighbours.

Nearly Liberal Highlands

THE by-election at Inverness was the first for a long time to bring any cheer to the Liberals, and it is only natural that they should savour the experience to the full. Unhappily, however, this looks much more like a rosy glow in the evening than a new Liberal dawn. True, their candidate got within 1,331 votes of winning the seat and, compared with the last time they fought it, they increased their proportion of the poll from 22.71 per cent to 36.04 and pushed Labour to the bottom of the list. But it could be argued that if the Liberals could not win this contest they will never win anything, for conditions could scarcely have been more helpful. They had a striking candidate and a strong, popular local issue in Scottish nationalism. Their opponents were beset by apathy, which was no doubt intensified by the wild topography of the area and the shocking weather on polling day. It is difficult to think of many other seats in Scotland or Wales, or any at all in England, where similarly favourable circumstances might arise.

There are, however, two lessons that the party can draw from Inverness, which might help it to delay for a time the depressing slide of recent years. The first, and the other parties should take note of it, is that moderate nationalism is an increasingly powerful force north of the Tweed and west of the Wye. The second is the importance to the Liberals, perhaps more than to the other parties, of having a strong, even colourful, candidate and giving him the best of backing. The party has for some time been trying to reorganise its election planning, concentrating on seats in which it has a chance of winning or at least of polling a reasonable figure. But there must always be some doubt whether there is enough voluntary discipline at local level to avoid dissipating resources that must be getting increasingly scarce.

The Liberals' real tragedy is that most of their best policy ideas are filched by one of the bigger parties, leaving a residue of distinctive Liberal policy which—apart from nationalism—has little electoral appeal. The number of Liberal MPs has therefore progressively shrunk and the impact of the party leaders steadily declined. Mr Clement Davies struck a defiantly independent note in his message to Inverness; but how much more publicity there would have been if it had been Mr Attlee who accused Sir Winston Churchill of Fascism. The Liberals must accept the fact that Inverness was but one by-election among many that take place in the lifetime of a Parliament. The other two parties are already writing it off as not a very important one. Of more significance to them will be the election due later this month in South Norfolk, where the Tories will be fighting to hold a marginal agricultural

seat. The significance of this election is not that the previous Conservative MP is now in prison (although that must help the Labour candidate); the real point is that this will be the best test yet—under exceptionally favourable circumstances—of Labour's claim to have gained ground in traditionally Tory farming areas. This may be crucial, for it has not gained ground anywhere else.

Clash with Shop Stewards

A SPECTACULAR fight between employers and shop stewards is being waged at London Airport and at Coventry. British European Airways have refused to reinstate Mr Peters, the shop steward who worked up an agitation because he was not allowed to act as a full-time convenor while on the company's payroll; but it has reinstated the rest of the 315 maintenance engineers whom it dismissed just before Christmas for following in his wake. At the Standard Motor works at Coventry nine workers who refused to handle a job that had been transferred from one factory to another were "suspended indefinitely" on Christmas Eve, and the shop steward concerned in this dispute was dismissed. Later, when a protest meeting was held in working time in defiance of the management's orders, the shop stewards who addressed and convened it were also dismissed—making four in all. As a result all 11,000 workers employed have come out on strike.

There will be widespread sympathy among other employers with BEA and Standard for the stand they are taking against tiresome agitators, meetings held in working time and breaches of industrial agreements. But it is a sacred trade union principle to stand by the shop steward—the man who makes a fuss on behalf of the rest. The two concerns involved are both in a strong position and presumably know what they are doing. Standard pays better wages than its employees are likely to get elsewhere in Coventry. As for BEA, this time of year, when its passenger services do not pay, is the best time to risk having those services stopped by a strike. Moreover, it acts in the consciousness that its arrangements for joint consultation are exceptionally good; that the union authorities agreed with its original action against the tiresome Mr Peters; and that the readiness with which the dismissed engineers re-applied for their jobs and signed the undertaking to respect their agreements does not suggest very strong support among the men, in the long run, for the dismissed man. It would be a mistake, however, for the war against shop stewards to be taken up by other concerns less infested with agitators—and less strongly entrenched—than the present champions appear to be.

Complications in Buganda

IT is not a good omen for the outcome of Buganda's constitutional crisis that the native Parliament, the Lukiko, has burked voting on the Hancock proposals and is setting up a committee to re-examine them. If the committee

suggests any important changes the ~~with British Petrol~~ reopened, and the British government's ~~constitutional~~ and a —for integrating Buganda as a constitutional ~~and a~~ into the Uganda protectorate (with much increased African representation in its government) and for permitting Mutesa II to return after a short trial period—will fall to the ground. The many months of delicate negotiation, of patient clarifying of African ideas, would then be almost wasted and deadlock re-established. It looks uncomfortably as if the pessimists who doubted whether the members of the Lukiko were capable of the intellectual effort of comprehending and appraising the proposals agreed at the Namirembe conference may be proved right. The proposals were complicated in English. In the vernacular translation they may be even harder to understand—and they apparently overlooked some procedural problems of African custom. But the prospect is not improved by the explanation that Buganda's legislators cannot grasp a complicated constitutional scheme, since no simple scheme (other than the restoration of the Kabaka to an unreformed Buganda native state) would meet the long-standing political and administrative problems in this territory.

The chairman of the original constitutional committee that worked with Sir Keith Hancock, Mr Mugwanya, has told a local newspaper that it is clear to him that some of the Lukiko members have not the slightest idea what they are after. In the debate, amid talk of reform and democracy, some members opposed removal of the Kabaka's absolute powers, which is vital to the whole scheme. Mr Mugwanya complained that it was their own considerable powers in an unreformed state which they were really concerned to preserve; and he sought to win African support for the scheme by pointing to the fact that it has been criticised in Kenya for going too far too fast. It is to be hoped that the committee—which is apparently under the influence of Dr Kalibala, whose inclusion in the original constitutional committee was at first opposed by the Governor and administration on fears that he might prove prejudiced—will heed Mr Mugwanya's argument, and that it will do what the Lukiko jibs at—approve a scheme which would take Uganda a long way towards self-government and Buganda with it.

Dr Adenauer's Future

AN incident in the recent Bundestag debate on foreign affairs created a sensation in German political circles, and is still reverberating round Bonn. Dr Adenauer, heckled by Social-Democrats, became confused, and left the podium, obviously exhausted. None of the Chancellor's assistants jumped into the breach, because, it is assumed, they were so accustomed to leaving their leader to handle the opposition in his usual masterful fashion. With some exaggeration, the Germans attributed Dr Adenauer's momentary discomfiture solely to his age, though the circumstances would have shaken a younger political debater. Suddenly, the press discovered that their Chancellor was nearly 79 years of age, and that he was a Grand Old Man, without a substitute.

It is fortunate that Dr Adenauer realises this too. He has been ordered by his doctor to slacken his activities and may try to do so. If the Paris agreements are once safely

hand over the office of foreign minister to Brentano, leader of the parliamentary Christian-Democratic Party, who may take some of the more routine burden off his shoulders. It is thought that Dr Adenauer wants to concentrate on setting up the new German army in a firm political framework that will prevent it from endangering the democratic state. And he will himself handle the difficult matter of establishing direct diplomatic relations with the Soviet Union, and of seeing that German nationalists do not play into Mr Molotov's hands.

The internal party situation will also call for Dr Adenauer's direction. He has had a setback in Bavaria and Hesse, where he has been frustrated in his desire to see the same coalition as governs in Bonn. In Bavaria, the Christian-Social Union, in spite of being the strongest party, has been ousted from the government altogether. The whole future of the Christian-Democratic party, and of the party system itself, is now at stake. The decision has to be taken whether to alter the federal electoral law and establish a two-party system—a move which may be made to punish small parties which have joined the Social-Democrats in Land governments.

Dr Adenauer seems indispensable for all these tasks. But even his closest supporters do not succeed in removing the impression that the Chancellor is an isolated figure. For that they do not echo him quite faithfully enough. Dr Adenauer himself is usually blamed for not having trained an adequate heir-apparent. It would be reassuring if the only reason for the gap in the succession were a dominating personality's objection to having equals around him, for there would be room for hope that, out of the blue, a new leader might emerge once the Chancellor had retired from the stage. But, unfortunately, Hitler has ensured that there is a real dearth of politicians, a generation younger than Dr Adenauer, who could be expected to combine ability and his international "western" principles. Dr Adenauer, a German Gladstone, is not only a clever politician and a man of strong will. He is the conscience of Germany. This is, perhaps, what the Bundestag felt in that painful moment when the Chancellor lost his presence of mind and the members held their breath. If so, the incident may, by softening the critics, actually help him to carry through his work.

Mr Dedijer in Trouble

THE trouble that has overtaken Mr Dedijer, the biographer of Marshal Tito and the only man to stand up for the heretical Mr Djilas a year ago, is a vivid reminder of Yugoslavia's equivocal position. It is inconceivable that any disgruntled Communist leader behind the iron curtain would dare to unburden himself to a foreign journalist, or that if he did, the censors would allow his discontents to reach the outside world. On the other hand, Mr Dedijer's words have been kept from the Yugoslav people, and the efforts made to force him to toe the party line, which have now culminated in a demand for his expulsion from the party and his prosecution for hostility to the state, all smack strongly of the traditional Communist methods of dealing with dissidents.

There is no evidence that either Mr Dedijer or Mr Djilas is disloyal to Marshal Tito's government or has done anything to justify Mr Kardelj's harsh and vindictive condemnation of them. Mr Dedijer's principal crime seems to be that he is not a sufficiently steely-hearted Communist to stifle his feelings of loyalty towards his old friend; and when the pressures on him to cold-shoulder Mr Djilas became intolerable, he was reduced to letting off steam—in a restrained way—to the correspondent of *The Times*. Mr Djilas, for his part, seems to have been moved by the news of his friend's difficulties to get off his chest, in an interview with the *New York Times* correspondent, some of the thoughts he has been brooding over in silence since his enforced retirement last January. He expressed disillusion, but not subversion. He felt that the Yugoslav Communist party was controlled by "undemocratic" forces and was still "in essence close to Stalinism"; that this was not the time for a drastic change but that since the Communist party would not allow free discussion, it would be a good idea to allow an opposition party—democratic, socialist and loyal—to be formed.

To the more rigid and orthodox Yugoslav Communists, such thoughts, of course, are dangerous; and now that the pressure from Russia has eased off, these men may feel less compulsion to emphasise their differences from the Soviet pattern, even if they have no wish to return to the Soviet fold. There is, moreover, some justice in their complaint that Mr Dedijer has damaged their country's international standing; such an open advertisement of political intolerance in Belgrade can hardly enhance Yugoslavia's credit in the West. But neither Dedijer nor Djilas would have turned to the pages of foreign newspapers if their own had been open to them. The whole affair, in fact, is symptomatic of the difficulties and frustrations that are bound to arise when men are encouraged to expect more political freedom and then disappointed in their hopes. It will not shake Marshal Tito's government, but it may cause him to reflect that he ought to resolve some of Yugoslavia's internal contradictions before he sets out on any more foreign travels.

Farm Prices on Manoeuvre

THE National Farmers' Union has given a broad hint that if (as is likely) the recent seven shillings wage award to farm workers is confirmed, it will press the Government to hold a special price review. Confirmation of the award cannot take place before January 17th, and soon after that the annual review of farm prices is due to start. This means that the annual review and any special review might have to take place concurrently—a curious procedure, but one from which the union can secure a tactical advantage. Price floors for next year's harvest were fixed this year, and the farmers' only hope of getting them raised to meet their higher wage bill is to invoke their right to a special review whenever there is a "sudden and substantial" increase in costs.

By this method the farmers can also take advantage of the inconvenient promise made by Mr Tom Williams, when he was Labour's Minister of Agriculture, that any

major increase in costs occurring between annual reviews will be fully and promptly made good by higher prices. The present Government has never repudiated this pledge, although on at least one occasion it has managed to wriggle out of implementing it. This year, however, the abominable weather and poor harvest preclude any real chance of dodging the issue. Either the Government will have to deny farmers the increased recoupment which they think of as their due, or it will have to abandon its intention (reiterated by Mr Heathcoat-Amory at Derby shortly before Christmas) of reducing the taxpayers' bill for subsidies. Mr Williams's promise seems to be coming home to roost on his opponents' shoulders at what he must regard as the best possible time.

Means Test for Scholars

SHORTLY before the Parliamentary recess the Minister of Education was asked whether he would consider abolishing the means test for winners of state university scholarships. He answered that this would be contrary to the provisions of the 1944 Act, but expressed willingness to reconsider the scales according to which the test is operated. Although in this—as in other fields—means tests should certainly be retained, this reconsideration is overdue. The present scales, under which grants taper to nothing at £2,200 a year gross parental income (with an additional gross £100 per additional child in the family), would have been generous at the prices and the taxation levels of 1938; but a gross income of £2,000-odd at that time represented a standard of living, and a power of budgetary manoeuvre, requiring something nearer £8,000 gross today.

Two main changes seem to be needed. First, the present scales might be just about adequate for only children. The professional family with only one son at the university carries, it may well be argued, no heavier a proportionate burden than do similarly placed working-class parents, to whom it is no small matter to forgo those contributions to the family budget normally expected from a twenty-year-old son or daughter. Scholars, however, are no less apt than other people to have brothers and sisters of their own kind; and to set against the expense of putting a second, third or fourth brilliant but unsubsidised youngster through the university—at £350 or so a year apiece, not counting vacation keep and personal requirements—a mere £100 less income tax and surtax is an unqualified absurdity. The allowance for additional children should clearly be increased.

Secondly, the system bears with grossly unequal weight on the old rich and the new. The owner of inherited capital can, at a pinch, run it down over the educational period. The "new man" who has himself climbed the educational ladder on his own merits and attained professional status without the benefit of inherited wealth has no such alternative. Sometimes this may rob the second generation of the especially gifted of their chance of a university education altogether; more widespread is the differential check which, in the name of the most elementary prudence, it imposes on the family raising capacity of every new recruit to the professional classes. It would be

difficult to find, in all the structure of British Petro—a device more pointedly dysgenic. The obvious and here would be to distinguish in the means test between earned income and unearned (which implies the existence of a cushion of capital). Together with Dame Florence Horsbrugh's suggestion that net rather than gross income should be used as a basis for the test, this would represent an excellent—and politically uninvincible—beginning of reform.

Dr Nkrumah in Difficulties

THE United Nations decision to send a mission to the Gold Coast, to make investigations on the spot before deciding whether the mandated territory of Togoland can be integrated in the Gold Coast under undiluted African management, has come at an awkward moment for Dr Nkrumah; it will inevitably postpone the prospect of complete independence for "Ghana," which, in an important but perhaps maladroit speech last October, he promised was very near. Complete sovereignty can hardly be transferred while Britain is the mandatory power. And if by the time the mission arrives the Asanteman Council and the National Liberation Movement are still vociferously demanding independence within a federal state for Ashanti and the Northern Territories, it is unlikely to be impressed by the claims for complete control of Togoland from Accra.

It would not be true to say that the Gold Coast is falling to pieces even before the remaining elements of British power—always a unifying force—are withdrawn; but it is true that the revolt against his Convention People's Party is a very real challenge to Dr Nkrumah's supremacy and claims for the competence of his government. On the morrow of the election which swept the CPP to power last June there was no sign of it; now a confederation of malcontents, both chiefs and former CPP supporters, are refusing to discuss their demands with the prime minister and requesting direct access to the ultimate sovereign power—Britain, through the Governor. The Governor has rightly left the problem to the elected leader of the people, but Dr Nkrumah has taken rather a long time to perceive his responsibilities. At length he has issued an invitation to the people he first dubbed "an irresponsible minority" to discuss their complaints.

Some of Dr Nkrumah's critics are motivated by tribalism, but they have gained strength from the failure of a considerable number of CPP candidates in Ashanti last June to make clear their policy about the price to be paid to cocoa farmers; the farmers feel deeply aggrieved at the government's decision to leave that payment at half the world market price and to put the proceeds into general revenue. These CPP members are now in trouble; the conclusion to be drawn is that the party must be more sensitive to the country. Such are the realities of power which Dr Nkrumah and his colleagues must show themselves fully able to master, since they are inseparable from the creation of a viable independent state. If dissension grew it would give a handle to those who are anxious to find excuses to oppose the Gold Coast's admission to the Commonwealth club as a full member. As it is, the Togoland question and the challenge to Dr Nkrumah's authority



*May we give you
a piece of our mind?*

Our technicians are always glad to give you the benefit of their experience. Why not get together before planning that electrical job? The chances are you will save yourself time and trouble.

The BICC Technical Advisory Service has been helping solve customers' problems for many years. Advice is given on the selection, application and installation of electric cables and wires for every purpose—and on the wide range of associated equipment manufactured by BICC.

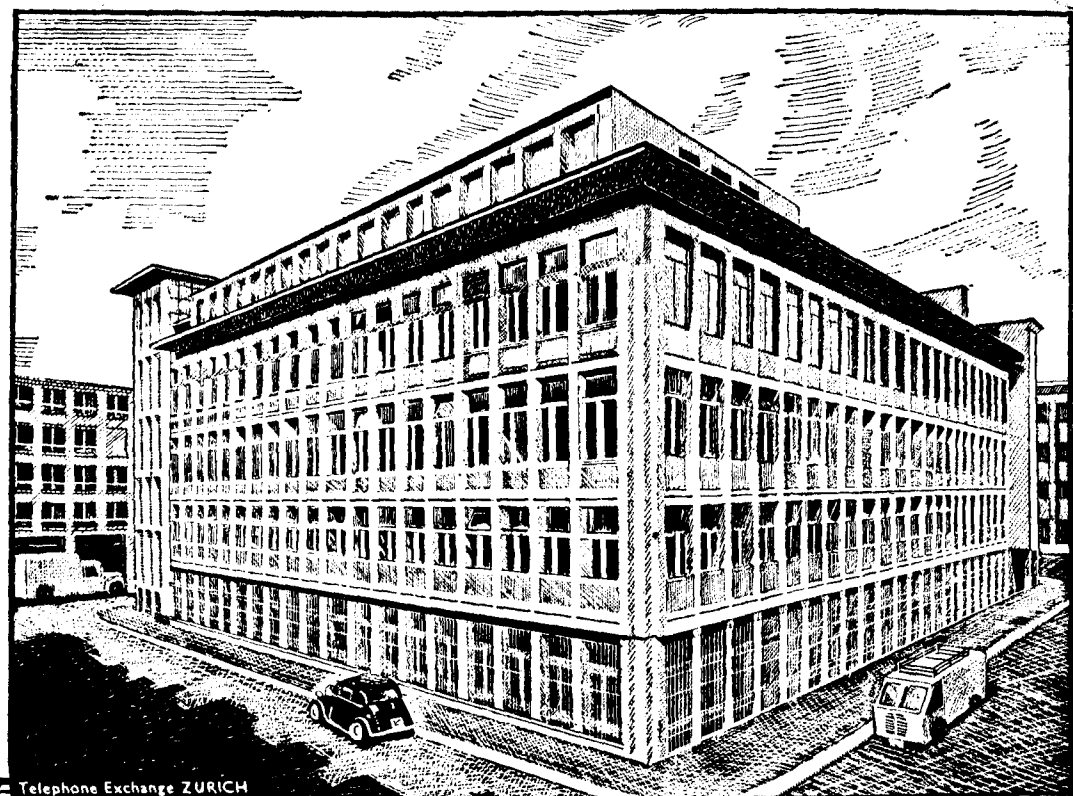
This service of course is entirely without obligation.

BICC

**Technical Advisory
Service**



BRITISH INSULATED CALLENDER'S CABLES LIMITED
21 BLOOMSBURY STREET, LONDON, W.C.1



It shall not burn

At last, nuclear knowledge brings to every office, factory, warehouse or other industrial building, a sure and certain means of fire prevention which is now available to all.

The main illustration shows the Central Telephone Exchange in Zurich. Over 3,500 detectors are installed in the 128 telephone exchanges of the Postal, Telegraph and Telephone System of Switzerland.

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.

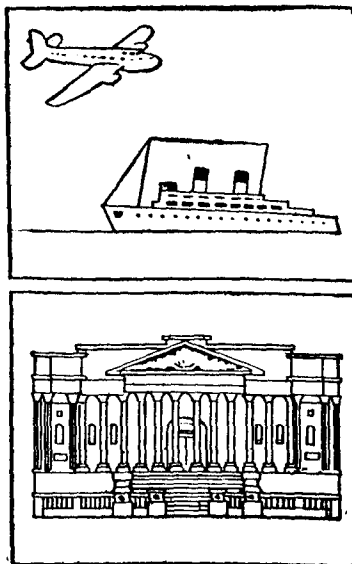
HOW IS IT INSTALLED?

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

FIRE DETECTION SYSTEM

APPROVED AND ADOPTED BY THE
ADMIRALTY AND AIR MINISTRY

Manufactured by The Minerva Detector Company Ltd., Richmond, Surrey, England

the country may already justify any decision not at the Gold Coast's coming application for membership before the meeting of Commonwealth prime ministers later this month.

Sudanisation and Scapegoats

As from today, January 1st, the 800 or so British officials who remain in the service of the Sudan government are confronted with a choice that adds yet one more trial to their unenviable lives. Up till now, all expatriates holding appointments which might be designated as "politically dangerous" by the Sudanisation Committee have been liable to dismissal at two months' notice. Almost all the British servants holding administrative posts have been liquidated under this head. From today, under the Compensation Bill that lays down the terms for their withdrawal, the survivors may give six months' notice of retirement, and so become masters of their own immediate fate. What are they to do?

Of the remaining 800, nearly all are technicians, very few of whom are as yet replaceable by Sudanese. Were they making their choice in reasonable conditions, many would choose to stay in spite of the generous money compensation that is available to them if they resign, partly because they are interested in their work, and partly because no man likes to quit a technical job that is bound to lapse if he goes. But reasonable conditions are not available. They know the Sudanisation Committee has been meeting to decide their fate, but it has chosen to tell them nothing of its deliberations; likely tales about its decisions have, however, reached them at secondhand—often via the bazaar—and 80 to 90 per cent of them are said to be scheduled for dismissal "at an early date." The temptation to go at a moment of their own choosing is therefore very great; for any who have a substantial period of working life ahead of them there are plenty of jobs available in other countries in view of their quality and experience, and the Sudanese government, having created a climate of insecurity around

them, will have only itself to thank if, when they depart, the Sudan is left short of essential services.

Yet this is not the light in which Sudanese nationalists will see the practical difficulties into which they are about to plunge their country. These they will lay at the door of the British technicians who "walked out"; they will dub it the "final proof" that the British were only prepared to work in the Sudan in the role of masters. Some of the technicians concerned foresee this accusation; some, working in rural areas, are being implored to hang on by local notables who know their worth. Their New Year decision is a difficult one to take—just how difficult is recognised only in Europe, and not at all in the Nile Valley.

Co-existing in Indo-China

SCPTICAL voices are already being raised among French businessmen in Saigon about the practical value of the experiment in "co-existence" which has been given a formal basis in the new Franco-Viet Minh agreement. This agreement, it is said, provides insufficient safeguards to tempt French enterprises either to stay on or to return. A closer study suggests that some, at any rate, of these fears are groundless. Within the limits of the agreement, its provisions are not unduly weighted on the Viet Minh side. It is complained in Saigon, for instance, that the provision that French enterprises shall be maintained "within the framework of Viet Minh legislation" provides the Communists with a free hand to treat French businesses as they see fit. On the other hand, the agreement specifically lays down that "no discriminatory measures, whether legislative, administrative, fiscal or jurisdictional will be taken against them." The long-term prospects for French industrial and commercial enterprises may not have noticeably improved as a result of the agreement, but the Viet Minh are unlikely in the earlier stages to discourage the goose from laying its golden eggs. Meanwhile, as this week's announcement of Chinese aid demonstrates, Ho Chi Minh is not neglecting such opportunities as exist on his side of the bamboo curtain. The Chinese help, however, will be mainly concentrated on communications; though valuable to a country ravaged by war, it will not solve the Viet Minh's foreign exchange difficulties.

The dilemma of French policy in Indo-China is that it looks in two directions at the same time: toward co-existence with the Viet Minh and toward support for American policy in the Nationalist South. Neither, however, is necessarily incompatible with the Geneva agreements. M. Sainteny's business accord with Mr Phan Anh of the Viet Minh represents one facet, M. Mendès-France's budget allocations for Indo-China the other. These latter, together with the French request for participation in the Colombo Plan, confirm that France is committed to maintaining not merely its cultural links with the Associated States, but also its share of economic aid. The budget allocations for the current year are relatively small: 3.9 billion francs (about £4 million) for Cambodia, one billion francs for Laos and 2 billion for Vietnam, together with 100 million for "international aid and unforeseen requirements." The true scale of French economic aid is revealed in the item headed "autorisation des programmes," which calls for a French contribution of

We regret

to announce that we can no longer accept orders for the 1955 edition of THE ECONOMIST DIARY. The size of the edition was substantially greater than for 1954, but it was, nevertheless, insufficient to meet the heavy demand from home and overseas.

We suggest

that you may be able to obtain a copy from one of the leading bookshops and stationers. If you wish to ensure that you are not too late next year you can instruct us to notify you when the 1956 edition is ready. All you need do is to write your name and address on the back of a postcard and send it addressed to: 1956 DIARY, THE ECONOMIST, 22 RYDER ST., LONDON, S.W.1.

20 billion francs for the year 1955-56. Of this, 11.2 billion will go to Cambodia, 2.8 billion to Laos and 5.5 billion to southern Vietnam, with a margin of 500 million for "unforeseen requirements." As most of these funds are earmarked for projects already receiving Colombo Plan assistance, it will be seen that France is already, in fact if not in form, a member of the Plan.

X in a Spot

IT is three years ago today since the X certificate was added to the armoury of the British Board of Film Censors, and the *News Chronicle* has performed a public service by drawing attention to the remarkably silly situation that has arisen in connection with it. An X film is one that may not be seen by any child under the age of sixteen, even if accompanied by his or her parents. As any cinema showing an X film suffers a serious cut in family audiences, the Rank group, which controls the Gaumont and Odeon circuits, will not make or screen any films that are marked by this certificate. In consequence, other producers who make X films for the British market have to fall back, in part, on the custom of rather specialised types of cinema—some of which will not accept films that they consider to be insufficiently pornographic.

Meanwhile, and most unfortunately, the Board of Censors seems to have interpreted its responsibilities very strictly. Among the films which it has blocked by indicating that it would qualify only for an X certificate are Michael Croft's "Spare the Rod," on the grounds that "an inefficiently run school and the moral deterioration of its teachers through their inability to control children

are not subjects to be debated in the presence of school age"; it has also indicated that only a certificate could be allowed to a screened version of George Orwell's "1984."

Three points arise. First, this policy—which stems, of course, from the best intentions of the film industry itself—seems to be drawing perilously near to the stage where, except under such exceptional circumstances as now surround the supposedly horrific "1984," no film with a serious social purpose can be made in Britain at all; the proposal to film "Spare the Rod" has already been abandoned. Secondly, the device of the A certificate already exists so that parents may decide to which films they will allow their children to go; when an X certificate is given to a film it indicates that, in the censors' opinion, any parent who wanted to take even an intelligent boy of fifteen to see it would be wildly irresponsible. A list of some of the best films that have been given X certificates—nearly all of which were produced originally for foreign markets, including some of the finest French films and such serious American films as "Detective Story"—suggests that definitions of irresponsibility can differ. Thirdly, it is no use the Board saying, as it has said, that "none of these films could have been passed if this category had not existed." What this peculiarly annoying phraseology means is that under the system now existing and as the British Board of Film Censors now interprets it, these films "would" not have been passed if there had been no such device as the X certificate. It is for the public to consider carefully whether the system, or the Board's interpretation of it, should be changed.

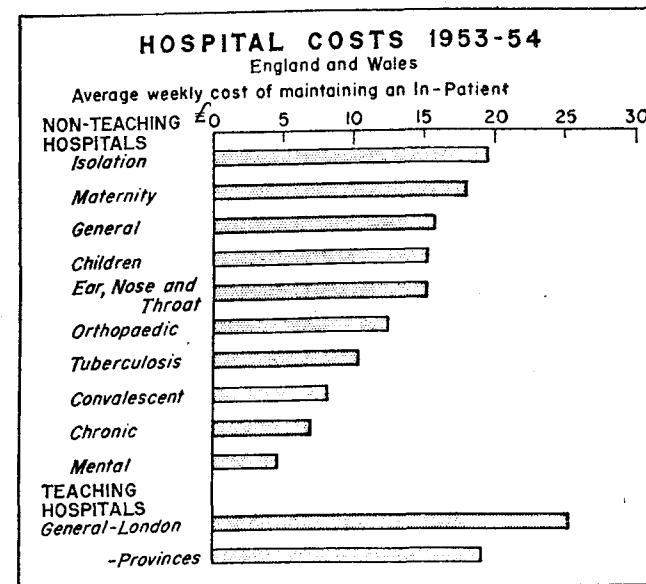
Costing a Cholecystectomy

A TOTAL budget for the hospitals of some £300 million a year, like most other items of national expenditure, is too big to have any impact on the average person's mind. It may be salutary, therefore, for him to study the latest hospital costing returns for England and Wales (HMSO, 17s. 6d.) and find out what it costs the taxpayers every time he goes into hospital as an in-patient.

He should not, however, jump to conclusions from the simple comparison between the different types of hospitals shown in the accompanying diagram. Thus, although it appears to be expensive to treat people in isolation hospitals, that is because their staffed beds are—and by the nature of infectious disease are bound to be—grossly under-occupied most of the time. Similarly, the comparisons show that it is cheap to be mad. But it has to be remembered that the staff of most mental hospitals is very small in relation to their large numbers of patients, and that these large numbers account for the small cost per patient of other standing charges—and, presumably, for the very low cost (17s. per head per week) of feeding the patients and staff.

Hospital authorities, according to the Ministry of Health, ought to be able, by comparing the costs of their own hospitals with those of similar hospitals, to see where economies can be made. Why, for instance, should the laundry costs or the food bill of one hospital be so much bigger than those of another with roughly the same number

of patients? But what have the hospitals for making economies when they cannot retain the fruits of them and use them for badly needed improvements or expansion? Similarly, what incentive has the Ministry of Health to encourage the hospitals to use their beds more fully, and so reduce both costs per patient and waiting lists, when it means that the



total bill to be presented to the Treasury for the hospital service will be even higher? These costing returns are full of interesting information. But they have little bearing on the main problem of hospital finance.

Love in Too Cold a Climate

THE odd impression seems widespread that the congress of writers just held in Moscow has concentrated its ardour on thoughts of love. This idea apparently arose from a report of some remarks by Mr Konstantin Simonov, who is usually a sound two-minute-hate man, but who happened, this year, to make a passing comment on his colleagues' failure to match the Tsarist authors in ability to describe romantic passion. The congress, however, had little time for such amorous wantonings. Its atmosphere was far too chilly. Under the eyes of Malenkov, Khrushchev, Molotov and other watchful demigods from the Kremlin, the members of the Writers' Union underwent the reading of a "greetings message" from the Party Central Committee, which accused them of "deviations," of writing "worthless works," of "defaming Soviet people," and of failing to write enough about the Red Army. In a three-hour secretarial report, Mr Alexei Surkov piled up further charges, including bourgeois nationalism, "Leftist methods of criticism," and, above all, "cosmopolitanism." Mr Ilya Ehrenburg must have squirmed mentally as his recent novel, "The Thaw," was solemnly condemned. Its hopeful title was clearly premature.

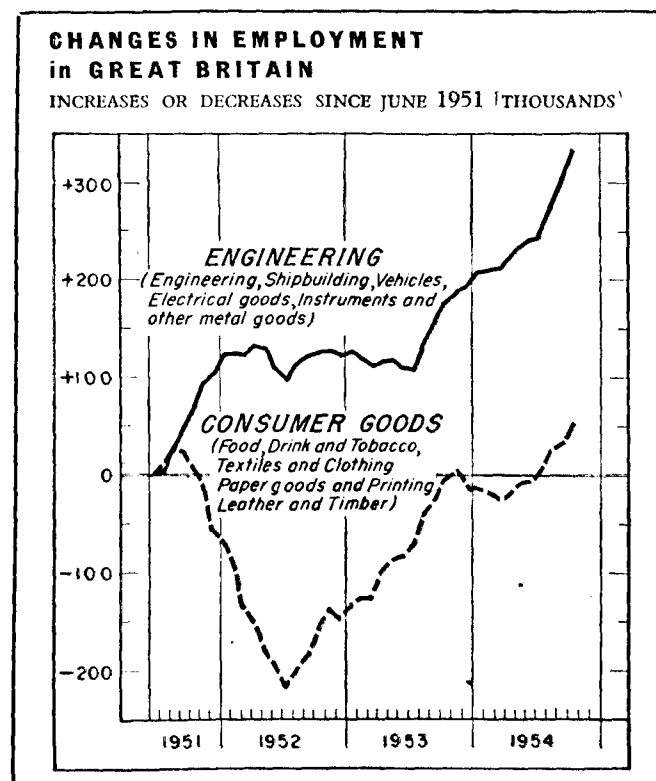
However, if dangerous thoughts such as Mr Ehrenburg evidently retains from his days in the West are to go back into the deep freeze, the culprits may at least live to write

another day. Mr Ehrenburg himself, having duly "reviewed his erroneous stand," got a seat on the platform at this congress. And the less "monolithic" Soviet authors may hope to keep their names before the public during the literary winter by meeting the undoubted demand for escapist romances. Soviet newspapers have recently been publishing collective pleas from collective farms for something in the manner of Pushkin or of "Romeo and Juliet"; and this implies a measure of official endorsement. Love stories will probably prove easier to deliver than the great increase in consumer goods which Mr Malenkov is pledged to provide by next year.

Perón's Christmas

PRESIDENT PERÓN has marked the festive season by intensifying his campaign against the Church and the role of Catholicism in Argentine life. He is attacking along two main lines: religious education and marriage. His government has passed laws which legitimise children born out of wedlock, and legalise divorce. At the same time, he is preparing to abolish compulsory religious instruction in Catholic schools. These moves have provoked a violent reaction among Argentine bishops, and have caused outbreaks of rioting among the faithful. But despite the efforts for conciliation made by the Papal Nuncio, and despite mounting discontent in what is a predominantly Catholic country, General Perón has gone ahead arresting recalcitrant priests, breaking up Catholic student organisations and denouncing the interference of the Church in political life. In Cordoba alone, police have arrested nearly sixty persons who have expressed opposition.

It is not altogether clear what the motives of the Argentine



Great Pantomime

THE ROSE AND THE RING, etc. A Fireside Pantomime for Great and Small Children.
By Mr M. A. Titmarsh.

Smith, Elder, and Co.

MR THACKERAY should confine himself to making fun. When he writes serious novels he grows sad and wearisome—falls into dismal mistakes of sentiment—confounds reason, instinct, propriety, fashion, nature, truth, virtue—and writes books that are at once, in spite of an admirable style, tiresome and offensive. The "Rose and the Ring; or, the History of Prince Giglia and Prince Bulbo," may be a political satire, but we have not found out its bearings. It is, however, a most delightful mixture of fairy incidents with common things, of royal ceremonies and the humblest everyday cares of fashionable and vulgar life, of prose and rhyme, that will make all the boys and girls of the kingdom who can only get a reading of it laugh all the Christmas holidays, and all through all the holidays they will have for the next year. Great boys and girls will laugh at it, too, and laugh almost as much at the cuts as at the letter-press. It will be introduced no doubt at all the theatres where there is time, and be on the stage as it is off—the great pantomime of 1854.

The Economist

December 30, 1854

regime are. There has been speculation that it is seeking a scapegoat and a diversion of attention at a time when *Peronista* policies have brought on a serious economic crisis. But it is paradoxical that a regime which, since the death of Eva Perón, has lost a good deal of its former popularity, should deliberately alienate a major part of its population. It is more likely that the president, who may feel that his days are already numbered, is seeking to consummate the social revolution with which he has identified his dictatorship. The Catholic Church has been the main centre of potential opposition to *Peronismo*, and the president's hand may even have been forced by recent Catholic gains in the universities and the trade unions.

More Legal Aid

RECOMMENDATIONS for the provision of legal aid and advice to litigants in county courts which is contained in the fourth report on the legal aid scheme published this week, were partly anticipated by the Government's decision a few weeks ago to extend the operation of the Act to legal aid in county courts. This decision was the inevitable corollary of another decision—which is to be incorporated in a Bill that will shortly be laid before Parliament—to extend the jurisdiction of the county courts so as to relieve the congestion of litigation in the High Court. At present legal aid committees are putting every

possible case to the High Court in order to get British Petrol the advantage of aid (which has so far been used a lot in High Court actions), and some cases are being put forward that should never come before the courts at all. The decision to extend county court jurisdiction—it now applies to cases in which the sum involved does not exceed £200 (a limit which may be raised to £500, though it has not been fixed)—may also mean that many cases now taken to the High Court will be settled at the lower scale of costs prevailing in the county courts. This will do something to mitigate the hardship often caused to litigants who do not qualify for legal aid, but who have to pay High Court costs when forced to conduct a case against someone who does so qualify—and must pay heavily even when they win their case.

Unfortunately they may have many more such cases to face. It is undeniable that the provision of legal aid, desirable as it may be, has greatly increased the amount of litigation; and it seems certain that some further increase will follow the extension of legal aid to county court cases, many of which could not by any argument be sent up to the High Court. Moreover, the demand for extension of the scheme is based particularly on the need of poor persons to bring actions in connection with the Housing Repairs and Rents Act. Congestion in the county courts is therefore likely to grow even more rapidly than the strain on the overworked High Court is relieved. The increase in the county courts' business may also focus more interest on their procedure, as contrasted with that of the High Court. It is more simple, but not necessarily less effective or just.

Books & Publications

Colour Complex

AN ESSAY ON RACIAL TENSION.
By Philip Mason.
Royal Institute of International Affairs.
158 pages. 8s. 6d.

TO no present-day controversy is Dr Johnson's exordium "clear your mind of cant" more applicable than that of the colour-bar—to give Mr Mason's subject its common, emotional, political label. His essay is an admirable *vade-mecum* for just such a personal exercise in clear thinking. It was, perhaps, inevitable that the main, indeed the only, practical suggestion which emerges from this lucid and compelling analysis is for more research into the facts of racial differences—or similarities—and for wider and more systematic dissemination of the facts which are already to hand. He points, in his final chapter, to the significant easing of racial tension in the United States. This easing of tension has followed such widespread publicity for the findings of

sociologists on the race situation in that country that to display crude racial prejudice there is now the mark of an uneducated person.

For race prejudice is just as much a fact as is the emphatic negative which physiological, neurological and psychological investigation has so far returned to the hypothesis that any human group, distinguished solely by skin pigment, is mentally inferior to any other. Scientists may write as they will—Mr Mason admirably and readably summarises their findings—but the Kenya settler or Platteland Afrikaner, looking round at the disparity between European and Bantu material achievement, can also quote Johnson against such solipsistic laboratory studies, observing with a sweep of the arm which takes in the Rand or the Owen Falls Dam, "Sir, I refute it thus!" In so doing, Europeans in Africa make a moral judgment about the superiority of their culture

which Mr Mason does not fail to dissect; the fact remains that such a judgment based on common observation is made, and shapes almost unalterably the European emotional attitude to the African as well as the attitude of the African whose whole development is rigidly prescribed thereby. Mr Mason's analysis of these hardening attitudes, at first complementary, but later becoming opposed and irreconcilable, constitutes a notable addition to the whole argument about colour and colonial policy.

As Mr Mason shows, the period of dependence and mutual confidence is succeeded on the part of the dominated race, after a varying period, by a neurotic rebelliousness; and it is this, almost as much as the downright suppression practised by Afrikaners, which is producing tension and indeed violence on such a scale as to become a factor of growing weight in the fine balance between the material and moral strengths of the two great opposing blocs of powers. It is this that makes the finding of a solution of such political interest: on race relations, Communism has (like Islam) the moral initiative, however undeservedly; it is increasingly clear that the West must spare no effort to retrieve it. It is this that makes South Africa, apparently remote from the world struggle, a key country as much for American as for British statesmanship.

The political problem in Africa is at least in part one of the timetable. Euro-

peans—certainly British intentions—are good; even the record, in terms of human realities, is infinitely better than is widely supposed as the result of mischievous propaganda; but political needs go far ahead of the power of human beings to adjust. The Labour party can demand that a time limit shall be put on the granting of independence to African peoples; but it cannot ensure that they shall become capable of running modern states by that time. Yet upon their ability to run the paraphernalia of modern government and technology, the Europeans on the spot, who have to live with them, insist on judging them. In the interests of material welfare and technical efficiency, the dominant race has created the "stabilising techniques" which Mr Mason describes, and which maintain it as the unchallenged cadre of technocrats in Africa. Such technocrats are not impressed by the argument that in the time-scale of human evolution the start that they have inherited from the European forebears is merely fractional. Prisoners of their own system of thought, moreover, they cannot accept socially the gifted individuals of the darker race who represent now that theoretical equality of races which is to be achieved some time in the long run.

Mr Mason offers in this essay neither a quick solution nor an outright forecast of catastrophe. He has concentrated on Africa (with illuminating analogies drawn from his personal experiences of the British Raj in India) because it is in Africa—rather than Cardiff, Carolina or Kingston, Jamaica—that racial disparities are at once greatest and liable to be most explosive. The White-Black, European-Negro, antithesis is by no means the only point of racial friction in the world; the danger is that European and Afrikaner handling of it may make of it a trigger-mechanism for detonating latent colour antagonisms throughout the world to the ultimate ruin of Western culture.

Theoretical League

THE LEGAL COMMUNITY OF MANKIND.

By Walter Schiffer.
Columbia University Press (London: Geoffrey Cumberlege). 377 pages. 45s.

IN the whole erection of the League of Nations there was an "as if" element—an assumption that it was hopeful to set up an international organisation as if there existed a real community of nations in which men would behave reasonably. This community might then come into being. As many critics of the League have pointed out, the conditions necessary for its success, if they had existed, would have made it unnecessary. But no previous critic has explored with so much scholarly care and acuteness the historical reasons for this "as if" element.

Dr Schiffer shows how the whole legacy of human thought about international law and organisation was conducive to such assumptions. The

medieval notion of natural law implied that "the highest standards were considered to be not merely moral but legal rules," and such rules applied despite the absence of a worldwide organisation. Grotius and the other fathers of international law perpetuated the idea of the world as a legal community which was yet not a state: and even the positivist view of international law clung to the concept of a legal order binding upon actual states. To such ideas the nineteenth-century champions of *laissez-faire* liberalism added the doctrine of a natural harmony of interests among nations, with the corresponding concept that some spheres of activity (particularly the social and economic) are separable from politics. From the combination of all these ideas with the liberal-democratic faith in the purifying moral force of public opinion emerged the theories on which the League rested.

Only these assumptions made it seem practicable to set up an organisation of sovereign states, voluntary in character and designed to prevent war. The general realisation of common interests and the democratic operation of overriding reasonableness would supply the unity of purpose needed to make it work. Meanwhile technical progress in non-political co-operation would weave the fabric of the new world community. Dr Schiffer avoids the question whether it was for these reasons, or for others, that the League failed. But he rightly indicates the extent to which the United Nations rests on only slight modifications of the same ideas.

His argument is always lucid and temperate, and he writes as a friendly critic of the League of Nations. In so far as the present world organisation assumes still greater autonomy of social and economic co-operation from politics, it puts even more faith in the capacity of functional agencies to create that community of interests which the political structure presupposes. A corresponding study of assumptions underlying the United Nations organisations would be of immense value; and it could fruitfully build upon this admirable analysis.

A Modern Moses

JINNAH: *Creator of Pakistan.*
By Hector Bolitho.
Murray. 254 pages. 18s.

BY the test of sheer achievement, Mahomed Ali Jinnah must be reckoned as one of the most dynamic and successful political leaders thrown up by the present century. It has fallen to Mr Bolitho to write the first full-scale biography of this remarkable man, and he has done it very successfully. And yet, for all the fascination of the subject and of the stirring chapter of history which Jinnah helped to make, it must have been a difficult biography to write, for there seems to have been little of the ordinary raw material of biography, the detritus of a great man's life, available for sorting and selection by the historian.

Apart from the brief story of his unhappy marriage, Jinnah could be said to be as nearly without any private life as it is possible for a man to be. There seem to have been very few letters to quote from and nothing at all in the way of self-revealing diaries or other personal documents; nor had Jinnah any intimate friends to whom he would have bared his heart. Aloof, austere, seemingly devoid of human interests, shunning emotional contacts, he was not the man to provide his biographer with any "human touches."

But if this is not, and could not be, an intimate biography, the very facts of the story, as they unfold, create an absorbing picture of a modern Moses who led the Muslims of India, against all odds, into their promised land; who, though already a dying man when the crisis of partition was reached, saw his dream come true. The story has, moreover, some paradoxical features. It was a curious phenomenon that the creator of the largest Islamic state in the world was himself not a good Muslim, so far as religious observance went, took a strictly secular view of the state, was completely modernised and westernised in thought and habit, and was anything but a demagogue. He could sway huge crowds, but did not even bother to speak to them in their own language, and was far too fastidious to be a popularity-seeker; "public relations" had no place in his scheme of things, and at his press conferences reporters were not even regaled with tea and cigarettes. If he was fanatical in anything, it was only in his uncompromising honesty, both moral and intellectual. It was, of course, this quality which won Pakistan for the Muslim League. A lesser man would have compromised not once but a dozen times along the way, but Jinnah was not to be bamboozled: neither the sentimentalism of Gandhi, nor the subtlety of Nehru, nor the charm of Mountbatten could prevail against his icy defences; there were no chinks in the armour of his mind, which reacted against any kind of humbug as instantaneously as an automatic machine rejecting false coins.

The Congress leaders had, of course, made the mistake of underestimating him for years, just as they refused until the eleventh hour to take the idea of Pakistan seriously. All through the critical period of the thirties they had, in Jinnah, if only they had realised it, a unique instrument for holding India together. Not only was he free from bigotry and racial prejudice, but his friendships (such as they were) lay at least as much among the Hindus and the Parsees as among the Muslims, and he was actively disposed to be a champion of Hindu-Muslim unity. This aspect of his earlier life is well brought out in Mr Bolitho's book, which also clearly outlines the stages by which he was gradually forced, by the shortsighted attitude of the Congress leaders, to draw back from this position and nail the colours of Pakistan to his masthead, where they stayed for the rest of his life. It was logic, not sentiment, that drove him to this position.

The War in Korea

FROM THE DANUBE TO THE YALU.

By General Mark Clark.

Harper. 356 pages. 21s.

WHAT HAPPENED IN KOREA?

By Guy Wint. Background Books.

Batchworth Press. 152 pages. 5s.

GENERAL MARK CLARK never got to the Yalu. He assumed command of the United Nations forces in Korea in May, 1952, when the armistice negotiations had been in intermittent progress at Kaesong and Panmunjom for nearly a year, and the military situation was already a mere facet of a complex political tangle. It was a thoroughly frustrating position for any commander-in-chief, and particularly so for a man who had earlier had two years of frustration while serving as American High Commissioner for Austria. As early as 1946 General Clark had discovered in Vienna that firmness got results from the Russians. Thereafter, Marshall and others urged him to "pull his punches" in public statements about the Russians, and he did so; but his views never changed. Nor, he tells us, did he ever change the opinion, formed after a talk with General MacArthur in 1951, that the United Nations should not have granted Peng Teh-huai's forces a sanctuary behind the Yalu river whence their aircraft could operate and where their supply bases were safe from air attack. General Clark loyally observed this and other restrictions while he held his Korea command; but the pain he felt at seeing his men dying day after day in a war which he was not free to fight to a finish was very real.

Mark Clark was the first American general in history to sign a compromise armistice; this, too, he did very much against his will. His conquest of his personal feelings was a remarkable feat. From the moment of his arrival in the Far East he had had to wrestle with problems far outside normal military experience. There was the outbreak in the Kojé prison camps. There were the newly sovereign Japanese, who, among other things, tapped his telephone in Tokyo. In Seoul he was whipping-boy for a Syngman Rhee with whose desire to fight the war to a finish he privately sympathised, but whose blackmailing methods he bitterly resented. He knew that, at Panmunjom, Nam Il was not negotiating at all but merely making propaganda, but he could do nothing to stop it. He still seems uncertain why the Communists eventually agreed to an armistice when they did. As he points out, Stalin's death in March, 1953, provoked a swift change of front; but the Communists reverted to stonewalling several times between that date and the signing of the armistice in July.

Mr Wint is inclined to see a clearer connection between the death of the stubborn old despot and the end of the fighting; but he too is reluctant to define the chain of causation very closely. It is, indeed, the special merit of his book that it brings together in a concise form all the main aspects of the Korean war

without over-simplifying any of them. Mr Wint's narrative begins with Korea under the Japanese, and continues until the breakdown of the Korea negotiations at Geneva last June. It is to be highly commended to all who failed to follow the tangled skein from start to finish, those whose memory has become blurred on specific points, and, particularly, to younger readers who now want a reasonably short and straightforward account of a chapter in recent history to which they may not have paid much attention at the time. Mr Wint writes with understanding of the nature of Chinese Communist revolutionary zeal, but with no illusions about the grisly methods used by the Communists in, for example, their cruel shadow-play on "germ warfare." His conclusions are extremely suggestive. He does not try to pretend that the doctrine of collective security was put into effect in Korea in its purest form and with complete success; but he argues that the United Nations

had accomplished one very great thing. They had taken the shock of Communist aggression at a time when Communist policy was to aggress. If there had been no resistance in Korea, other aggression would have followed elsewhere. . . . Sooner or later the western nations would have been forced to stand and fight, as they were forced to do by Hitler. They might have resisted in circumstances very much worse than in Korea. . . .

The Korean war was "a small one which was fought in order to prevent a big war happening." Mr Wint points out the danger of generalising from one example. But it is equally dangerous to ignore such an example. That is why such a book deserves a very wide reading.

Preacher and Poet

JOHN DONNE.

By K. W. Gransden.

Longmans. 205 pages. 10s. 6d.

WHEN John Morley was editing his famous English Men of Letters series, the taste of the day was such that Donne did not qualify for inclusion. More surprisingly, in spite of all the critical attention that has been focused on him over the last thirty years and more, nobody has hitherto produced a brief and balanced account of his life and achievements. Mr Gransden's book is accordingly welcome. It is not pretentious, but it covers the whole ground. The less-read poems come in for the attention they deserve, and so do the prose works, and not the sermons and devotions only but the satirical and controversial pieces as well.

For his biographical material Mr Gransden naturally leans heavily on Izaak Walton, who had the inestimable advantage of being a friend of Donne's. In his distribution of emphasis he comes closer to Walton than some of the admirers of the youthful love-poetry have done. Walton has been criticised for too hagiographical an approach, but in fact he did not base his high estimate of Donne entirely on the piety of the

latter years. Donne's literary Petrarchism is perfectly apparent to him. . . . and a memory of Dr Donne . . . must not, and a not die, so long as men speak English," he wrote; and his *Elegy*, written within a week of Donne's death, begins:

Our Donne is dead! and we may sighing say
We had that man where Language chose to stay
And shew her utmost power . . .

Where Walton differed from modern readers was in admiring the works of Donne's maturity more than the poems of his dissolute youth. Fortunately we are not troubled by the discrepancy between the reputations of the young man about town and the learned Dean of St. Paul's; but if we are freer than Walton was to appreciate the love poems, we should also recognise that what Donne wrote as a servant of God is as authentically interlarded with his peculiar genius as what he wrote for his "profane mistresses." Mr Gransden acknowledges this and (perhaps a little against his natural inclinations) gives due weight to Donne the theologian, the preacher and the religious poet.

Some of his expositions of difficult passages in the poems are in an Empsonian idiom that is not very happily managed, and there are a few actual blunders: the third satire is not in blank verse; and George Herbert's mother was either Mrs Herbert or Lady Danvers, but not Lady Herbert. But these are very minor defects in a genuinely useful book.

Man and Science

SCIENCE AND THE COMMON UNDERSTANDING.

By J. Robert Oppenheimer.

Oxford University Press. 127 pages. 10s. 6d.

THE reception given to Professor Oppenheimer's Reith Lectures when they were broadcast in 1953 was generally one of bewilderment and disappointment; apparently something different was expected from the man who had engineered the mightiest scientific experiment in history. Since then a storm has broken over his head in his own country, and the appearance of the lectures in print is opportune for a re-reading with fresh sympathy and curiosity.

The lectures undertake "to attempt to elucidate what there is new in atomic physics that is relevant, helpful, and inspiring for men to know." Dr Oppenheimer is one of the few dozen men in the world with the technical ability to perceive the utmost to which the boundary of physical discovery has been pushed; he has unusual qualities of thoughtful introspection and sincere self-expression. If physical science has turned new corners and brought fresh vistas into view, therefore, here is where we might expect to have them displayed to us by a showman of exceptional talents. Once again, then, re-reading

ECONOMIST, JANUARY 1, 1955

the excitement at finding that expressed are, on the whole, familiar ones; the basic viewpoint is still essentially the same as that of fifteen or twenty years ago. The fault lies in the time, not in the man. Physics at the moment is turning too many corners for new vistas to unfold; Dr Oppenheimer and his colleagues have as yet found no stars bright enough to guide the mind of man through this murky maze. And so, unwilling under his self-imposed terms of reference to speculate, he presents again the trustworthy picture whose general lines were drawn in the "heroic age" of the twenties: "For those who participated, it was a time of creation; there was terror as well as exaltation in their new insight." This is not simply unconstructive nostalgia; it ranks as intellectual honesty of a high order to have eschewed the exciting and baffling novelties of which he knows as much as any man.

The main themes, then, of his dissertation are the two principles which formed the intellectual core of the quantum mechanics of the twenties—the principle of correspondence between the old, large-scale mechanics and the new, atomic-scale processes; and the principle of complementarity—the "uncertainty principle," which sets a limit to the minuteness of the scientific delineation of nature, by making the roundabouts all the vaguer, the more precise we try to make the swings. Dr Oppenheimer's argument is sometimes obscure and intuitive, almost mystical; but he can speak plainly, too, and here and there his expression has a poetically moving quality rare in books on these themes. Even if he tells an oft-told tale, we can be grateful to him for the freshness of the telling, and the faith and sincerity he shows us.

History and Myth

CONQUEST BY MAN: *The saga of early exploration and discovery.*

By Paul Herrmann. Translated from the German by Michael Bullock.

Hamish Hamilton. 478 pages. 30s.

THIS omnibus survey of ancient history and myth, which ranges from the travels of Carthaginians, Greeks, Arabs and Vikings to the identity of the White Gods of the Incas and of Prester John, is aimed "not at the professional scholar or scientist, but rather at the harassed and overworked man in the street." It has therefore, we are told, been made "rather more entertaining" than is usual with books of this kind. Certainly Mr Michael Bullock's translation hurries us along in a spate of journalese.

To offer the layman a readable account of exploration and discovery from prehistoric times to the fifteenth century is a praiseworthy object, but in seeking to popularise his theme the author has surely underestimated the intellectual level of his audience. Subtitled "How much does a concubine cost?" "The vicious women on the

island of Cos" and "Do gorillas throw stones?" indicate the style. But the question of style goes deeper than this, for the desire to enliven the text has proved incompatible with the avowed intention of avoiding any "sacrifice of factual accuracy." The more colourful interpretation apparently ousts prosaic reality. Thus the ruins of Zimbabwe are identified with the biblical Ophir although excavations a generation ago proved them indisputably medieval. Again, hoary myths are given a new lease of life: the disappearance of King Madoc from Wales c.1170 AD is linked circumstantially with the eighteenth century Mandaean Indian settlements of the North American plains. There are also inconsistencies. On page 130 we read that when Columbus set sail he knew nothing of America. "That," says the author, "is definite." But on page 227 he comments that "in all probability" Columbus had heard seafarers' tales of its discovery by the Vikings.

In keeping with the aim of popularisation, the eye is continually distracted from the text by a profusion of drawings, photographs and maps, whose number must fill every serious writer on these subjects with envy. Many of the maps are little more than outlines with rivers and place-names inserted and some, No. XXI for example, require a key. In many cases their value would have been greatly enhanced by some indication of relief and vegetation—high mountains, bogs, forests and deserts were serious obstacles for early man to contend with in his journeyings. Indeed this book leaves one with the regret that, unlike Herodotus, Herr Herrmann has not recognised geography as "the very kernel of world history" and has said so little of the natural environment in which our forebears worked.

Despite its faults this work will probably achieve its objective—a popular success. The greater the pity, therefore, that the hard core of fact has been sugared with so much fancy.

Danubian Satellites

RUSSIA'S DANUBIAN EMPIRE.

By Gordon Shepherd.

Heinemann. 273 pages. 21s.

"DIGGING up the Communist present is worse than excavating the Babylonian past, for whereas our remote ancestors made no intentional attempts to deceive us, the present masters of Eastern Europe often seem to do little else." In spite, however, of this entirely justified *cri de cœur*, Mr Shepherd, who has worked in Vienna for eight years, first on the Allied Commission and then as a journalist, has done a good job. If his spade has not turned up any important new finds, he has arranged, expounded and interpreted what information there is about the Communist regimes in Czechoslovakia, Hungary, Bulgaria and Rumania with intelligence, and honesty.

He would perhaps have done even better if he had jettisoned some of his

facts and figures and devoted more space than he has done to discussing the long-term problems facing the Communists in Eastern Europe. How, for instance, are they to choose between their practical need to persuade the peasants to grow more food for the industrial workers, and their doctrinal need to press on with collectivisation? Again, Mr. Shepherd is quite rightly suspicious of the "new course" economic policies introduced in 1953 with the object of improving living standards; nevertheless, the problems created by the lop-sided development of heavy industry are very real.

Mr Shepherd has some sensible and realistic things to say about the prospects of peacefully liberating the Soviet satellites; and his wholehearted condemnation of the Communists' political aims and methods does not delude him into thinking that the clock can or should ever be completely put back in Eastern Europe, particularly in the countryside. It is a pity that he has restricted his survey to the Danubian satellites; for whatever the past—and the future—geographical and political importance of the Danube basin, the present reality is a closely integrated bloc, that includes Poland and Eastern Germany, and stretches to the Baltic. It is also a pity that the book, which contains some photographs of Communist celebrities and victims, does not contain one map.

From the Government Bookshops

Domestic Food Consumption and Expenditure, 1952

Annual Report of the National Food Survey Committee containing analyses of household food budgets based on a national sample and including comparisons of the diets of all social classes and of different types of families.

4s. (by post 4s. 2d.)

The Colombo Plan

The Third Annual Report of the Consultative Committee on Economic Development in South and South-East Asia. (Cmd. 9336)

4s. (by post 4s. 2d.)

Commonwealth Trade 1953-54

A memorandum prepared in the Intelligence Branch of the Commonwealth Economic Committee

1s. 3d. (by post 1s. 4½d.)

H. M. STATIONERY OFFICE

York House, Kingsway, London W.C.2; 423 Oxford Street, London, W.1. (Post Orders: P.O. Box 569 London, S.E.11.) Glasgow: 11a Castle Street, Edinburgh, 2; 39 King Street, Manchester, 2; 2 Edmund Street, Birmingham, 3; 109 St. Mary Street, Cardiff; Tower Lane, Bristol, 1; 80 Chichester Street, Belfast; or through any bookseller

Letters to the Editor

Contrary Kenya

SIR—The article in your issue of December 11th shows a woeful misunderstanding of the local situation.

When the present Council came into being the European Elected Members appointed Mr Blundell as "leader," and it was made clear to him and accepted by him that the term "leader" did not connote "Führer" or "Duce," but merely entrusted him with the formal functions of leading in the Chamber and day-to-day contacts with the Governor and did not empower him to instigate policy or indulge in any constitutional negotiations without the full knowledge and consent of all the members of the European Elected Members' Organisation.

It was the discovery that recently there had been a clandestine breach of this understanding which disrupted us as a coherent team. We had had the most solemn assurance that there would be no constitutional changes during the Emergency or without a round table conference and adequate time for the electorate to consider any concrete proposals. As a result of what can only be described as backstairs intrigue, these assurances were ignored and I and other of my colleagues were summoned to Government House, presented with a long and complicated document, and brusquely informed by the then Secretary of State, Mr Oliver Lyttelton (now Lord Chandos), that we had four hours in which to agree to support or otherwise!

It appears to have been forgotten that Kenya is a British colony and its rule was entrusted to Britons by treaty, agreements and acquiescence with and by the Arabs and the native tribes (*vide* Lord Halsbury's Laws of England). Nearly all of us are in favour of a multi-racial government in so far as it means the incorporation of Arabs and Africans in the machinery of governance. This is a moral obligation even though at present largely symbolic and educational because of their as yet limited experience and grasp of the more subtle and complicated problems of today's national affairs. There is also general agreement that the Indians should have adequate representation in Legislative Council.

The basic objection to the Lyttelton set-up is the inclusion of Indians in the executive citadel of Government with its future implications. The Imperial Government refuses to transfer the rule of the High Commission Territories in South Africa without the consent of the African inhabitants to a European Government and we resent the blatant inconsistency of imposing part Indian rule over us and our Africans without

their consent. If the straight issue "Are you willing to be ruled by Indians?" could be put to the Arabs and the Africans there is no question but that the answer would be a universal and emphatic "No."

Who then, Sir, are the Bourbons?—Yours faithfully,
Nairobi E. S. GROGAN,
Member of Legislative Council

★

SIR—In your Note of the Week of December 25th you refer to "the recent court cases in which the conduct of both the Kenya police and the Kenya Police Reserve has appeared in a most unsavoury light." This statement in the context of your Note does the Kenya Police Reserve a great injustice.

It is not clear to which cases or to which "recent convictions" you refer. The Searle case is reported to be the subject of an appeal. But apart from the issue whether it is fair to base innuendoes about the whole force on individual cases, I wonder whether you have included cases and convictions with regard to individuals who were serving on secondment to other formations. Resentment at recent convictions is not confined to the Kenya Police Reserve. It is common to most of the European community. In fact it is widespread amongst all loyalists. The resentment is due to the fact that great responsibility has been placed on young and inexperienced officers who have been expected by their superiors to produce results. It is alleged that, after being assured of the support of their superiors, these officers have been let down.

Whatever may be the merits of each particular case, the point is that the cases and the incidents out of which they arose are due to a situation in which a state of emergency descended upon Kenya when the government was unable either to restore order or to supply officers of suitable age and experience to undertake tasks requiring the necessary qualities of judgment and responsibility.—Yours faithfully,
London, S.W.7 A. P. LE MESURIER

Enticing the Scientist

SIR—In your note on December 25th you mention that the number of research workers at universities may be excessive with the result that the shortage of scientists is aggravated. I know of no satisfactory measure by which the amount of research done can be judged excessive. On the other hand it can be stated that the number of qualified workers engaged in producing the present volume of

results is certainly excessive.

Scientists at universities often find a much of their time over trivial tasks such as—taking physical chemists as examples—glass-blowing, wiring simple circuits, constructing metalwork, setting up standard pieces of apparatus and making routine observations. It is good that a Ph.D. student should experience these chores but it is waste of the time of a post-doctoral fellow or lecturer. Laboratory technicians without degrees can do such work. A chemistry department, say, would often produce more results if two post-doctoral fellows, costing perhaps £1,500 per annum, were replaced by two senior technicians and a lad, at the same cost. Two Ph.D.s would then be released for teaching other work. Unfortunately this exchange cannot be made because of the methods by which research is presently financed.

The valuable time of senior university staff would similarly be saved if all large departments had administrative assistants.—Yours faithfully,

A. F. TROTMAN-DICKENSON
University of Edinburgh

Cross Currents at Geneva

SIR—In your issue of November 20, 1954, on page 651, you write: "The extreme demands of such countries as Indonesia not only for freedom in tariffs and quantitative controls but also in export subsidies would, if granted, make nonsense of Gatt."

The Indonesian delegation objects against the wrong intimation by your special correspondent which ascribes to it a demand for freedom in tariffs. The Indonesian delegation was among the delegations that were prepared to accept the proposal to bind the existing tariff schedules for a limited period. Furthermore, it was in favour of reducing the margins of preference in preferential tariff schedules, the existence of which still means a deviation from the principle of Article I of Gatt.—Yours faithfully,

A. P. MAKATITA
Indonesian Delegation to Gatt.

Wards of the Public

SIR—I find your article of November 6th a little disheartening in its complete omission of any reference to the Child Care Committees which operate throughout the LCC area. "Individuals" you say, "and categories of persons are the focus of assistance, but there is often nobody to deal with the family as a unit."

It is true that by its very nature the work of the Child Care Committees receives little or no publicity, but I think it should be generally known that these committees, through their voluntary home visitors, do, in fact, apply themselves predominantly to the family as a unit. Wherever there is a child who can be considered underprivileged, there is a case for the Care Committee home visitor who will not consider the child in isolation but against the whole family background.—Yours faithfully,

GILBERT FROST
London, S.W.18

American Survey

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

President in a Divided House

Washington, D.C.

NEXT Thursday's State of the Union Message, which the President will open relations with the new Democratic Congress, is not expected to contain many surprises. To those sections of the Eisenhower "middle-of-the-road" programme which the last Republican Congress shied away from will be added something about building roads, about building an army for "the long pull" on the basis of universal military training, and about another aspect of the now fashionable doctrine that the cold war will be the business of generations, the expansion of economic aid to Asia. But, since Christmas Day, the free world has had the most solemn of promises from President Eisenhower that immediate priority is to be given to the proposals for increasing international trade put forward by the Randall Commission a year ago.

There is no reason to doubt the Administration's sincerity and determination in this matter. A sense of guilt has hung heavily over the White House ever since Europe sturdily declined to excuse the comparatively reputable political calculations that led to the Randall report being held over for a year. Strenuous efforts are being made—and being co-ordinated by a small unit in the White House headed by Mr Randall—both to plan to the last detail an impressive presentation to Congress of the Administration's case and to reassure the free world that, when the President pulls the strings of power, something now moves at the other end. As evidence of the first there is, according to reliable information, the President's personal drilling of the awkward squad in his Cabinet, including Mr Sinclair Weeks, the Secretary of Commerce; this exercise provides a guarantee that there will be an impeccable turnout on Capitol Hill to testify before congressional committees "and back up the boss." As evidence of the second line of activity there is the recent administrative redefinition of the "Buy American" Act. This is expected greatly to ease the task of foreign firms wishing to bid for contracts with American government departments and, since the decision was announced, official ears have been straining to catch the applause from abroad.

The Administration is fortunate that it is able to start off the new period of divided government with a measure that should command strong Democratic support. Freer trade is, historically, a Democratic cause and one in which the Southerners, for powerful economic reasons, take the lead. This is an issue, indeed almost the only issue, toward which even Senator Byrd of Virginia, who will be the next chairman of the Senate Finance Committee, has a liberal

approach. He was in fact a signatory of the Randall report, as was Mr Jere Cooper, the chairman of the Ways and Means Committee of the House of Representatives, where the new legislation will have to start its course.

Even on this question, however, the Democrats are not absolutely united; a number of Senators from mining and industrial states will probably vote against the Bill for regional economic reasons. In the House of Representatives, where members are more immediately exposed to local pressures, there may be a larger defection, though many of these Democrats will probably feel able to vote with the party leadership for a broad measure that does not mention their sensitive commodity by name but passes on to the President discretionary power in negotiating tariff reductions. The main objective, therefore, must be to keep detailed amendments mentioning such commodities as lead, zinc and fuel oil from appearing on the floor of the House. Control over this lies in the Rules Committee, over which that arch-conservative, Representative Howard Smith of Virginia, will, by the force of seniority, preside in the next session. The course of the battle for lower tariffs, as for much else in the session, may thus turn on the ability of the new Speaker, Mr Rayburn, to enforce his promise that, seniority or no seniority, Democrats will only be assigned to vacant places on the Rules Committee if they pledge themselves to support the party's leadership.

★

There is much greater doubt about how the Republicans will treat the President's programme on trade. But at least many of their leaders are keenly aware of the danger that the Democrats may appear as the only genuine supporters of Mr Eisenhower's proposals, and the cracks that opened so widely in the party's fabric a few weeks ago have been papered over. Both the election results and the general revulsion against Senator McCarthy's attack on the President have made the Republicans more conscious than ever of their dependence on Mr Eisenhower. For this reason, if for no other, the President will be careful to avoid making any clear commitment on whether or not he will run for a second term in 1956. He will, of course, be under the heaviest possible pressure to do so but, as long as he has not announced a decision, he can put the heaviest pressure on his party to conform to his policies.

For the Democrats and for Mr Adlai Stevenson personally Mr Eisenhower's intentions are a question of peculiar poignancy. Unless things change radically in the coming

eighteen months Mr Stevenson will be the next Democratic candidate and his chances of ever being President will probably depend on the personal decision of Mr Eisenhower. If Mr Eisenhower runs, he will, again unless things change in the meantime, defeat Mr Stevenson once more; it is doubtful if any other Republican can. But a defeated candidate is seldom given a third chance. The Democrats will be hard put to it to decide whether the President is more likely to be edged into retirement or needled into seeking vindication if he is driven out of his present position of "privileged sanctuary." The indications are that the congressional leaders, Senator Lyndon Johnson and Representative Rayburn, differ on this point from the new party chairman, Mr Butler; they are inclined to think that, for the time being at least, the Administration's shortcomings should continue to be blamed on Mr Eisenhower's "bad advisers."

This will not, of course, prevent congressional committees under Democratic chairmen from opening up hostile investigations of the Administration's more controversial decisions. The famous Dixon-Yates electricity contract and other instances of a supposed propensity to "give away" the nation's natural resources, the heavy cuts in the Army's manpower, which will be attributed to the triumph of budgetary economies over military prudence, and the security regulations for civil servants are all on the short list of coming congressional enquiries. The Democrats may also attempt to undo the relief given to recipients of dividends in the Republican tax Bill and to reverse the switch from a rigid to a flexible system of farm price supports. But it is doubtful if either of these cases will be pressed to the limit this year; the juiciest concessions in terms of tax cuts and farm subsidies will no doubt be reserved for the pre-election session of 1956.

New Look or Old?

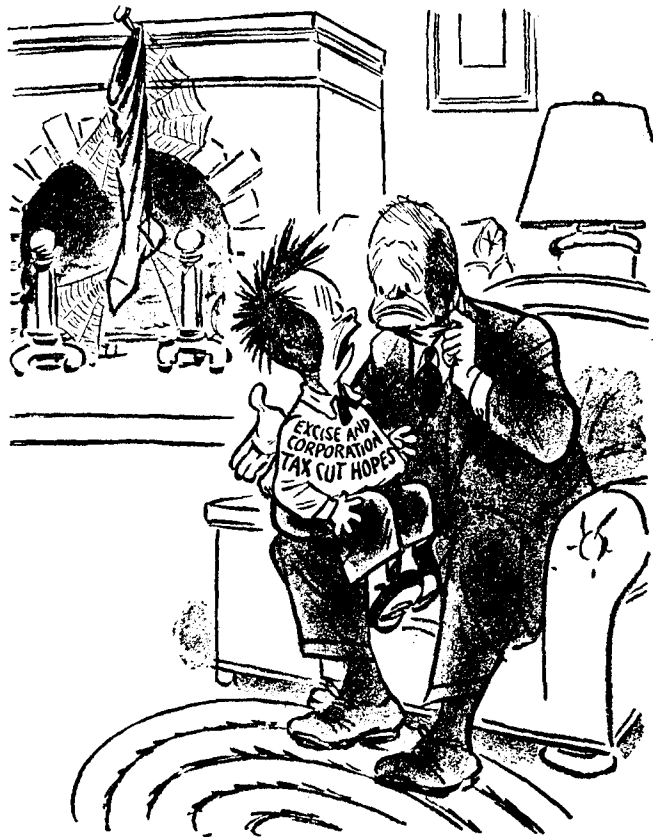
IN Washington it is suspected that the coming cuts in the number of men in the armed forces, announced just before Christmas, are the result of the old, unbalanced, look of the Budget rather than of the new, atomic, look of defence policy. The reductions, ordered by the President himself, represent not merely a return to the plans of a year ago, modified when the military situation in Asia deteriorated last spring, but a speeding-up which will cut the number of men in the armed forces from the present 3,218,000 to 2,815,000 by the middle of 1956. Nearly all of the cuts will fall on the Army; the number of men in the Air Force will go up by about 15,000.

This apparent reversion to a policy of relying on air rather than ground forces, which, it was thought, had been discredited by developments in connection with Indo-China, is arousing concern among the experts. Doubts whether the full implications had been discussed at the highest levels were encouraged when the Secretary of Defence, Mr Wilson, announcing the new plans, said that the threat of global war had decreased, only to be followed by the Secretary of State, on his return from Paris, declaring that the danger of war was undiminished. Mr Wilson, with his usual tactless candour, stressed the economies that would result from the saving in manpower and, rightly or wrongly, the critics have

seized upon this as the key to a development. British Petroleum, maintain, jeopardises the security of the United States and a

It is a key which the President must certainly be tempted to use. For he, who promised to balance the Budget and to reduce taxation, is once again about to present an unbalanced Budget to Congress and to ask for a postponement of scheduled tax reductions. The estimated deficit for the 1956 fiscal year, beginning next July, is expected to be

"But I Thought He Was Coming For Sure This Time."



Herblock in the Washington Post

about \$3 billion; this was the original estimate for the current year, and the figure has now risen to \$4.7 billion. The deficit for 1956 will go up by another \$3 billion if corporate income taxes are allowed to fall from 52 to 47 per cent and if excise taxes on a number of articles, including cars, petrol, cigarettes and beer, are allowed to drop, as they are now supposed to do, on April 1st.

More Heat than Power

THE Securities and Exchange Commission is giving the Democrats in the new Congress an opportunity to revise, and possibly break, the controversial Dixon-Yates contract. By postponing final arguments on the proposed financing of the project to January 18th, the SEC has ensured that political heat will continue to be generated over the question of electric power for the Atomic Energy Commission's plant at Paducah, Kentucky. Rear-Admiral Strauss, chairman of the AEC, has made it clear, however,

They might the Democrats all the way on what has been one of the most vexed issues in American politics. Mr Dixon, president of Middle South Utilities, Inc., and Mr Yates, chairman of the Southern Company, are now household words in the United States. They are the main personages in one of those melodramas that Americans traditionally enjoy: a fight between big business and government on the one hand, and the rugged individualists led by a fighting lawyer and a Senator with a coon-skin cap on the other. Last June, the Administration directed the Atomic Energy Commission to negotiate an electricity contract with the Mississippi Valley Generating Company, formed by Messrs Dixon and Yates. They were to build a steam generating plant, costing \$107 million, at West Memphis, Arkansas, with a capacity of 600,000 kilowatts, to supply the Tennessee Valley Authority with power to replace that being delivered by the TVA to the AEC. The Administration declared that it had authorised the agreement because it would save the taxpayer the expense of adding a new plant to the TVA system.

This touched off fierce opposition from the Democrats in Congress and from the people of Tennessee, led by Senator Kefauver. To them the whole scheme is a sinister attempt by the Administration to undermine the principle of government-owned electricity enterprises, and to return into the hands of big business one of the proudest achievements of the New Deal. The battle cry of "Nixon, Dixon and Yates" did much to account for the victory of the Democrats in the November elections in Kentucky and Oregon, another state where hydro-electric power projects are of major importance. Rear-Admiral Strauss has argued that power must be drawn from the TVA to keep the atomic plants going and that it can most cheaply be replaced by private utilities. His statement that the government would simply take what it needed, if necessary at the expense of TVA's customers, has sent the men of Tennessee scurrying for their famous squirrel-guns.

Private Life for Synthetic Rubber

New York.

THE poker game, which began six months ago between the Rubber Producing Facilities Disposal Commission and the rubber, petroleum and chemical companies that want to buy the government's synthetic rubber plants, ended last Monday with contracts signed for 24 of the 27 plants, leaving only the most uneconomic on the commission's hands. The prices agreed will not be revealed officially until the commission makes its formal report to Congress on January 27th, but unofficially the proceeds of the sales are put at \$300 million, compared with an original cost of \$450 million and a present book value of about \$170 million. Congress will have 60 days to approve or reject the contracts and to consider the Attorney-General's report on whether or not the commission has succeeded in creating a competitive synthetic rubber industry. The undertakings that the commission had to sell included facilities for the production of the two chief raw materials, styrene and butadiene, and the rubber or copolymer plants in which these materials are combined to make general purpose (GR-S) synthetic rubber.

Most of these plants will be bought, if Congress approves, by the petroleum and rubber companies that operated them for the government, and were consequently in the best position to bid for them, although there are also a few new faces amongst the successful bidders. Most of the butadiene plants, which are dependent for their feedstock on adjacent oil refineries, have gone, as was expected, to the petroleum companies which operate the refineries. To assure outlets for their butadiene, some of these companies have carried the integrated process one step further forward into rubber production. Except in the case of one plant, the big rubber companies have secured only the copolymer facilities they were formerly operating, and have not taken on the business of making their own raw materials. The Attorney-General's anti-trust criteria have apparently been met by the new competition that will be provided for the four big rubber manufacturers by the entry of oil companies and of two groups of smaller firms into synthetic rubber production.

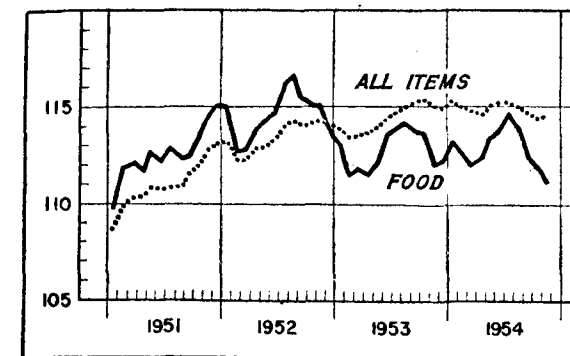
The confidence of the oil and rubber companies in the future of the American synthetic rubber industry is shown by their willingness not only to meet the commission's asking prices, but also to accept the burdensome "national security requirement" to keep the plants in good operating condition for ten years after taking them over. Whether this is to be the final structure of the industry is now up to Congress, and there seems a fair chance that the commission has secured prices high enough to convince the Democrats that this is not "another Republican giveaway programme."

Prosperity on Wheels

THE cost of living index, based on the prices of things the average consumer buys, rose in November for the first time for several months, and the rise was explained almost entirely by the appearance of new car models on the market. The prices listed were not much above those of the 1954 cars, but dealers had been selling the old models at heavy discounts in order to get rid of them. The 1955 cars are, however, villains only in housewives' shopping baskets; elsewhere they are heroes who are sending 1954 out with a bang instead of the whimper with which it began. For it is thanks to the new models that the year has turned

CONSUMER PRICES in the UNITED STATES

INDEX NUMBERS 1947-49=100



out to be more satisfactory, statistically, than any other except 1953.

The Department of Commerce traces almost all the upturn in the economic indicators, such as industrial production, manufacturing employment and payrolls, in November and December back to the "sharp pick-up" in automobile output. In the last full week before Christmas more cars came off the assembly lines than ever before in a December week, nearly twice as many as in the comparable period of 1953. The industry expects to end the year with a total output of about 5½ million cars, only about half a million less than last year. There is talk of all records being broken during the first quarter of 1955, and this has much to do with the optimism with which the New Year is being greeted by businessmen all over the country.

These plans are based on a sound foundation of booming retail demand; the 1955 models are selling, no one quite knows why, better than new models usually do. The best sellers are, as always, Chevrolets and Fords, which are racing bonnet and bonnet for the advertising crown that rewards the winner of the annual sales contest. It is 19 years since Ford last won, but this year the company is convinced that it has the race in the bag, although the result will not be officially announced for several weeks.

Little White School-House?

FROM A CORRESPONDENT IN MISSISSIPPI

ON December 21st the people of Mississippi voted for an amendment to the state constitution which permits the abolition of the present school system. This amendment, which passed by 89,434 votes to 38,431, expresses the will to resist with all means short of secession the decision of the Supreme Court forbidding racial segregation in publicly financed schools. Georgia, South Carolina and Louisiana have passed similar measures, and on January 11th the Mississippi Legislature will meet to write this threat into the state constitution. In those counties where Negroes predominate heavily in the population, the atmosphere was tense, and it is possible that fear prevented coloured voters from expressing their views. But the outcome was expected and exemplified the formula which Southern legislators have devised to defeat the Supreme Court while remaining strictly within the law.

If and when the federal government finally takes steps to enforce the end of segregation, Mississippi proposes to dissolve its public schools. It would then proceed to vote funds directly to children who would go to "private" segregated schools. Such "separate but equal" facilities would be in accordance with that interpretation of the Constitution which the Supreme Court ruling of last May superseded after more than fifty years.

It would be a mistake to suppose that Mississippi is unconcerned with the need for satisfactory education for both races. Although the state ranks 48th in the nation in *per capita* income, it is 27th in the proportion of total personal incomes spent on public schooling. There is every indication, moreover, that Mississippi will take seriously its pledge to make educational facilities for whites and Negroes

equal in the hope that this will induce Negro British Petro- in segregation.

Before the Supreme Court took its decision on May 17th—"Black Monday" as it is known to many Mississippians—the State Legislature had already equalised salaries for white and coloured teachers. Assurances have been given that the Legislature, when it meets, will raise an additional \$18 million a year in state taxes and vote a \$60 million bond issue to finance a new system of parallel education. The present steps are, in fact, part of a long development by which Mississippi has sought to improve its school system and lessen the gap between facilities for whites and Negroes. In 1940, Mississippi spent on the education of a Negro child only 17 per cent of the amount given to the schooling of a white child. By 1952, the proportion had risen to 30 per cent, and in that year the capital outlays for each Negro pupil totalled \$32.23 as compared with \$25.48 for a white schoolchild. Nevertheless, the gap remains enormous: current expenditures per white pupil in 1952 amounted to \$117.43 whereas only \$35.27 were spent on each coloured student. Owing to its relative poverty, Mississippi has been able up to now to afford only a small part of the investment in education that has characterised the southern states since 1940.

★

The whole business is thus a calculated gamble that integration of the schools can be postponed for years. But not all Mississippians accept the theory behind the new amendments. The Friends of Segregated Public Schools believe that, through the use of the state's police powers and an artificial replanning of school districts, desegregation can be avoided without dissolving the school system. They also point out that in many areas the money which the state allocates for Negro education is likely to be diverted to the white schools. The National Association for the Advancement of Coloured People, on the other hand, continues its crusade for a complete end to segregation and can argue that both time and the courts are inevitably on its side.

There are, furthermore, threats of extremist violence if desegregation were to be enforced. In 53 of Mississippi's 82 counties, "citizens' councils" of "white males" have been set up with a view to exercising all "legal" pressures, including boycott, to prevent the Negroes from claiming what Washington has granted them. The coloured leaders in the state held a mass meeting in September to rally their forces. They urged Negroes to use all their political rights, to demand immediate admission to white colleges and to let their white neighbours know that economic pressures would ruin both groups in the community. At the same time, however, they voted to remain patient until the Supreme Court indicated how its decision was to be enforced.

The segregation fight can be understood only against the background of economic and social revolution that is taking place in predominantly agricultural Mississippi. The state is making enormous efforts to pull itself up by its bootstraps by balancing agriculture with industry, and farming is rapidly turning to science and mechanisation. Other factors of supreme importance have been the general movement of both races from rural areas to the cities and a net gain in the 1940s in the white population of the state of 7.4 per cent while the Negro population was decreasing by 8.2 per cent. Younger white citizens of

are not so concerned as are their parents about the loss to southern traditions. This is shown by the unanimous vote of 70 college students and 52 out of 55 high school pupils against the amendment at a youth congress which met in Jackson on December 4th.

Governor White has declared that Mississippi does not propose to defy the Supreme Court, but that there exists "universal resolution not to abide by such an unreasonable decision if lawful means could be found to avoid it." All except the die-hards agree that the Court will quickly strike down any pseudo-private school system and rule that the whole Mississippi project is unconstitutional. But the future also holds a definite danger of extra-legal action and even the possibility that the whites will be goaded and stampeded into such a frenzied state of mind that they will accept abolition of the schools altogether rather than integrate them. In the last analysis, however, calm observers believe that the elimination of segregation is today as inevitable as was the overthrow of slavery a hundred years ago.

Sugaring the Farmer's Pill

LAST month Mr Benson, the Secretary of Agriculture, removed the last of the restrictions which laid down what farmers might, and might not, grow next year on land on which they are forbidden to plant wheat and cotton. He was rewarded with the condemnation of the American Farm Bureau Federation, meeting in New York, which normally backs him up loyally. The members of this organisation are mostly large commercial farmers, and they fear that Mr Benson's change of heart will merely mean that the chronic over-production, which the controls on the basic crops are designed to prevent, will reappear in other commodities. The justification for these fears was admitted by Mr Benson himself, when he announced severe reductions in next season's price supports for the non-basic grain crops—oats, rye, barley and sorghums—in order that more of them might be fed to livestock instead of into the government's storage bins. For this autumn surpluses of these crops, and therefore the cost of price supporting operations, have been mounting sharply because large quantities of feed grains have been grown on land already diverted from wheat and cotton.

Mr Benson's argument, however, is that if farmers will do without high and rigid price supports, they can be given greater freedom in other ways. The successive relaxations of the unprecedented restrictions imposed on next season's plantings earlier this year have evidently been intended to sugar the pill of the lower price supports which the last Congress authorised for next year. Perhaps also Mr Benson hopes to reduce the pressure on the next Congress for a return to the old unsatisfactory system, something which the Democrats have rather unwisely pledged themselves to bring about.

The first skirmish may break out if southern Senators try to get an increase in next year's cotton acreage. Cotton farmers have just accepted the lowest allotment in history, 15 per cent below this year's plantings. These were already substantially less than last year, but output per acre was so heavy that no inroads were made on the government-held

surplus. Altogether, the Commodity Credit Corporation owns or has made loans on more than 7 million bales of cotton, over half a year's supply, and its total investment in price supporting operations for all commodities is now about \$7 billion, an increase of \$2½ billion during the year. So far the efforts to dispose of these surpluses abroad have not been very effective and Mr Benson may surely be excused for giving serious consideration once again to the possibility of selling farm products to countries behind the iron curtain.

Atomic Packages

New York.

THE Atomic Energy Commission has awarded to the American Locomotive Company a contract to design and build the prototype of a small "packaged" nuclear power plant that can be transported by air. It will be financed jointly by the Army and the AEC, and will cost slightly over \$2 million for a power output of 2,000 kilowatts. The reactor will be of conventional design, using highly enriched uranium as a fuel, and moderated and cooled by ordinary water under pressure. This type, although it is expected to be less economic than other more advanced types under development, was selected because it can be built with existing technology. The American Locomotive Company's "packaged" reactor is expected to take only three years to build.

This experimental plant is designed primarily to provide power for military bases in isolated areas, the radar communications centres above the Arctic circle for example. It is essential, therefore, that all the components be sufficiently small and light to be transported by air, and that the plant be capable of operating for several years—the Army is reported to have asked for five—without refuelling. The main advantage in the use of atomic plants on these remote bases is the elimination of the high cost of shipping bulky conventional fuels. The supplying of Arctic bases by sea is limited to the short ice-free period each year, and oil for some bases costs as much as \$42 a barrel, because of the high cost of flying it in.

But, although for military purposes atomic packaged power plants may justify their cost, they are still uneconomic for commercial uses. The need is for simpler and safer reactors that are more dependable and easier to operate. Even so, American manufacturers are already looking for a lucrative future export market for packaged reactors. But given the present state of nuclear technology, the regions where such an atomic reactor—or any other atomic power plant—could compete with diesel-fuelled power plants appear to be few in number. Only, it is estimated, in places where diesel fuel costs more than 25 cents a gallon and where the demand for electricity ensures a high load factor, could a nuclear power plant be competitive; even then its capital costs should not exceed \$500 a kilowatt. The results of the Army's programme and of the American Locomotive Company's initiative will, nevertheless, be awaited with keen interest, as providing the first empirical evidence for these and other cost comparisons and therefore guidance towards the future commercial possibilities of atomic energy.



Oft touched by human hand

IN DAYS GONE BY, when disease could sweep unchecked through the land, foodstuffs were passed from hand to hand, exposed both to the elements and to passing dogs and flies. Now those 'good old days' are gone. Thanks to modern packaging and the use of brand names, our food is protected to a degree unknown to our ancestors.

Vital indeed is the part that packaging has

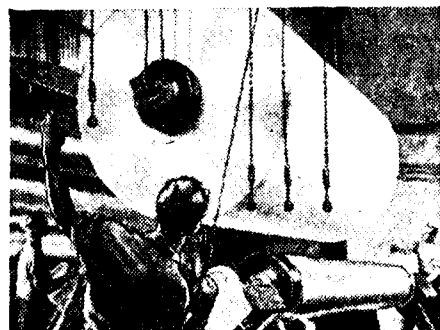
to play in the nation's economy. That is why the demand for "Thames Board" and "Fiberite" Cases is increasing. That is why Thames Board Mills are thinking ahead, planning new ways of increasing production. Already they produce over half the cardboard made in Britain. The new £9,000,000 extensions at Warrington, part of which is already in operation, confirm Thames Board Mills' leadership in this vital industry.



THAMES BOARD MILLS LIMITED

THE LARGEST MANUFACTURERS of BOARD & PACKING CASES in BRITAIN

Purfleet, Essex and Warrington, Lancs



"THAMES BOARD" for cartons, boxes, bookbinding, etc. • "FIBERITE" Packing Cases in solid and corrugated fibreboard.

The World Overseas

Cairo's Pavement Politics

FROM OUR CAIRO CORRESPONDENT

DINNER table conversations in Cairo have gained in variety what they have lost in passion since the Anglo-Egyptian Agreement was signed. Formerly one discussed the relations between the two countries with the maximum of repetition and a wealth of detail which left little time for the great wide world of interests which lay beyond. One might say that the Agreement was washed to its haven on a sea of coffee. Now a window is opened on the Mediterranean; one thinks more widely; there is even time to talk of a book.

It is equally evident that Lieut.-Col. Gamal Abdel Nasser and his colleagues of the Revolutionary Council have had time to think of other things. They have thought and acted with the energy of young men freed of a heavy burden: capturing Moslem Brothers, creating courts to try them, inflicting rough justice with revolutionary speed and, eschewing that caution which was expected of them, sweeping President Neguib into the limbo of Madame Nahas's confiscated villa.

One might judge the state of government in the various Arab states by the reactions of their countries to the destruction of the Brotherhood organisation in Cairo. In Lebanon the *rédacteurs en chef* wrote *articles de fond*; in Syria, where the government is weak, Parliament debated the event, and demonstrators in the streets shouted "Down with Nasser"; in Jordan the newspapers kept quiet and some murmurings gave way to a dejected demonstration; some Iraqis sent a few telegrams. In Cairo no one was foolhardy enough to raise a voice in criticism.

There may be some Brotherhood terrorists in Egypt hatching in hiding a fanatical plot against the Egyptian leaders, but the security authorities believe they have smashed the organisation of the Brotherhood. Colonel Nasser does not believe that it is possible to kill the Brotherhood idea, the concept of aggressive Islam which appeals to the young, the ambitious and the simple; but he does think he has destroyed the Brethren as a political force in the country. Already the trials have lost their interest.

The Council of Revolution has reached the point to which it has marched with reluctant inevitability ever since it came to power. The country has been swept clean of all organised opposition, and of the dispute with Britain which was the red meat of nationalism. Criticism of the regime is still widespread, but as time passes it is more and more dissipated in private opinions lacking the corporate strength of parties or movements. One hears less and less of the Wafd, almost nothing at all of the Saadists, Liberals and other minority parties. One finds even a sneaking respect for the power to

stay in power and for the courage which went to smashing the Brotherhood.

No one would pretend that this is enough, least of all Nasser, who seems to see the mind of Egypt as a sump emptying of the dregs of overworked political thought in readiness for refilling. The negativeness of opposition to Britain needs replacement with positive thinking on Egypt's world position, and the *élan* of the Brotherhood must be swept into new activities. The reorientation of domestic and foreign policy must be geared to the development of popular thinking along new lines.

The effort is being made. The Finance Minister gives regular information on the economic position which, by comparison with some Ministry statements, is surprising in its accuracy. Wing Commander Abdel Latif el-Boghdady, the Minister of Municipal and Rural Affairs, is making propaganda out of street works by announcing target dates and tearing towards them with feverish impatience. Stubbed toes and balked motorists are constant witnesses to his claim that what is promised is done. In the dirt roads of the delta the same method applies. He digs not one but many trenches all at once so that no one can fail to notice he is laying the water pipes that have been promised by every government for a decade.

These small examples are in themselves unimportant to the future of Egypt and are not intended to stand for the achievements of the regime. Nor do they compensate for its manifest shortcomings, such as Labour Laws which have been modified but not corrected. They merely describe the attempts of the regime to touch the mind of a people unused to active government and by nature ill-disposed to authority. The press and radio are used as all dictatorships use them, to damn enemies and laud friends, often to the utter boredom of the Egyptians but sometimes, as in the case of the broadcasts of the main Moslem Brotherhood trials, with effect on the home front, if with detriment elsewhere.

The importance of the roads-and-pavements approach possibly lies more in the minds of those in authority who pursue it. The desire to demonstrate to the Egyptian people that Egypt is "a place where things get done" is neither ambitious nor novel, but here it is at least unusual. It could indicate to a mistrustful people that "the government," which they have for centuries regarded as their enemy, can in fact be benevolent and a friend. The success of the policy will depend on the stamina of those who direct it, but for the moment there is evidence of the intention to give the people something for their money. The roads of Cairo are being paved with the regime's good intentions.

The Marathon in Paris

FROM OUR SPECIAL CORRESPONDENT

TO anybody who for the last ten days and nights watched the succession of speakers—critical or resigned—climbing the rostrum in the *Palais Bourbon*, who witnessed surprises, *volte-faces* and bargains in the lobbies, it was clear that it was with iron in its heart—*la mort dans l'âme*, said one deputy—that the Assembly finally accepted German rearmament; the debate showed that French mistrust of its eastern neighbour is undiminished. A negative vote on this issue would probably represent more faithfully the mood of the deputies, but, with the exception of the Communists, most were torn between their fear of Germany and their fear of wrecking the Atlantic alliance. This dilemma gave to the marathon debate a sense of drama, despite its moments of bathos and the procedural squabbles bordering on the farcical.

Nothing foreshadowed such tension and excitement. When the debate opened last week, on Monday evening, it began on a note of anti-climax after the bitter exchanges over Indo-China. Orators coming from all sides of the semi-circular hall, except its extreme left, were clearly pulling their punches. The crusaders had no cross. The "Europeans" (Christian Democrats, Conservatives or Radicals still hankering after the supranational clauses of EDC) feared that too violent an attack would destroy the Atlantic edifice. The Gaullist and Socialist opponents of German rearmament were too faithful to M. Mendès-France to question his intentions and had to tone down their outbursts. One had the impression of a repeat performance in which the roles had been reversed and the actors found it difficult to read their lines.

A Tactical Blunder

When M. Mendès-France said that the London-Paris agreements arouse no enthusiasm in France he was indulging in understatement. With the exception of the prime minister, few deputies came forward to defend, let alone to extol them. Most speakers were critical. In the early stages of the debate it was the Socialist, M. Jules Moch, drawing a picture of the horrors of the atomic age, and the Gaullist, M. Jacques Soustelle, pleading for further negotiations with Russia before rearming Germany, who were greeted with the most widespread applause. But nobody doubted that the Paris agreements would be ratified although very reluctantly. Ministers, deputies, and experts on lobby arithmetic differed only on the likely margin.

M. Mendès-France himself was bursting with confidence and energy. Sitting on the central front bench, morning, afternoon and until the early hours of the next morning, he would take notes, jump up to correct an impression or rectify a statement and whenever needed make a speech of his own. His line was obvious; he warned "Europeans" that a second French veto would prove fatal to the western alliance; to partisans of prior talks with Russia he argued that France must be respected in the Atlantic partnership if it was to play its part as a peace-maker. But for once M. Mendès-France seemed carried away by the magic of his own rhetoric. He thought that everything was in the bag, and probably in order to end the debate before Christmas

THE ECONOMIST, JANUARY 1, 1955

he decided to get the agreements ratified with British Petro confidence; (if a question of confidence is put, the vote must have at least twenty-four hours for "reflection").

This was a big tactical blunder. Without a question of confidence the deputies had a perfect opportunity to express their opposition to German rearmament unperturbed by the consequences. The government would stay in power and the breach in the alliance could be mended by a second vote. The Assembly seized this unique chance and early on Friday morning a second French veto on German rearmament was recorded. Article 1 of the new agreements (covering the modifications of the Brussels Treaty and Germany's entry into the new Western Union) was rejected by 280 votes to 259.

Bewilderment could be read on the exhausted faces of victors and vanquished alike. Something had gone wrong with the traditional *dosage* of votes. Most of the 180 non-Communist deputies who had voted against had apparently expected that their individual action would not tilt the balance too far. M. Mendès-France, shaken but still determined, set out to repair the damage. The Saar agreement was rapidly ratified, but once bitten the French premier was not going to run a second risk, and articles 2 and 3 (Germany's entry into Nato, and the additional protocols) were made into issues of confidence. At breakfast time on Christmas Eve, exhausted and bewildered deputies were leaving the Palais Bourbon. They had little time for sleep and festivities: two days to feel the pulse of the electorate, to ponder over "miracles" and miscalculations, and over the awkwardness of being too clever.

Bookmaker's Paradise

On Boxing Day they were back in the crowded semi-circle. Communist delegations and police contingents swarmed outside the barriers. The atmosphere was tense. Party groups argued and bargained. How many ballots could be switched? At the tribune speakers asked anxiously: will a veto mean French isolation? Yes, answered M. Mendès-France in an eloquent speech, which for the first time gave the impression of a desperate search for votes. For the Gaullists' benefit he emphasised that most "supranational" features have been eliminated from the new agreements; for the Christian Democrats and others who mourned the lost EDC he underlined the remnants of "supranationality" and the chances of "building Europe" yet. Once again it was a late night session.

By now interest had once again shifted to the lobbies, already transformed into a bookmaker's paradise. The government was at the mercy of its Christian Democrat and conservative opponents. At midnight it was known that a sufficient number had changed their mind or rather their vote. By 289 votes to 251 Germany's admission into Nato was approved. But could the deputies, by the strangest of paradoxes, admit Germany into Nato and then refuse its rearmament within the Western European Union? This, however, would be reckoning without French procedure. In a new *coup de théâtre*, the Foreign Affairs Commission refused by a single vote a second reading of article 1. In the ensuing pandemonium the government announced its intention of having a vote of confidence on all the articles on Wednesday. Before the initiated had time to discover whether this included the

THE ECONOMIST, JANUARY 1, 1955

crucial article 1, M. Mendès-France proposed, amid Communist uproar and general laughter, that it was resurrected as a separate bill.

The stage was thus set for the final act, and it seems that after years of shifting and delay France has finally resigned itself to German rearmament. Now that the debate is over can all this reluctance be explained by the antics and irresponsibility of the deputies? Is it a case of wisdom after years of folly? A deeper explanation must be sought in the mistrust of Germany, in the bitter memories not so much of the two previous wars as of scarcely ten years ago when soldiers in field grey used to parade on the Place de la Concorde just across the bridge from the Chamber. One need spend only a short time in France to realise how many people still have their eyes fixed on the "blue line of the Vosges" and hanker after an eastern counterbalance to the German threat. Last Friday's irresponsible vote cannot be ignored. The deputies will continue to erect obstacles to German rearmament and press for conversations with the East.

Above all, this marathon was a one-man show. Without the skill and prestige of M. Mendès-France the result might well have been different. But the new leader is not certain of staying long at the helm. During the debate he antagonised many of his friends without winning over any of his opponents. Should complications arise in the upper chamber or over the application of the agreements, the indefatigable M. Mendès-France may no longer be there to come to the rescue. Is it really the end of a chapter?

Hatoyama in Power

IT is seldom that eight years elapse between a politician's appointment as prime minister of his country's government and his actual entry into office. This, however, is what has happened to Mr Hatoyama, who heads Japan's new cabinet after the fall of his enemy, the "Adenauer of Japan," Mr Yoshida. Mr Hatoyama came to the fore in the days after Japan's surrender in 1945, when all Japanese political leaders who had held high public office during the Pacific war were excluded from public life.

Before the war Mr Hatoyama had been a political figure of the second rank; he had, however, qualified for advancement under the new régime of General MacArthur by having withdrawn from active politics after Pearl Harbour and thus dissociated himself from the policies of the war-makers. He was now permitted to form a new political party, which took the name of Liberal, and as a result of a general election he found himself at the head of a parliamentary majority with a clear title to form a government—the old system of nominating a non-party statesman as premier having been abolished. But just as he was about to take office, Supreme Allied headquarters suddenly discovered that Mr Hatoyama had once written articles praising Hitler and Mussolini and showing enthusiasm for fascism; he was at once purged and excluded from public life. This was hard for him to bear, but he appears to have consoled himself with the belief that Mr Yoshida, the ex-diplomat who took over from him the leadership of the Liberal party, was willing to restore it to him if ever he should be de-purged.

When, however, that time came, with the ending of the occupation, Mr Yoshida denied that he had ever given any such undertaking. There was certainly nothing in writing, and a gentleman's agreement is liable to break down if the gentlemen cannot agree on what has been agreed. The result was that Hatoyama and Yoshida became bitter enemies, and the former did his best to capture the party leadership from his rival, but was unsuccessful because Mr Yoshida was by this time well dug in and was considered to be the man who stood highest in the favour of the United States—a qualification regarded as essential in view of Japan's dependence on American economic aid.

The mood of Japan was, nevertheless, gradually changing, and the American favour which had been a political asset to Mr Yoshida was more and more transformed into a liability. As Japanese nationalist sentiment revived there was an increasing unwillingness to accept a permanent inferiority of national status as a result of the defeat of 1945. That the restoration of sovereignty to Japan by the San Francisco peace treaty had still left it a negligible factor in the eyes of the world was forcibly brought home to the Japanese people during the attempts to reach a political settlement in Korea after the end of the Korean war; almost every nation could apparently claim some voice in settling Korean affairs, but Japan's interests were ignored.

Stopgap Government

There was growing resentment in Japan at a policy which acquiesced in the maintenance of American bases on Japanese soil and conformed to the requirements of American political strategy in Asia, but could not obtain for Japan any position of international prestige or influence. This current of feeling by degrees destroyed the foundations of Mr Yoshida's political power, which had already been weakened by corruption scandals involving his party; he was denounced as an American stooge and his journey to Europe and America as a national humiliation. Had he returned with some spectacular diplomatic or economic gain for Japan, he might have triumphed over his enemies. As it was, he had very little to show for his trip, and he was attacked on all sides as soon as he returned.

He was overthrown by a combination of factions which have struck bargains for a stopgap government pending a new general election. Mr Hatoyama, with a group of his followers had broken away from the Liberal party and joined up with the Progressive party founded by Mr Shigemitsu after his release from prison as a war criminal. Like Yoshida, Shigemitsu had entered politics from diplomacy, but without the latter's unblotted copybook as far as the western powers were concerned; this was formerly to his disadvantage, but in the present temper of the Japanese people to have been convicted as a war criminal is an even greater political asset than to have been merely purged as undesirable.

Mr Shigemitsu has probably a better grasp of world affairs than anyone else in Japanese politics today, not excluding the late prime minister himself, and though his ambition no doubt extends ultimately to the premiership, his main purpose has been to become again foreign minister so that he can reshape Japan's foreign policy. Thus, even though he could bring more parliamentary votes than Mr Hatoyama to a coalition, he was ready to yield the premiership to the latter, and on this basis the two groups amal-

gated to form a new Democratic party. But with 120 seats in the Diet they still could not challenge the Liberals except by a bargain with the Socialists. As Mr Shigemitsu is a strong advocate of Japanese rearmament, which is bitterly opposed by the Socialists, Socialist support was not easily obtained, but it was finally won with a promise of a general election before the end of March.

In spite of the fact that Mr Hatoyama has at last attained his heart's desire by becoming prime minister, he has done so not as leader of the Liberals, but as nominal leader of a *bloc* in which Mr Shigemitsu is really the key figure. Mr Hatoyama is in any case in poor health—he had a stroke some time ago—and it is doubtful whether he can stand the pace for long. Moreover, he cannot stay in power for longer than three months on the basis of the present agreement with the Socialists; after the elections, especially if the Socialists make substantial gains—as they expect to do—he will have to decide whether to make a fresh agreement with them involving large political concessions or to seek a reconciliation with the Yoshida Liberals.

The Democrats, like the Liberals, are in fact a party of the Right, and it is almost inconceivable that they can work in a real coalition with the Socialists against the Liberals. But, if the Democrats and the Liberals are to come together, the bitterness of the Yoshida-Hatoyama personal feud makes it likely that the Liberals will be more ready to come to terms with Shigemitsu than with Hatoyama. Much depends, however, on whether Mr Shigemitsu at the Foreign Ministry can make the world take note that the period of Japan's international eclipse is over.

Communist Chances in Germany

THE speeches and resolutions against the Paris agreements which have come from the German Socialist leader, Herr Ollenhauer, and the west German trade unions are being praised by Herr Ulbricht and his colleagues. They add, however, that words are not enough. The Social Democrats must take extra-parliamentary action and the unions must call a general strike to overthrow the Bonn regime. To support this call for deeds, a barrage of appeals and threats is being organised by innumerable Communist-led organisations and factory groups in the Soviet Zone.

A similar effort was made by the Communists to prevent ratification of the European Defence Community, and it is no more likely to succeed in bringing about a *Putsch* against Dr Adenauer now than it did in 1952. Neither the Social-Democratic Party nor the Trade Union Federation intend to leave the democratic path for the jungle of political strikes. The Socialist leaders will fight to prevent the Paris treaties from being ratified, but they will not obstruct implementation. And the trade union chiefs will, it is hoped, join in keeping the new army free from old-school militarists and neo-Nazis. They know their followers, who want stability above all. The German people fear anything that would mean a change in their present steady climb to prosperity. This is one of the main reasons why they object to rearmament, but equally the reason why they would not stage a

revolution to prevent it. According to one *British Petro-* about 50 per cent of the young men are indifferent and a question of an army, about 25 per cent are positively in favour of having a new *Wehrmacht*, while the same proportion is actively opposed.

Though a *Putsch* need not be feared, there will probably be serious trouble from the active opponents of rearmament, aided by the agitators from Herr Ulbricht's Germany. The Communists are working under cover from inside the socialist and trade union ranks; and, following current Moscow orders, they collaborate with neo-Nazis in rousing nationalist resentment against America, France and Britain. The ground is unwittingly fertilised for them by the popular illustrated press, which keeps anti-western feeling alive among its vast circle of readers.

The greatest cause for concern is not the attitude of the German public, but of their political leaders. Among all the parties, there are nowadays politicians who think that neutrality and not-quite free elections might be tolerated for the sake of reunification. The dangerous idea is spreading that an all-German parliament could safely "digest" the fifty to one hundred Communist members who might be elected from the Soviet Zone if the Communist party apparatus there were left initially intact. If this tendency continues, Dr Adenauer and the other western statesmen will have a hard task in seeing that these do not become German democracy's famous last words.

Switzerland's Success Story

FEW countries in the world can point to a better record of economic progress with stability since the war than can Switzerland. In the first half of 1954, according to the recent review of the OEEC,* economic conditions there continued to develop favourably. But, in spite of the successful record, the Federal government still looks askance at possible adverse economic trends in the future; two new laws which only recently passed the Federal parliament, are designed to give the government additional powers to maintain economic stability.

Nearly every sector of the economy has participated in the recent advance. Only the watchmaking industry has experienced a setback. Here sales to export markets were down by 8 per cent in the first half of 1954 compared with the same period last year. This is largely the result of a decline in American imports, which account for a third of total Swiss watch exports. This fall came before the 50 per cent tariff increase sanctioned by President Eisenhower last July; consequently the outlook in this industry is anything but rosy. Elsewhere in the industrial sector, however, good headway is being made; the index of industrial production is up by 4 points compared with 1953. In agriculture, where output was stationary in the previous year, production has again started to rise.

Switzerland's foreign trade accounts during 1954 wear a more familiar look than last year, when, exceptionally, it had a large surplus on visible trade. But, in spite of the trade deficit, receipts from tourists and overseas investments

* Economic Conditions in Switzerland: OEEC, December, 1954.

to offset this and produce a current balance payments surplus.

But Switzerland's prosperity is often embarrassing. This is particularly true in the case of its capital markets, which, because of the persistent payments surplus and the high level of internal saving is in an extremely liquid state. Interest rates have been driven down to below 2½ per cent on long-term public loans, though recently the pressure has slightly eased. Switzerland has been able to find new investment opportunities in South Africa, Sweden, Italy and France, as well as subscribing 50 million francs to a further International Bank loan issue. Nevertheless, last summer the head of the Federal finance department found it necessary to make an urgent appeal to everyone concerned to do their utmost to prevent a further fall in the rate of interest.

The future outlook is clouded only by the watch tariff decision, which is bitterly resented in Switzerland. But even this is not likely to affect the OEEC's description of the country's economic position as "highly satisfactory."

Israel and German Reparations

FROM A CORRESPONDENT IN TEL AVIV

DELIVERIES of goods under the reparations agreement which Western Germany signed with Israel in September, 1952, caused Germany's share of Israel's imports to rise from only 2 per cent in the first eight months of 1953 to 16.8 per cent in the corresponding months of 1954 and are paying for two-thirds of its fuel needs; but there seem to be some misgivings inside Israel over the extent to which this windfall is being allowed to disappear into consumer goods. Admittedly, the deliveries have caused the wheel of life to spin more normally and much more regularly since they began last winter, and this release from eternal crisis offers some psychological advantage from eternal crisis offers some psychological advantage. Thanks to steadier arrivals of both oil and raw materials, plants have been enabled to work without interruption, and consumers have been spared the familiar fraying of nerves caused by gaps in supply. But, without counting oil, the proportion of reparations goods that has been appearing into current consumption has been as high as 40 per cent; including oil, the figure is 55 per cent. It is now proposed to decrease it and to increase the proportion of goods productive of employment. There are, as usual, some powerful voices raised in favour of cushioning the country against the sharp drop in living standards that must ensue if and when help from America falls off.

Expenditure of reparations from Germany on development projects and other capital equipment was, theoretically, always the intention. It was the basis of planning when the Israeli purchasing mission was set up in Bonn in May, 1953, and when the *Shilumin* company—the name is the Hebrew word for reparations—was formed in Tel Aviv in order to canalise the orders for reparation goods. But in practice the line has proved difficult to stick to; if living standards were to be tolerable, part of the goods had to be diverted to current consumption; for more than a year, controversy has raged as to what the proportion ought to be.

There has been controversy, too, about allocating the pro-

portion spent on capital goods; planners have differed and even quarrelled on the issue. Shortly before the treaty was signed in 1952, the government charged a foreign expert, Dr Trone, with the job of drawing up a long-range development plan to be financed out of reparations. His scheme, based on receipt of the whole \$800 million that is due to be paid over the next ten to twelve years, concentrated all on the development of irrigation, communications and electric power supply—that is, on creating the conditions for agricultural and industrial expansion. But the Trone plan was shelved, and at the same time the amount to be spent on long-range plans was scaled down by almost half. In its place the team that manages *Shilumin* drew up another scheme, placing greater emphasis on the establishment of industrial plant; but this scheme, too, has never had official blessing and comes in for constant revision in the light of experience. The decision as to what is to be ordered from Germany rests with a committee of ministers from the economic departments; they seem to have stuck to pre-arranged plans chiefly in the field of communications in general, and the railways in particular.

Up to a point, there is a limit to what is ordered, set by the terms of the agreement with Germany. DM53 million per year are earmarked for metals and metal products, 90 million for steel, machinery, cars, ships, electrical equipment, optical and precision instruments, and 70 million for products of the chemical industry, building materials and raw materials for agriculture. DM30 million are reserved for administrative purposes, insurance and freight; for the purchase of oil, Germany puts blocked sterling at Israel's disposal; other three-cornered arrangements have enabled the Israelis to buy wheat from Turkey, rubber from Malaya and hides from Latin America.

Concentration of orders in the hands of a committee of ministers has given fresh impetus to the old controversy as to whether or no the government (this time in the guise of *Shilumin*) is discriminating against private enterprise. General Zionist ministers have argued that this is so, only to be countered by Mapai colleagues who have produced some impressive figures to support their case. Inevitably, the big development schemes will be executed either by the state or else by semi-public corporations—that is, will be greatly influenced by the *Histadruth* or Federation of Labour; private enterprise cannot afford the outlay and risks entailed in projects of such size. It follows that *Shilumin* is bound to increase the influence of the government and Labour sectors, since only these can venture on the projects in which it is bound chiefly to engage. It should be noted that the \$25 million of reparations goods allocated for equipment of private industry were only slowly taken up.

Psychologically, all has gone smoothly. The aversion to using goods from Germany, expressed when the news first broke, has had to be swallowed. So far, also, there has been no heartburning or disturbance over arrival of goods in German vessels, for advantage has not yet been taken by the Germans of the clauses in the reparations agreement that reserve them the right to carry the goods to Israel, and to send experts to instal machinery when required. Israeli shipping has so far managed all the freight, but the volume of goods scheduled for delivery is rising. German bottoms will eventually be needed to carry the heavy machinery that is on order and probably, also, German experts will be needed to set it up. Necessity, along with Bonn's newly acquired sovereign status, is about to force Israel into a revised relationship with Western Germany.

The growth of an Idea

For many years Barclays Bank has been building up a structure unique in world banking, a structure based upon two distinct principles. The private banks which combined to form Barclays have provided the foundation for a system of Local Head Offices which lodges in the hands of local people a broad measure of the day-to-day control of affairs; while, ranged around the English bank, there has been developed a group of associated companies which provide in Scotland, in France, in the Mediterranean, in Africa, in Canada, and in the West Indies, a banking service comparable to that of the parent company. The Englishman doing business overseas may well find invaluable this direct representation in many countries; it is of course supplemented by a network of correspondent banks throughout the world.

The system of decentralisation through Local Head Offices is not confined to this country. Branch managers can deal with practically any banking question you put to them; but if they have to refer to higher authority most of them need go only to their Local Directors in Norwich or Nairobi, in Leicester or Lagos, rather than to a remote Head Office in London.

BARCLAYS BANK LIMITED

Associated Companies:

The British Linen Bank Barclays Bank D.C.O. Barclays Bank (Canada)
Barclays Bank (France) Limited Barclays Overseas Development Corporation Limited
Barclays Trust Company of Canada
Barclays Bank Executor and Trustee Company (Channel Islands) Limited

THE ECONOMY AT FULL STRETCH

Last year THE ECONOMIST replaced its Commercial History and Review of the preceding year, which has been published since 1863, by a new feature consisting of a retrospect of the main economic events of the old year and an assessment of the economic outlook for the year ahead. This change was made because the proliferation of such documents as the Government's Economic Survey has made a mere record of events superfluous. The following four articles constitute the second forward-looking survey in the new series.

Guesses at the Balance Sheet

THE old year, which opened under the shadow of a question mark, has gone out with Britain's prosperity still increasing, and the economy at full stretch. There can be no doubt about the reasons for that increase in prosperity. The first—and most important—economic feature of 1954 was that America did not slump. The alarming decline in American industrial production from 110 per cent of the 1952 average in June, 1953, to 102 at the end of that year quivered on down to an index figure of 99 in March. Since then it has risen to 104 for November. In this survey a year ago it was possible to say that the whole of the recession up to that time had been due to a lower rate of stock building, but necessary to record "the apprehension—it cannot yet be called a forecast"—that there might soon be a confidence reaction on fixed investment and consumption as well. Within three months that apprehension was very nearly dead; by its first issue in April an article in *The Economist* could be called "Recession Recedes?"

The check to the recession once stocks had come down to a minimum convenient working level was not due to any deliberately Keynesian policies on the part of President Eisenhower's administration; indeed, it is legitimate to criticise the administration for being content with an economy in which production in 1954 remained consistently below the level of 1953, while Soviet production still raced ahead. But the fact remains that under the business men's government confidence held up. This was good for General Motors, and for the rest of the free world as well.

The second really heartening feature of 1954 was the increase in British industrial production. It was opined in this review a year ago that "it seems most unlikely that industrial production can be stimulated into another increase of 4½ or 5 per cent in 1954; there is no longer any slack of short-time working to be taken up." That

opinion proved quite wrong. In the first ten months of the year industrial production was some 6 per cent higher than in the same period of 1953; only about 2 per cent of this was due to more intensive employment, so that output per man hour—no doubt aided by a smoother flow of raw materials—seems to have risen more hearteningly than in any year since the war. By October the increase in production compared with a year before had narrowed to 3 per cent: while the terms of trade, which were some ½ per cent better in 1954 as a whole than in 1953 as a whole, have now turned traitor to the extent of some 2 per cent compared with the beginning of the year. Nevertheless, the improvements in production and the terms of trade in 1954 as a whole—together with an increase in dividend receipts from abroad—may prove to have given the British people some £600 million more of real resources than they had enjoyed in any year before.

How does this £600 million-odd of new real resources appear to have been used? Rather more than £300 million was probably absorbed by an increase in consumption. This was not the effect of any tax concessions, for the budget in April wisely gave nothing

away. But, thanks partly to the seven shilling standard for wage increases set up after the threat of a Christmas railway strike, money wages and salaries seem likely to have risen by as much as £600 million in the year; as this is equal to the total rise in real resources, and as dividends and profits also rose, prices inevitably increased; the rise was of the order of 4 per cent. The consumer was also helped by a relaxation of hire-purchase restrictions, while the final wind-up of rationing in July left rented housing and the dollar import trade as the only major fields in which consumers' demand is still distorted by controls.

It is more difficult to apportion expenditure on the other £250 to £300 million of new resources that seem to have

NEW SUPPLY AND DEMAND, 1954

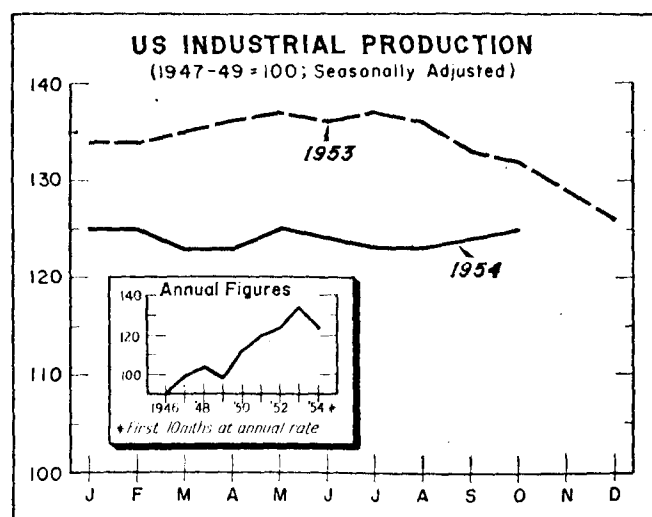
(Estimate of Possible Changes in Britain's Balance Sheet between 1953 and 1954, in £ million at 1954 prices)

Increase in production ..	550	Increase in consumption.	300
Improvement in terms of trade	Negligible	Improvement in export balance	100
Increase in dividend receipts, from abroad ...	50	Increase in defence expenditure and house building	100
Increase in resources available	600	Increase in other fixed investment	100-150
		Change in rate of stock building	Small
		Increased use of resources	600

Note.—These are very rough estimates of possible orders of magnitude, and are based on the very incomplete statistical material so far available. They are set down here merely as an indication of likely recent trends.

become available. Britain's external surplus in the first half of 1954 was some £150 million better than the bare balance achieved in the first half of 1953; but, as the surplus achieved in the second half of the year was almost certainly smaller than the £107 million achieved in the second half of 1953, it is probable that only some £100 million of the new resources were devoted to strengthening the export balance in 1954 as a whole. Defence and housebuilding expenditure probably also absorbed an additional £100 million between them.

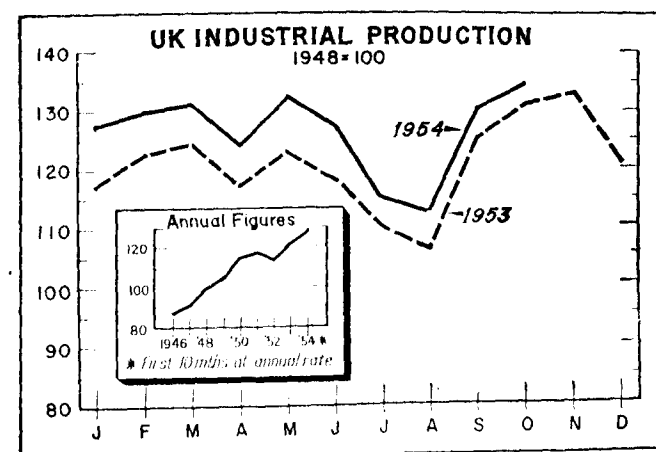
That would leave only a bare £100 million for the increase in fixed investment (other than in houses and defence) and in stockbuilding. Fixed investment, which was stimulated by the new investment allowance that was the major feature of the budget, almost certainly rose by more than £100 million; so that, on these assumptions, expenditure on stockbuilding may have been less than in 1953. This is not impossible; if the rate of stockbuilding was, say, £50 million lower than in 1953, that would merely mean that the total level of stocks ran up by some £150 million compared with the increase of £200 million that has been tentatively—though officially—estimated for 1953. Stock estimates are so frequently altered by the official statistics in hindsight, however, that nobody should set



much store by unofficial guesses before any of the relevant figures have come out. The most important point about the level of stocks this winter was that it proved sufficient for the country to keep going at almost full stretch through a four-week-long dock strike, which in every previous post-war year would have brought it to its knees. In many ways this was the most significant sign of economic strength in the whole period since postwar recovery became complete.

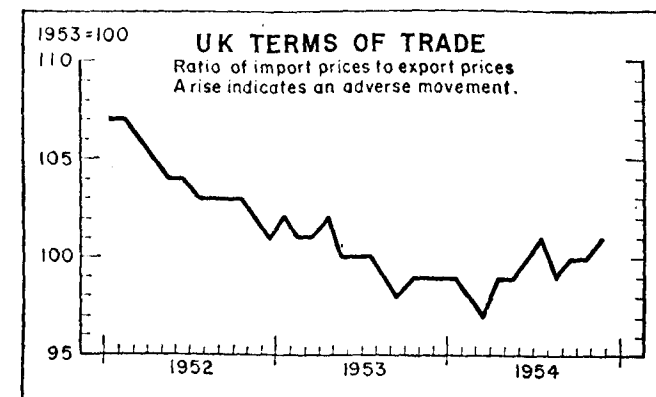
This apparent adequacy of stocks and the continuance of some balance of payments surplus provide cushions for the British economy at the beginning of the new year, and the Chancellor may be glad of them as the time for his next budget draws near. Unless he rests his policy heavily on these cushions, or unless he deliberately tries to create some slack in the economy by an increase in Bank rate in the meantime, it is extraordinarily difficult to see how he will be able to find any room for tax reliefs next April.

The key to his budget must lie in the increase in real resources that he expects the British people to earn or to gain in 1955. With employment already over-full, it would seem optimistic to expect industrial production to increase



by another 5 or 6 per cent this year; admittedly, the same caution was expressed here last year, and proved wrong. With American production and demand for raw materials on the upgrade, the terms of trade seem likely to deteriorate; admittedly, the opposite fear about American production was expressed last year, and that proved wrong, too. But, unless Mr Butler has decided that the best way to judge economic prospects is to expect the precise opposite of the present trend, the next budget must presumably be based on the assumption of a smaller increase in real resources than in 1954; even allowing for some further increase in dividend receipts from abroad—and even assuming that the threatened railway strike does not hold up production for long—the accretion of £400 million of new resources in 1955 seems a high hope.

From this smaller accretion, defence expenditure and housebuilding should not make any new demands; indeed, defence expenditure may actually fall. Stockbuilding must remain a statistical mystery, but fixed investment—on the evidence of recently announced projects—is clearly likely to rise; if the rise is less than £200 million—and there is no reason why it should be—then the incentives offered in the last budget will not have done their job. The increases already foreshadowed in certain sectors of government civil expenditure—such as roads and schools—seem likely to outweigh any new administrative economies that can be found. That would leave less than £200 million of resources for additional consumption; and the projected rise in personal incomes, both from the higher earnings that follow higher production and from that part of the increase in basic wage rates that is not reflected in higher consumer prices, would seem at least sufficient to take up such an amount. Britain is sailing into what everybody expects to be an election year with a stauncher ship and a still following wind, but with a canvas already very heavily spread.

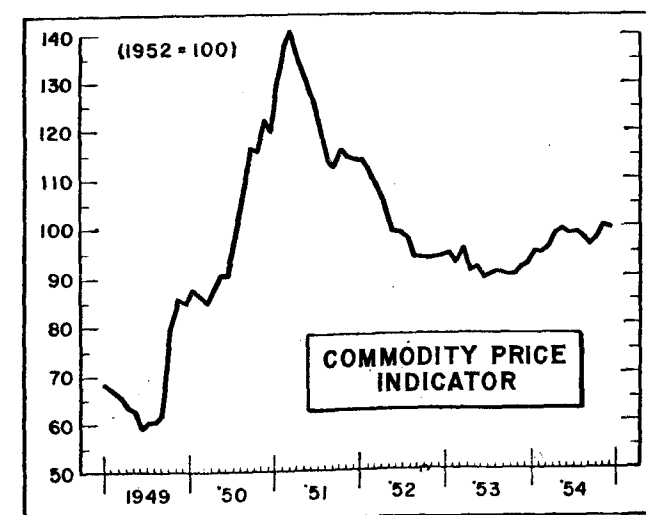


Will Exports Keep Up?

THE favourable out-turn suggested for the year ahead depends in part upon the ability of the export trades to keep up their remarkably satisfactory showing. But a touch of inflation might force up their costs and competition from abroad is keen. Most British exports are fully competitive now—will they stay so, and will demand for them be sustained?

The answer to the last part of the question seems favourable. Sharp swings in world trade follow bouts of inflation or deflation, and neither is looming large this year. The anticipated upswing in the American economy should ripple, if gently, across the rest of the world—at once sustaining the buoyancy of industrial production in Europe, and, by stimulating American demand for raw materials, raising the purchasing power of the primary producing countries.

Increased American demand for commodities would be felt by markets that in most cases are already firm. Hence commodity prices should rise further. Higher prices of imports into the manufacturing countries, however, are unlikely to be fully reflected in their export prices, not only because of the normal time-lag, but also because competi-



tion will tend to restrain a rise. But though the terms of trade of Britain and other manufacturing countries may well deteriorate somewhat, this should not press significantly on their balance of payments. Deterioration should be partly offset by an increased demand for manufactures from the primary producers, because their terms of trade would correspondingly improve.

If that is the picture of world trade in 1955, how will Britain and the overseas sterling area fit into it? Will they do a little better, or a little worse, than in 1954? It has been a year of expansion, but not for the sterling area as a whole. In the first half of 1954 the value of world trade rose about 5 per cent above the level of the first half of 1953. World exports of manufactures rose by about 3 per cent in value and in volume by rather more, and exports of British manufactures kept pace. Exports from primary producing countries did not expand to the same extent as total world trade, and exports from the overseas

sterling area were somewhat lower than in the first half of 1953. Earnings from the colonies and most of the independent sterling countries increased, but not enough to offset the fall in the earnings of Australia, Pakistan and India.

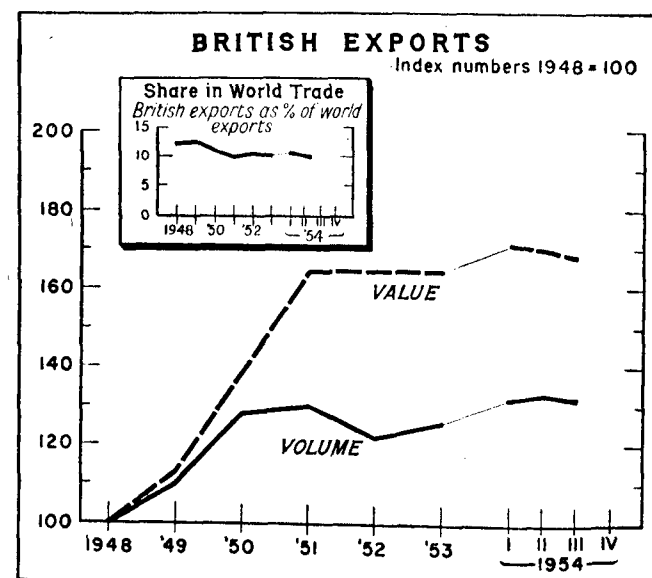
The colonies and most independent sterling countries should fare at least as well this year as in 1954. World demand for their exports should remain buoyant; earnings from rubber, tin, copper and other metals have improved, prices of cocoa and coffee are still high, and tea prices have soared. As this area takes over two-thirds of Britain's total exports, what is good for it will be good for Britain, too.

That prospect is marred only by the fleecy cloud hovering over Australia, Britain's largest single market. That market wears a slightly less prosperous air today. Even before the sharp drop in wool prices, Australia's appetite for imports was again outrunning its ability to pay for them, and imports have once more been restricted. Speedy action has probably prevented any repetition of the severe cuts made in 1952. Wool, which pays half Australia's import bill, is now prosperous rather than booming, but past buying has given the country comfortable stocks of most imported goods, and a repetition of the buying boom is unlikely. It might be possible to trim British export prices to maintain our position in the market.

In other markets there should still be scope for expansion, particularly in Europe. Exports to the OEEC countries, which now account for over one-quarter of total British exports, rose by £2½ million a month in the first nine months of 1954 from a monthly average of £62½ million in 1953. Exports to Holland, Denmark and West Germany—a more promising market than some British manufacturers suppose—were substantially higher than before. Nor were these gains a flash in the pan. Exports to these countries and the OEEC group as a whole have risen steadily in recent years. Further steps towards liberalisation will open the door wider.

A recovery in exports to North America, Britain's next largest market after Western Europe, should be possible in 1955, and further efforts to win over to British goods some of the dollar account Latin American countries, particularly Venezuela, would be worth while. Farther south progress may have to be slow, but it need not be impossible. Though exports to Brazil in 1954 dwindled further, exports to Argentina recovered almost to the level of 1952; and exports to Uruguay were twice as high as in 1953. In some Middle East countries the opportunities are bright, as the British Trade Fair in Baghdad confirmed.

But if world trade remains high in 1955, the main exporting countries will also be jostling each other for orders. The gradual relaxation of restrictions against dollar imports is extending the field of American competition; Germany has not yet finished its "come-back" in the world markets, and Japanese competition will continue to be felt acutely by some British industries, particularly textiles. Exports of manufactures by the United States rose sharply by 8 per cent in the first half of 1954, compared with the 1953 average, a remarkably sharp turn of the tide, for American exports were falling in the second half of 1953. German exports in the first half of 1954 were



11 per cent above the 1953 average, and in the third quarter the rate of increase was still greater. Germany's exports still do not equal Britain's, but the gap is narrowing steadily, and it cannot be assumed that German rearmament will be to Britain's advantage. Four years ago Germany's

exports were one-third of Britain's; now they are two-thirds. Perhaps the surprising thing is that this appears to have been so little at the expense of British exports.

Britain should not find it unduly difficult to maintain its share of world exports. Some shift in direction may be necessary; competition may be more severe and the head of steam in the home market may make it harder to meet. But with the barometer of world trade set fair, those problems should not be formidable. Sceptics may already be tempted to conclude that the rise in British exports has spent its force. The rate of increase has certainly slowed down; did anyone expect it not to?

Between the first and fourth quarters of 1953 the volume of British exports rose by 13 per cent to 105.7 (1950=100). In the first quarter of 1954 the volume dropped back to 103.3, rose slightly to 103.7 in the second quarter, and returned to 103.3 in the third. A seasonal fall in the third quarter was to be expected, and so is a seasonal recovery in the fourth. If that recovery is not shown in the fourth quarter, that may well be the result of the dock strike rather than a sign that Britain is beginning to lose ground. And while this article has discussed Britain's visible exports, it is well to remember that a high level of world trade will also benefit Britain's invisible earnings from shipping, banking services and the like.

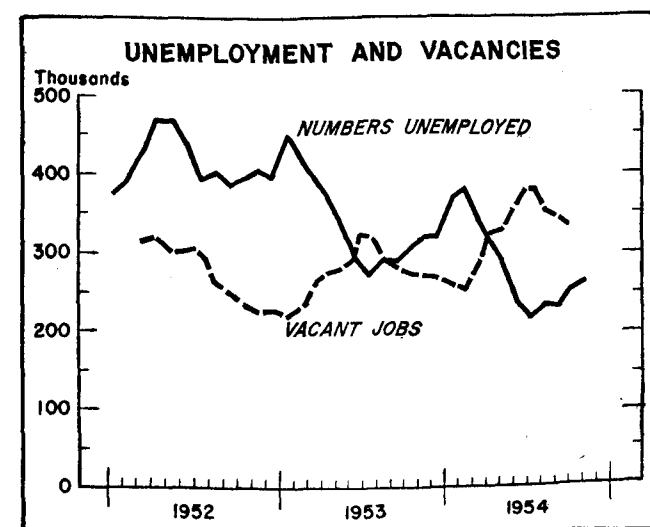
How Much More from Industry?

TWO years ago Mr Butler pressed his accelerator. Last year British motorists pressed theirs—in 350,000 new British cars. The economy responded. The power behind 1954's industrial boom, it is fair to say, came primarily from the home consumer with extra money to spend over and above the weekly budget—and something durable, readily available and lavishly advertised to spend it on. That splurge on consumer durables, which has of late gained new support from freer hire purchase, set the pattern of demand on British industry in 1954.

Hard consumer goods, indeed, have been the backbone of this boom. The most significant single contribution to an 8 per cent increase in manufacturing output came from the vehicle industries, and there overwhelmingly from the motor industry; within motors, from cars; and among extra cars, mostly to the home market. Later in the year, the other durables and "conventional necessities" felt the same surge of demand—furniture, television and radio, domestic equipment. Neither more humdrum household expenditure, nor on the other hand industrial equipment, expanded as much. Clothing, textiles and the food and drink industries rose in output, but less than the average of the production index. Deliveries of plant and machinery probably did too.

How much did the main factors of production contribute to the boom, and can they be counted on to support a similar rate of increase in output? Because the labour force is easily measurable, it is fashionable to separate out the rise in manpower—or, this year, womanpower—from the production increase and to attribute the residue to "increased productivity." The exercise is, of course, artificial; but improvements in the flow of materials, or in the extent and employment of industrial capacity, are certainly less easy to gauge.

Britain's working population in 1954 grew more than the experts had predicted. It rose by 175,000-200,000, of whom 120,000 were extra women, against a predicted "natural" increase of "about 55,000, mainly men"; a growing proportion of women seem to have been taking paid jobs. At the same time, the numbers unemployed and in the defence services fell by a further 75,000. Civil industry, therefore, had another quarter of a million hands to employ, all of them in manufacturing. The manufacturing industries' labour force, therefore, rose by about 3 per cent while their output rose by some 8 per cent. But by the middle of the year industry was already crying out for labour, particularly skilled men. It is hardly to be expected that the number of unemployed can drop much further; whether women will continue to upset the estimates is impossible to say. But it would perhaps be imprudent to expect that civil employ-



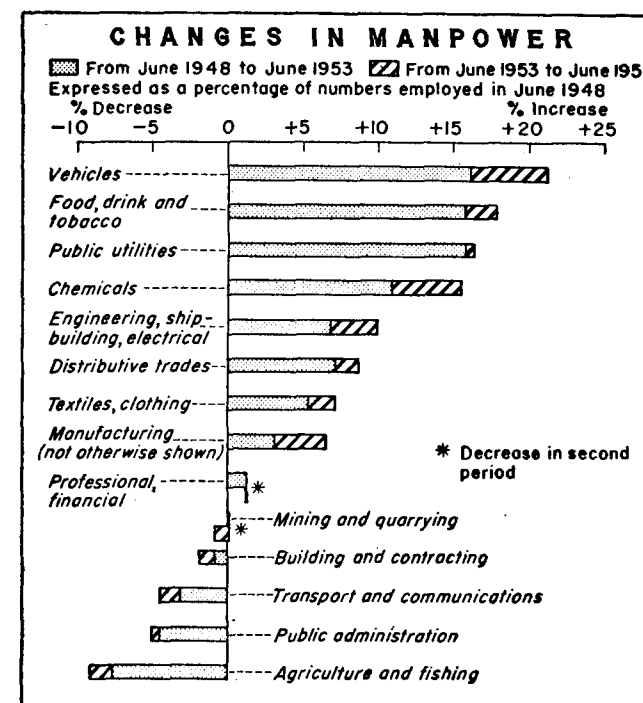
ment would rise in 1955 by more than 100,000. The defence services may continue to shrink. Within that total a continued shift to manufacturing is certainly possible; but if this continues at the expense of the basic industries, it might stultify itself by hampering general expansion.

Industry's advance in 1954 has required—for the economy as a whole—about 3 per cent more coal from Britain and abroad and 4-5 per cent more steel. The coal industry has been unable to fill its stint here and maintain exports without buying more from abroad. The steel industry by a 5 per cent increase in crude steel output has been broadly able to meet the increase in demand. But particular products became short early in 1954, and towards the end, with consumers attempting to build up depleted stocks, shortages have become rather more general and steel imports have once again gone up.

As an output of 19½ million ingot tons is in prospect in 1955, the British steel industry expects to meet the demands put upon it even if imports slacken from their present rate. Such an output might offer home deliveries of 4-5 per cent over 1954's—which is conventionally considered sufficient to support a rise of 5-6 per cent in industrial production. It might become harder to import some of the products that need supplementing if American demand continues to recover; but the quantities required are marginal.

If demand for coal continues to rise as fast as it has done in 1954, coal imports may become rather more than marginal—but should not be difficult to secure. Output per manshift in the industry has increased considerably in 1954, partly through the use of better equipment; but the industry is still losing miners to easier jobs elsewhere, and in 1954 has dashed its confidence of any steady increase. It is certainly not easy to hope that production of coal will rise as much as consumption this year. But there is no lack of coal to import; it would take more than a renewed boom in the United States to make the American coal industry busy. In Britain, this means coal less cheap; and a continued swing to fuel oil.

There are few significant signs of shortage among other



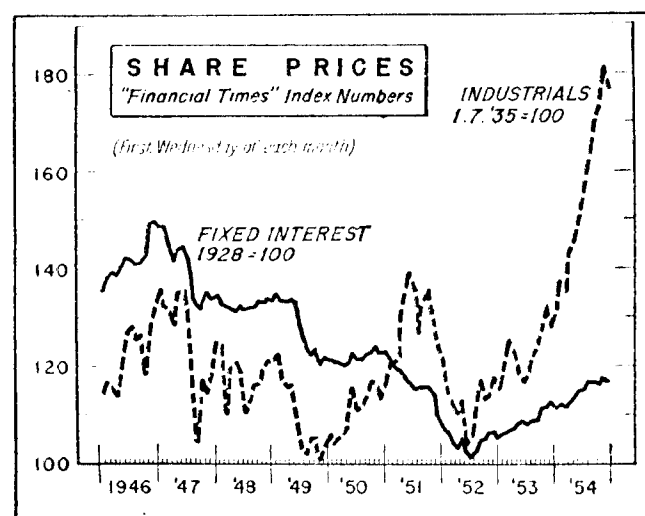
materials. In 1955, however, industry cannot expect the quite significant fillip to production in general that came during the last 18 months as supplies of materials to the factories became steady and uninterrupted; freer markets were the index rather than the cause of this change. That flow has remained fairly steady—except, in certain industries recently, for steel. In the same way, some advantage was gained in 1954 from the fact that plant and machinery throughout industry in general became more fully utilised; the recovery of 1952-53, though steeper, had been less even. Some of the plant commissioned during the previous two years was fully employed for the first time in 1954; and though the steady accretion of maturing industrial investment will continue in 1955 and perhaps increase, last year's total improvement may not be easy to match.

Any More for the Investor?

IF finance is the handmaid of industry—and she never ought to be the mistress—she can reasonably claim to have been a good servant all through 1954. Large sums of private savings were canalised into industry through the new issue market and through other channels, such as the building societies. Prices grew keener as the market grew stronger; the year's work included about £55 million worth of nationalised steel stocks whose sale from the government to private hands was the same in effect as the floating of a government loan. Excluding government issues the total of new capital passing through the issue market into industry during the year will turn out to have been about £325 million compared with £190 million in 1953. At the same time sterling was a steady measure of value and the first approach to loosening its shackles was made when the bullion market was restarted, and exchange control was simplified. Foreigners found London a good centre in

which to hold money and the industrialist was not jockeyed by sharply rising commodity prices into investing in bigger raw material stocks than his business needed.

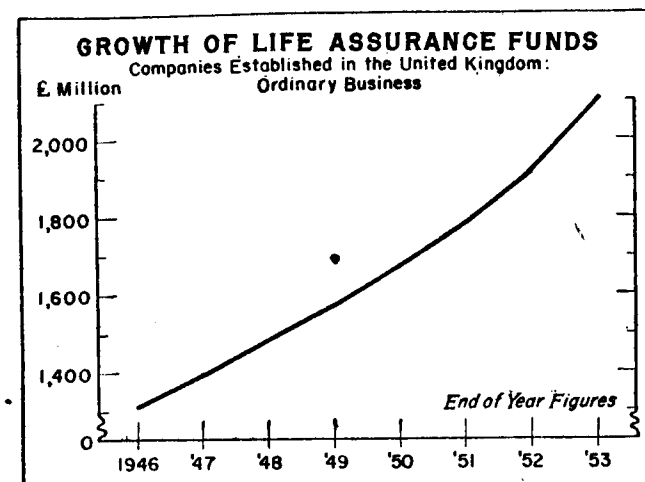
Finance has also been well paid for her services. It has been far easier to make £100 on the Stock Exchange than to lose it. The investor in equities who did neither better nor worse than the *Financial Times* industrial index has added about 38½ per cent to his capital; in fixed interest securities he has gained a mere 6 per cent. After one of the biggest booms in memory these figures look modest enough. It is being argued that since equities are less than twice their prewar level and most other merchandise has risen much more steeply, equities are still cheap and the boom should go on. Perhaps it may, but not for that reason. No comparison between the rise in securities and the rise in merchandise can be worth much when the whole basis of taxation has changed, when a gross dividend is a



far smaller net sum in the pocket of the shareholder, and when the whole business of cutting the national cake is under new management.

But it is relevant that the investor who was clever could beat the indices. If he had spotted early that the abolition of controls over consumption, rising wages and a successful housing drive were all pulling in the same direction—towards a much greater demand for consumer goods—if he had also noticed that the controls on hire purchase were bursting at the seams and would have to be scrapped, he would not have found it impossible to double his money. A nice selection of hire purchase shares, multiple traders or for that matter tea shares would have served.

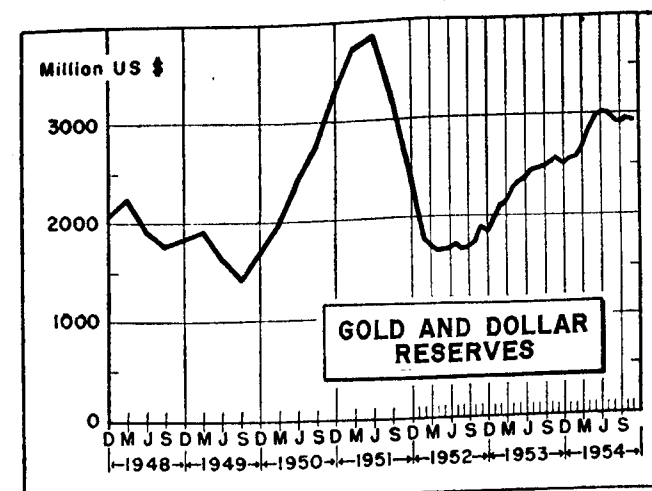
The recipe for a bull market is not difficult to write, though the ingredients are not always available. Take a rising trend of industrial earnings; a rise of the 1954 type when dividends are going up faster than gross profits is ideal. Add a generous measure of savings seeking investment and a good leavening of confidence. Just a trace of inflation—enough to flavour but not to dominate—will complete the mixture. It worked perfectly in 1954. Industry was recovering strongly and dividends long due for adjustment were being fixed by boards of directors—not by national policy. The great growth of the pension funds flooded the market with new life office money demanding investment. Indeed, insurance company money not only kept the supply of sound investment stocks low but provided a great deal of finance that by-passed the market finding employment in real estate, in industry by private placing, and the non-insured pension



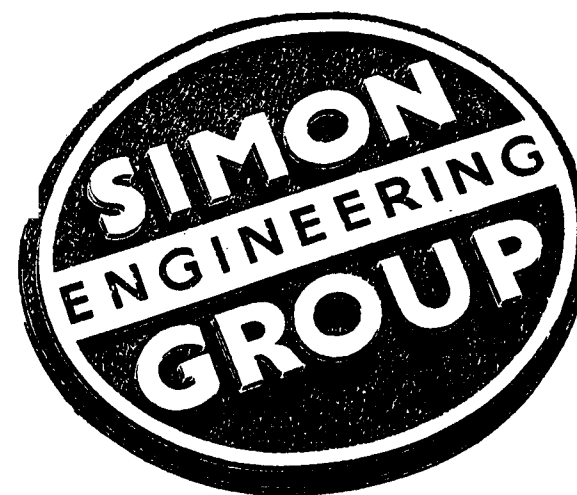
funds probably helped to finance hire purchase. Confidence grew and the boom that at first few people trusted became the boom that must go on.

Must it continue? Several of the essential ingredients remain. Published industrial profits will continue rising for some time though there may be a tendency for the rate of growth to slacken before 1955 is over. The insurance funds will continue to provide a mass of new money seeking investment. The Prudential's £1 million a week will not vanish. But now that convertibility is not an early prospect there will not necessarily also be an inflow of foreign money into London on the scale experienced last spring. The calls on the market for money for investment will also remain heavy. Industry's fixed investment plans remain big, and the very fact that on the other side of the Atlantic industry's prosperity is growing seems to promise a firm level of commodity prices and a need to keep stocks at least at the present level. Lastly, the flavouring of inflation has recently become more noticeable. There may be a move to subdue it. But a minor move should suffice.

In slightly reduced quantities most of the ingredients of another bull market seem to be present, yet it is certain that these ingredients will not bake a cake of last year's texture.



It is confidence—the human element—that will make most of the difference. Normally the market is a sensitive indicator discounting changes in trade and profits well ahead; when investors see the trend of profits and of trade flatten they begin to demand a higher yield on their money. When an election threatens they have an added excuse either for caution or else for abandoning caution in favour of overt speculation even though the timing of the election is still anybody's guess. And confidence which hardly faltered throughout 1954 now has some distance to fall, even though there is still delightfully little speculation in the market. If political labour spoke with one voice, and that an aggressive one, it might already be right to speak of the Stock Exchange boom as a thing of the past. But with an opposition that is neither cohesive nor coherent the political risk does not loom larger as the election draws nearer. Confidence can hardly approach an election without occasional checks, but a sideways drift in markets, perhaps with a trend that is still rising, seems quite possible. It would be folly to try to look beyond the election. It would equally be folly to suppose that in 1955 the investor is going to have opportunities as many or as fruitful as in 1954. Opportunities should nevertheless still be there.



Sulphuric acid

No. 3 IN A SERIES ON RESEARCH & DEVELOPMENT

The uncertainty and dollar cost of sulphur supplies have given prominence to pyrites, anhydrite and spent oxide as raw materials for sulphuric acid. Simon-Carves are developing highly efficient pyrites-roasting techniques in conjunction with Swedish and German specialists; plants using these techniques are already in use in Britain and under construction in Australia and South Africa. They are building two huge anhydrite plants in Britain with chemical engineering know-how provided by ICI and licensed to Simon-Carves throughout the world. They are also building the first two plants in Britain to use the Kachkaroff tower process of making sulphuric acid from spent oxide, which is produced in large amounts at gasworks but has not so far been found usable alone in orthodox "contact" plants.

coal washeries · coke ovens · power stations · heavy chemical and gasworks plants · metallurgical plants · materials handling plants · industrial gears · flour and provender mills and many other specialities



SIMON-CARVES LTD
SIMON HANDLING ENGINEERS LTD
HENRY SIMON LTD
TURBINE GEARS LTD
HUNTINGTON, HEBERLEIN & CO LTD
CHEMICAL ENGINEERING WILTONS LTD
THOS. ADSHEAD & SON LTD
SANDHOLME IRON CO LTD
DUDLEY FOUNDRY CO LTD
METAL LAUNDRIES LTD
TYRESOLES (OVERSEAS) LTD

FOR NEW IDEAS*

ON LOW-COST ACCOUNTING

The Man from Remington Rand has a ready answer for all accounting problems. If business figurework is taking up too much time and money in your organisation, it's time you asked him to call. He'll gladly make a free analysis of your needs; prescribe the equipment to meet them; give you and your staff new ideas altogether on speed and accuracy in the accounts department.



***THIS IS REMTIMATIC** It is the modern method of manual book-keeping—based on proved mechanized-accounting principles. It cuts the manual labour of book-keeping—often by two-thirds. It is as near fool-proof as an accounts system can be. It can provide daily balances and speed your routine on payroll, ledgers, analysis, and statements. And it costs about the same as a standard typewriter. Does Remtimatic sound your kind of accounting system? Then let us show you that it is.

Send for the Man from

Remington Rand

COUPON: I would like to know more about Remtimatic. Please * arrange for your representative to call by appointment ☐ * send me free informative literature ☐ (tick course of action required)

NAME

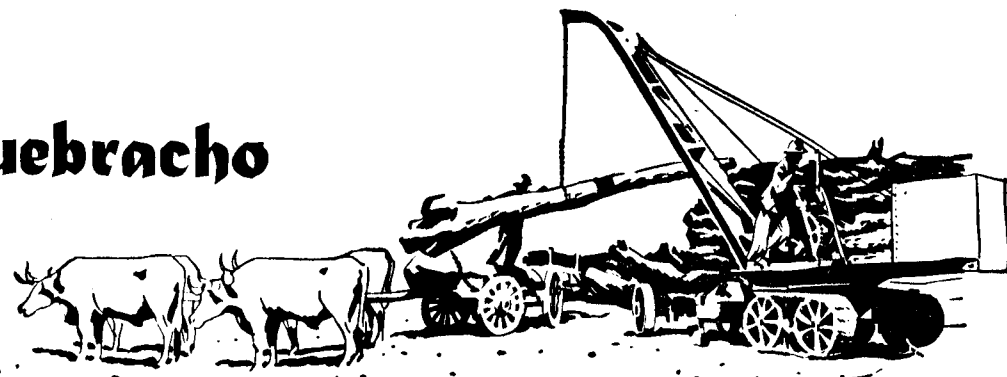
POSITION

ADDRESS

REMINGTON RAND LTD, 1-19 NEW OXFORD STREET, LONDON, WCI
Telephone CHAncery 8888



Quebracho



Glance down the list of Britain's imports from Latin America and you will find quebracho extract. The quebracho itself is a tall hardwood tree which grows in the northern forests of Argentina, taking a full century to reach maturity. Its extract, a valuable tanning agent, is shipped to world markets from Buenos Aires, where the Bank of London and South America has long been established. You will find quebracho mentioned from time to time in the

Argentine section of the Bank's *Fortnightly Review*. This publication is an invaluable guide for all who wish to enter Latin American markets, whether as buyers or as sellers, for it summarizes the latest reports on trading trends, import regulations and exchange control received from our 51 branches in South and Central America.

We shall be glad to send you a specimen copy, on application to:—

The Research Department (SECTION 35)

BANK OF LONDON & SOUTH AMERICA LTD

HEAD OFFICE: 6, 7 AND 8 TOKENHOUSE YARD, LONDON, E.C.4
MANCHESTER: 36 CHARLOTTE STREET · BRADFORD: 19 SUNBRIDGE ROAD

THE BUSINESS WORLD

Steel This Year

THIS time last year the British steel industry was wondering if it would be able to sell all the steel it could produce in 1954; today it thinks it could sell a good deal more than it hopes to produce in 1955. That is a normal and hardly an uncomfortable swing of circumstances for a heavy industry, which can add to its capacity only in steps, while its demand—sometimes—goes up in a smoother curve. But it is natural that the transformation should set people wondering whether steel might not become the “brake on the boom” of 1955, and whether the industry's plans to increase capacity have been sufficiently expansionist. The second question is a proper one, constantly recurring in a healthy economy; no answer to it can ever be more than provisional. But the first can be answered fairly confidently today, and should be. In 1955, at least, even on the more optimistic of guesses about production in general, the British economy is likely to get all the steel it needs.

The industry will not, of course, itself produce all of all the kinds of steel that its customers want; the difference will have to be made up from imports. But confidence about steel supplies does not need to be based upon any considerable increase in imports; the industry, indeed, expects that these need be no higher than last year's, or the equivalent of about half a million ingot tons of crude steel. In the first few months of the year the rate of imports may be higher; later, as further British capacity comes in, imports could decline. Most of these imports may have to be flat steel products. The foreign steel will be expensive by British standards; but, in these quantities, it should not be hard to buy on the world market, particularly since the American steel industry is still running at least 20 million tons below capacity. More detailed forecasting of imports, by the industry or the Iron and Steel Board,

is perhaps unnecessary. Last year, for the first time since the war, a significant proportion of imports, particularly of sheet steel, was bought and paid for by British customers direct; this marked a partial change from the previous policy of bulk purchases of steel by the industry's central buying organisation, which were then resold at lower British prices and the loss made good by levies on British steel in general. Import duty has been lifted on such products, and licences to import are being granted freely. This sensible practice should be extended.

How much steel will British consumers require to support the boom? Any answer depends not only upon guesses about production in general this year (some of which are discussed in the special section, “The Economy at Full Stretch,” beginning on page 39), but also on opinions about the amount of steel that any given increase in production might require. Here, post-war statistics are informative, but they offer no very consistent indications; moreover, their interpretation depends partly on the somewhat shaky estimates that are made of stocks in the hands of the steel industry's customers. Since 1946, there has been an increase of some 45-50 per cent in industrial production, as measured by the official index; this has included a rise of well over 60 per cent in the output of the engineering and vehicles industries. Over the same period, home deliveries of steel increased by about 40 per cent; but when these are adjusted to take account of the shifting levels of merchants' and consumers' stocks, it appears that actual consumption of steel in Britain may have risen by some 45 per cent over these nine years.

A rule of thumb sometimes used in the industry assumes that every ten per cent rise in the output of the main steel-consuming industries—engineering, vehicles, and “metal goods not elsewhere specified”—

Australia

from a business point of view

This booklet will assist anyone contemplating establishing a business in Australia whether it is a small retail business or a large manufacturing company.

Written with the authority of Australia's oldest and largest joint-stock bank, it offers those who wish to start a new enterprise in that young but growing country a short account of the framework of business organization throughout the Commonwealth of Australia. It also affords some knowledge of the problems and conditions which would be met.

If you are interested in establishing a business in Australia, obtain a free copy of this book from:

BANK OF NEW SOUTH WALES

MAIN LONDON OFFICE—29 Threadneedle St., E.C.2—D. J. M. Frazer, Manager

(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)

requires a rise of about 8 per cent in the actual consumption of steel. This ratio applies fairly well over any period of about five years or more since the war; it can hardly be expected to fit changes from one year to another too precisely. Last year's rise of 5.6 per cent in total industrial production certainly included a much higher rise in the output of these metal goods industries; this amounted to roughly 10 per cent during the first half of the year, and may not have been much less over the year as a whole. Home deliveries of finished steel rose by about 400,000 tons, or less than 4 per cent; but during 1953 consumers had been building up their stocks, while last year, despite considerable buying for stock during the closing months, their stocks may not have shown much net change over the whole year. Actual consumption of steel, therefore, may have risen by as much as 650,000—700,000 tons, or about 5½ per cent. Applying the rule of thumb, this should have supported a rise of about 7 per cent in output of metal goods—which may not accord too badly with what really happened.

STEEL SUPPLIES AND CONSUMPTION, 1950-54

	1950	1951	1952	1953	1954*
	(million ingot tons)				
Home output.....	16.29	15.64	16.42	17.61	18.5
Re-usable steel.....	0.48	0.54	0.44	0.38	0.4
To (—) or from (+) producers' stocks....	+0.07	+0.67	—0.14	—0.31	+0.1
Imports.....	0.56	0.52	1.77	1.11	0.5
Total Supplies.....	17.40	17.37	18.49	18.79	19.5
Exports.....	3.15	2.61	2.55	2.75	2.9
Home deliveries.....	14.25	14.76	15.94	16.04	16.6
	(million tons finished steel)				
Home deliveries (net). To (—) or from (+) merchants' and con- sumers' stocks.....	10.22	10.77	11.55	11.68	12.1
	+0.37	+0.19	—0.45	—0.29	...
Steel consumption*....	10.59	10.96	11.10	11.39	...

* Estimated.

In 1955 the industry may be able to produce as much as 19½ million tons—nearly a million tons more crude steel than it did last year. All of this can go to increase home deliveries. Such an increase in output would be no more than was achieved last year, compared with 1953, with one striking difference—that last year imports were reduced by 600,000 ingot tons, while this year the whole benefit of the increase can accrue to the British consumer. Home deliveries of steel, therefore, might rise by more than 5 per cent—equivalent to 900,000 ingot tons, or about 650,000 tons of finished steel products. Unless consumers are over-anxious to increase their stocks, they can use the whole of the extra supplies—which seem likely to support comfortably any rise in output that the economy as a whole can manage.

So much for total supplies of steel; but the pressure is on particular products. The new capacity that will be coming in this year will increase output of flat steel

products, the items that are today in greatest demand, with the hire-purchase boom in sales of domestic equipment reinforcing the great expansion in demand from the motor industry. But the increases—from an uninterrupted year's output at Margam, and more steel capacity at Ebbw Vale and Shotton—are perhaps unlikely to catch up with the growth of demand for flat steel, unless the boom in hard goods should falter. Tinplate capacity at Ebbw Vale will be somewhat increased by the commissioning of a new five-stand mill during the year, but the canner's growing demand—for such pre-requisites of a high standard of living as tinned pet foods—may necessitate imports, as well as continued operation of the hand mills, for many months yet. How much demand will grow for flat steel—and how far this could be met by stepping up output at the existing strip mills—is the largest problem that confronts the steel planners as they come to review their intentions for 1957-58 and to look further into the sixties. The forecasts of demand, certainly, may brighten the prospects of eventually selling the Steel Company of Wales to the public; but the implications of a fourth strip mill are enough to sober the steel industry.

With the motor companies ready to import their own sheet steel, and the main tinplate companies prepared to import plate and sell it to their own customers at British prices, taking the loss themselves, the immediate difficulties of flat steel supplies should not be too hard to handle in 1955, though the imports will be costly. Demand today also exceeds supplies of various other products; partly, the industry thinks, because consumers are trying to rebuild up their stocks. Indeed, the one element in demand for steel today that might bring about an apparent "general shortage"—and a real maldistribution—would be a rush by consumers to do just this. There is certainly today a tendency to build up steel stocks again, after running them down earlier this year; as ever when talk of shortage begins, any customer has a natural tendency to increase his own orders. Merchants' and consumers' stocks, generally, amount to about three months' home deliveries by the industry. Any general attempt to increase them—say by little more than 10 per cent on the average—can obviously raise the current rate of ordering by as much as a third, and create a paper shortage of steel. There are some signs that this is happening today.

Here, too, freer importing should help. More and more, the responsibility for balancing his steel supplies and stocks—and paying a realistic price for doing so—should be left to the consumer. Traditions of price stability prevent the British steel industry from allowing the price mechanism to operate fully in adjusting short-term fluctuations of demand and supply, as some Continental producers would do; and there is much to be said for those traditions. But the consumer who is determined to over-insure against shortage—and who may bring about the semblance of shortage by doing so—should be made to pay the world price, at least for his extra margin of safety.

Business Notes

A Little Market Festivity

IN the share markets an upward movement starting just before Christmas and extending into the new year is a frequent occurrence. By that time tax sales and balance sheet adjustments for the year end have been made, and in the industrial market operators are buying for settlement in the new year. Such a change of tone, muted but audible, did indeed occur around the Christmas holiday that has just passed. In the gilt-edged market the slight upward turn came on the Thursday before Christmas and in a quiet market, there was a modest further advance immediately after the holiday but the rise was not held. In the industrial market (where the dealings are for the account and therefore for payment in 1955) the turn round was more noticeable. With Wall Street reaching a new peak and commodity prices rising, commodity shares helped the advance along so that the industrial index has also reached a new peak.

After such a glorious year as 1954 in the markets, there is every reason for the investor to pause, reflect and perhaps to digest. He may well decide to do no more than add a little caution to his predominant feeling of cheerfulness. But at this moment there are two other special considerations that he has to weigh. One is the threat of a railway strike. The threat of a major strike always holds markets back; often, but not always, it is a worse deterrent to investors than the strike itself, for investors always try to look beyond the present. If the present threat looks serious, the market was not disposed to take the possibility too tragically.

FINANCIAL TIMES STOCK INDICES, 1954

	Jan. 1	Oct. 29	Nov. 30	Dec. 29
Fixed interest.....	111.84	117.52	117.59	115.83
Industrial ordinary.....	131.10	180.70	177.70	182.80
Gold producers.....	89.62	95.79	93.63	95.98
Gold developers.....	95.98	132.22	128.47	134.93

The other main thought for reassessment is the extent to which the great market gains of 1954 have been curtailed in the December market set-back. Investors have not lost money over the year as a whole; in industrials they have held all their gains and markets finish the year near the peak. But those who have a substantial investment in the gilt-edged market and in other fixed interest securities have surrendered a slice of what they had hoped to gain. A rough guide to the size of that set-back on a varied investment portfolio can be obtained by applying to the accounts of the 44 insurance offices analysed in *The Economist* last July the *Financial Times* share indices. They had total assets with a book value of £3,524 million invested as to

40.8 per cent in government securities, 18.8 per cent in other fixed interest stocks, 11.9 per cent in ordinary shares and the balance outside the market. They employ expert advisers and should be expected to beat the indices, which are mere averages, but assuming they did neither better nor worse they might at the end of November have counted an appreciation of £255 million (10 per cent of the quoted section of their total assets) on the first 11 months of the year. During December they would have lost £25 million of it and their final appreciation over the year would be 9 per cent. No disaster has occurred. Indeed the market and the balance sheets may be healthier for the shake out, but investment policy may become a shade more cautious.

Record Cash for Christmas

THIS Christmas, as in the rest of 1954, more money than ever has been in use; a glance at the Bank of England's weekly returns shows the size of the movement. In 1953, for the first time since 1949, the pre-Christmas increase in the Bank of England active note circulation was actually smaller than that for the year before. But this Christmas the withdrawals of notes during the five weeks before the holiday leapt to £110.5 million—larger by over £15 million than the outflow in the comparable weeks of 1953 and 1952, just twice the outflow in 1945 and nearly four times as large as that of 1938. This year's expansion is equally striking on a proportionate basis; it reached 6.7 per cent of the active note circulation in the middle of November, compared with 6.1 per cent in 1953, 6.5 per cent in 1952 and 6 per cent in 1938. It may be noted, however, that whilst the pre-Christmas expansion was larger than in previous postwar years, it began later. The note circulation began to rise after its steady early-autumn decline only at the end of October (a week later than in recent years) and in the early weeks of November the increase was relatively small. This could possibly presage a return to the seasonal pattern of pre-war years, in which the lowest autumn point occurred around the middle or third week of November.

The accelerated rise in the circulation in 1954 was not confined to the Christmas season; it was particularly marked also in May, June and July taken together. From the low point of end January last to the Christmas peak the circulation rose by £224 million, to £1,759 million, or by £33 million more than the increase in the corresponding period of 1953. This quickening is certainly attributable in part to the movement of retail prices. In 1953 the retail price index rose by only two points on balance, whereas

from January to November, 1954, it rose by five points. Even so, there can be no doubt that the larger increase in the use of cash last year reflects also, and perhaps for the most part, a higher level of real personal consumption.

ACTIVE NOTE CIRCULATION
(£ million)

Year	Christmas Peak	Christmas expansion*	
		£ million	Per cent
1938	504.7	28.6	6.0
1945	1,379.9	55.3	4.2
1946	1,428.2	64.3	4.7
1947	1,368.4	27.9	2.1
1948	1,296.4	63.3	5.2
1949	1,321.9	62.0	4.9
1950	1,357.7	78.1	6.1
1951	1,437.9	81.2	6.0
1952	1,550.4	94.9	6.5
1953	1,640.3	94.8	6.1
1954	1,758.7	110.5	6.7

* Measured from lowest point in second half of November.

In coming weeks, as usual, the banks will be returning notes on a large scale to the Bank of England; the first reflux, amounting to £7.0 million, was indeed recorded in the week to Wednesday last. The increase of £100 million in the fiduciary issue to cover Christmas demands is also likely to be reversed in the new year. During 1954 no less than eleven changes were made in the fiduciary issue—compared with eight in 1953 and seven in 1952.

Rubber's New Peak

RUBBER has this week been reaching new peaks; at 2s. 5d. per lb for spot, it is at its highest since mid 1952. Rubber shares, long neglected, have been more slowly creaking back into activity. As to the present rise in the commodity, views are divided. It is undeniable that there is at present no surplus. Even so small an event as a ship fire in Singapore on Christmas Eve, destroying less than 2,000 tons, can be an appreciable

	Lowest of 1954	Price Dec. 22, 1954	Price Dec. 29, 1954
United Suisa Betong (£1).....	25/2	46/3	48/9
Golden Hope (£1).....	17/9	25/-	27/6
Linggi (2/-).....	2/3½	3/-	3/3
Seaford (£1).....	30/1½	42/6	43/9
Labu Cheviot (2/-).....	2/7½	3/5½	3/7½
Prang Besar (2/-).....	5/-	7/3	7/3
Sogomana (2/-).....	7/3	8/-	8/3

market factor. The doubt is how long the strong market can last. Production was lost in Malaya in December owing to the floods. The year 1954 ends with rubber in strong demand; German rearmament has still to come but without it Western Germany is a good buyer; Poland is in the market. In Britain the recent dock strike and the threatened

railway strike is giving the manufacturers reason to consider whether their supplies of raw material provide sufficient cover. In the Far East there are the usual rumours about big deals between Indonesia and China.

It seems unlikely that the present strength of the commodity can be quickly broken; the doubt is whether the strong market will last a month or two or half the year. For the next two months consumers in America will certainly need to buy substantially. What may happen after that becomes increasingly doubtful. American manufacturers have bought increased supplies of synthetic rubber for March; that may be a natural precaution to cover any possible gap in supplies if and when the factories pass over to private ownership. They may be intending to cover themselves with increased purchases of natural rubber too. But it is also possible that American consumers are already restive about the price relations between natural and synthetic rubber. Straight GRS synthetic costs 23 cents, the oil-extended type around 19 cents per lb; a comparable grade of natural rubber (No. 3 sheet and a little lower) comes in the price range 31 to 32 cents per lb. That is the kind of situation in which cries of "price gouging" begin to be heard. Certainly if natural rubber moves still higher the long-term prospect will become disconcerting. No factories have yet actually been sold to private owners; the Administration still has a free hand.

Fortunately the danger seems still to be distant; and the rubber companies can operate at a profit at a price lower than the present. That thought has guided demand for rubber shares into the type of company that has a high proportion of new high yielding stock planted in the years 1946 to 1950. Those are the companies from which sharply rising yields per acre and therefore falling costs per lb can be expected. Investment is still small but the market is short of stock and price movements are disproportionate.

American Coal for Sterling

A NEW formula for American aid has been used in the agreement announced this week under which Britain will be able to pay for some of its imports of American coal with sterling. The sterling payment will not be simply a book-keeping "counterpart" appropriation credited to one of the defence votes in the UK budget; Britain will have to supply goods in exchange, which the United States government will give away to other countries. What goods it will buy and where it will send them are as yet unspecified, but it may be assumed that they will be largely capital goods to be sent to countries in South East Asia. The arrangement can thus be linked with the Colombo Plan and the "Aid for Asia" programme, of which a great deal more is likely to be heard from the United States in the near future.

The \$2½ million provided under this agreement by the United States Government will buy some 250,000 tons of coal, which represents about two months' deliveries under the National Coal Board's current programme of purchases from America. Since the dollars are provided under the Mutual Security Act, at least half of this coal must be

carried in American ships; but the United States government will authorise further dollars to pay the American ship owners and Britain will have to pay in sterling only the going rate of transatlantic freight charges. At about £3 4s. a ton, this coal is in line with the price that the National Coal Board has been paying for American coal this winter; up to the end of last year the Board had probably brought in about half a million tons. American coal is still cheaper than most other foreign coal that Britain can buy, though the rise in freights is pushing up the landed price here. The American mines are an extremely depressed industry, with a powerful lobby pressing the American government for assistance. This week's arrangement has no doubt been influenced by that pressure. Britain should be thankful for the dollars; but in fact it seems probable that the coal would have been bought anyway, for dollars or sterling.

Coal Stocks for 1955

WITH the last fortnight's figures still to come, it appears that Britain last year used at home and exported something over five million tons more coal than it produced. About half of this extra coal came from imports; the other half, over the year, from stocks. Coal consumption inside Britain, in 1954, seems likely to have taken about 213-214 million tons—as much as the mines produced; exports, at about 13½ million tons, and bunkers, about 2½ million tons, took much more than the equivalent of open-cast output, which fell to some 10½ million tons.

How did 1954 compare with 1953 in coal? Output from the deep mines increased by about 2½ million tons, only half of what Sir Hubert Houldsworth and the union leaders had hoped; opencast fell off by about a million tons, partly no doubt through bad summer weather; in the upshot, total production will probably have risen by only about 1½ million tons, or about 0.7 per cent. Consumption had to support an industrial boom in a cold climate (over the year, about 1.5 degrees Fahrenheit colder, which may well have accounted for an extra two million tons); it rose by more than five million tons. The amount of coal sent overseas was cut by about half a million tons; imports were quadrupled.

Total coal stocks at the end of the year seem likely to have been just under 18 million tons, with 16½ million tons of this in the hands of consumers and merchants. With about 2 million tons more imported coal due to arrive this winter, that is a safe, if not an ample, level. The public utilities and industry in general have probably three to five weeks' supplies in hand, though the power station engineers have recently had to revise upwards their estimates of coal consumption this winter. The first effect of a railway strike, therefore, might fall upon mining itself. About 700,000 tons of coal a day are shifted from the pits by rail; unless this coal goes, and the 60,000 empty wagons to take the coal raised next day are delivered to the colliery sidings, the rate of output in many mines would soon have to be cut, since there are limits to the amount that can be stocked in pit yards. Whether, thereafter, it would be lack of fuel or lack of transport to bring people, raw materials and components and to take away finished goods that might eventu-

ally bring other industries to a halt is a gloomy and profitless speculation. A prolonged railway strike would fairly soon slow down all industry, and fuel consumption with it; but a short one might well hit the coal industry more than most others, and leave behind it some danger of fuel shortage this winter.

Colvilles for Sale

ALMOST certainly the first big share marketing operation of the new year will be the offer to the public of the ordinary capital of Colvilles, the Scottish steel company. Subject to a last-minute decision early next week as to the likelihood and probable effect of a railway strike, the offer will be underwritten next week and take place in the middle of this month. It will consist, as have all recent offers by the Iron and Steel Holding and Realisation Agency, of the company's ordinary shares only (about £10 million will be involved), and the prior charges will be retained for later release.

In that expectation and flanked by the new confidence that the agency's recent successes has inspired, iron and steel shares have this week been moving upwards. Colvilles offer will indeed be almost the last of the type of marketing operation in which the agency has specialised, supported by the full consortium of issuing houses and group of leading brokers. The Whitehead Iron and Steel Company will also involve another and smaller public offer, but after that public offers of steel equities will for a time at least come to an end, and the agency will devote itself to the probably easier task of selling the prior charges.

Lancashire Cotton's Orders

A JUMP in gross trading profits by over £1 million, to £4.3 million, seems large enough to persuade any company chairman to describe the result as "very satisfactory." Sir Frank Platt, the chairman of the Lancashire Cotton Corporation, does indeed use that phrase to describe the year to October 31st. But his first comment on trade was about the "difficulties" that the company experienced in some sectors of its business. There was a time when Sir Frank would have counted the existence of a free cotton market in Liverpool among those difficulties, for he was among the supporters of the Raw Cotton Commission. That time is long past, and Sir Frank is evidently happy about the corporation's present cotton buying plans. A small subsidiary has been formed to handle the company's transactions in "futures" on the Liverpool Exchange. By implication the corporation continues to use the New York market, too, for the balance sheet shows a holding of £303,000 (against £404,000) in dollars.

One of Sir Frank's principal concerns is with what he describes as the "dumping" of cheap Indian cloth in this country. Sir Frank would clearly welcome a tariff wall erected against these imports. They are indeed formidable. In the first eleven months of 1954 imports of Indian cotton

yarn and cloth amounted to £6.2 million, compared with £758,000 in the same months of 1953. These goods enter the United Kingdom free while India imposes duties of 60 per cent or more on cotton imports from the United Kingdom. It is an issue that divides the trade; Sir Frank naturally speaks as a spinner. Some other spinners and manufacturers share his view. The combines at the finishing end of the trade often welcome imports as cheap raw material and not, as Sir Frank sees them, as cut-throat competition. But all would agree that it would be fine if India could be induced to cut her tariffs. The Corporation, like the rest of the cotton textile industry, is now much more dependent on the home market, and the British home market is among India's best export markets. That dependence on trade at home makes Sir Frank loth to prophesy about 1955. But he does report that "order books are shorter, with buying on a hand to mouth basis."

Bright New Sparkle

THE price of diamonds rarely moves; the Diamond Trading Company which controls the selling of over 90 per cent of the world's diamonds has held its price nearly steady since the war, never caring whether inflation caused the prices of cut stones and second-hand diamonds to rocket or not. But a small rise of an average of 2½ per cent in gem stones was announced just before Christmas. It happens that that is only the second true price increase since the war, and that both have occurred within twelve months—even within a twelve-month period in which it seemed to leaders of the trade that the demand for diamonds had reached its peak. The other increase of about the same amount took place in January, 1954. Apart from those two genuine increases, the only other price adjustments were those made to equate the devaluation of sterling; in terms of dollars, rough gem diamonds still sell at about 5 per cent above the prewar price.

	Dec. 15	Dec. 22	Dec. 23	Yield per cent
Anglo-American Investment Trust (£1)	£9	£9 ½	£10 ½	5 17 1
"Casts" (5/-)	23/9	24/3	26/6	14 3 0
De Beers Delft. (Bearer) (5/-)	£5	£6 ½	£6 ½	7 4 2

News of the latest price increase was one cause—but only one—of the rise in diamond shares that began before Christmas and has since continued. The table illustrates the strength of the rise. It would be wrong to think of it purely as a market reaction to a small rise confined to gem stones. The diamond market as a whole, including both gems and industrial stones, has grown much firmer in the last month. It has done so at a time when big stocks are exhausted and producers have nothing but their current production to sell, and in spite of Sir Ernest Oppenheimer's forecast that sales of industrial stones would show a decline this year. Full sales figures for the year are not

yet available but the nine months' sales suggest that his forecast was in itself correct. The trade is now, however, fully expecting that the increase in the sales of gems will more than outweigh the decline in industrial sales. A good

DIAMOND SALES
(£ million)

	1953, First 9 Months	1953, Full Year	1954, First 9 Months
Gems	32.5	43.2	34.7
Industrial stones	13.0	17.8	11.3
TOTAL	45.5	61.0	46.0

increase for total diamond sales for the year as a whole seems assured. The market is also bitten with the idea that since industrial diamonds are now experiencing an improved demand, their price, too, may be increased in the coming months.

H Line for Purchase Tax

CUSTOMS and Excise have made a seasonable little gift to retailers. From today, they are partially abolishing "uplift," that irritating notional wholesale margin that manufacturers who sell direct to the shops had to add to their price in order to arrive at the value of the goods for purchase tax. The concessions were announced in the Budget, but their introduction has been postponed until now to give time for details to be worked out. Those cases where "uplift" has still to be charged present difficulties. When an order is so much bigger than the average that the manufacturer is prepared to quote a special price for it, "uplift" of about 10 per cent will still have to be added, with the laudable object of preventing goods ordered in these quantities from bearing less tax than those bought in more modest numbers. But when is an order so big that it confers a "purchasing advantage"?

Not, apparently, when it is an order from a big retailer, for many big shops stock a great variety of goods, the individual orders for which are not necessarily bigger than average. If, then, the bigness of an order cannot be related to the bigness of the shop that places it, the only recourse is to deal with each order on its merits. This is what Customs and Excise intend to do. And to prevent evasion (for example, a retailer might break down a bulk order into a number of small orders to be spread over a pre-arranged period of time) the Customs and Excise will take account of the general volume of business between the manufacturer and the retailer.

This has been done by dividing manufacturers into two categories—those who deal primarily with "ordinary" retailers and those who do business largely with bulk customers such, for example, as the chain stores. In the former case, a manufacturer charges "uplift" only when he takes an order that is so much bigger than average that he sells at a specially low price. The second class of manufacturers would always charge "uplift" except to small

British steel makes the world's news

"Avanti", "Figaro", "Der Kurier", the "Herald Tribune" — every day the world's news is put into print. And in almost every civilised country British printing presses are there to do it. British printing machinery even goes to America, the home of giant-size newspapers. This machinery is steel. Wherever you go the prefix 'British' means steel of the highest quality. New and better steels are constantly being developed, and wherever there is steel there is British steel.

*British steel
leads the world*



THE BRITISH
IRON AND STEEL
FEDERATION



UNA BENDICIÓN...

OLD MARÍA sits making her lace. As stitch follows stitch she gives thanks for the electricity that lights her work. "Electricity", says María, "is *una bendición para el hombre* — for the benefit of Man."

Up at Los Peares, in the Province of Galicia, work is proceeding on a new hydro-electric power station. It is generating electricity for the growing industries in the North of Spain.

The electrical plant is being supplied by The British Thomson-Houston Co. Ltd., one of the nine famous A.E.I. companies. The equipment includes three huge generators, transformers, switchgear and control gear, much of which is already running.

A.E.I. are Associated Electrical Industries whose Companies make everything electrical from a turbine to a torch bulb.

AEI

for progress through electricity

Associated Electrical Industries are a family of companies:

The British Thomson-Houston Co. Ltd.
Metropolitan-Vickers Electrical Co. Ltd.
Birlec Ltd.
The Edison Swan Electric Co. Ltd.
Ferguson Pailin Ltd.
The Hotpoint Electric Appliance Co. Ltd.
International Refrigerator Co. Ltd.
Premier Electric Heaters Ltd.
Sunvic Controls Ltd.

customers who get a less favourable price. The difficulty here is to know when the order is small enough to escape "uplift" altogether. Manufacturers in this category can hardly be expected to have sufficient experience of "ordinary" retailers to know when they were permitted to make this concession and when they were not.

Because traders are grateful for any concession, they will probably do their best to make this arrangement work, but it is becoming increasingly plain that the machinery of purchase tax is an Emmett-like relic of the wartime economy that shows no capacity for adaptation to more normal trading conditions. The "uplift" concessions are only one example of the administrative safety valves that have been fitted all over the apparatus of purchase tax at points where explosion or breakdown seemed imminent. Three committees have studied various aspects of the tax during the past three years. What now needs discussion is its whole future and the possibility of raising the same revenue by more flexible means.

Phoenix in the Builders' Yard

THE London Builders' Conference, that remarkable organisation whose activities were roundly condemned by the Monopolies Commission, appears to have made its peace with the Ministry of Works. This is not quite the outcome for which critics of the Conference had hoped. Nothing short of the disbanding of the London Conference and similar regional conferences would have satisfied them and, contrary to many expectations, the London Conference is not winding up. The Minister of Works told the House of Commons shortly before Christmas that the Conference had agreed to drop the practices that were criticised by the Monopolies Commission—which concerned mainly the co-operative adjustment of building tenders by Conference members before they were sent in to the building owner. In future, said Mr Birch, builders' names would be placed on the Government list of approved contractors only after they had given an undertaking that they would not follow the tendering practices to which objection had been taken. This gentlemen's agreement was to replace the old declaration that successful government tenderers were formerly asked—and sometimes refused—to sign when they were awarded a government contract.

It has not escaped the notice of the builders, of the Conference and of the Ministry that this new undertaking applies only to work done for the Government. What builders do when they are tendering for other work does not appear to be affected by any undertakings given to the Ministry. The conferences came into being solely to operate the tendering procedures that have been criticised, and this explains the anxiety in many quarters to see the machinery dismantled and the conferences disbanded. The Conference members include many of the country's most respected contractors, and while they do not like the conclusions of the Monopolies Commission about the Conferences' activities they are nevertheless prepared to accept them—having originally asked for the investigation. But when faced with the prospect of disbanding the Conference, they have found that it has come to perform for them many of the functions of a trade association. The

needs of the big builders cannot always be met by their official organisation, the National Federation of Building Trades' Employers, with its 17,000 members of varying size. Whether or not the Conference may on occasions perform some of its old functions when occasion permits, there seems every likelihood that it will continue in being to fulfil some of the less controversial activities that have arisen from them. Sir David Eccles, who fired the first shots against the Conference and who moved to the Ministry of Education shortly after the report of the Monopolies Commission was completed must be wondering whether this change will be another case of *plus c'est la même chose*.

Powell Duffryn Pays Out

SHAREHOLDERS of Powell Duffryn may have had a long wait for the decision of their board to pay out the company's surplus cash, but they have every reason for satisfaction with the payment now announced. Altogether this former giant of the South Wales coalfield is to distribute £11.8 million in cash, a distribution that will still leave it holding £1,650,000 in cash and short-term investments with the final instalment of its colliery compensation (including the valuable power station) still to come:

Ordinary stockholders will receive more than 20s. per £1 unit in cash—a distribution of 19s. by way of return of capital not subject to tax, and a special dividend of 2s. 6d. subject to tax, making altogether 20s. 4½d. net to the shareholder liable to the standard rate of tax.

Preference shareholders are to receive 10s. in cash by way of return of half their capital plus a cash premium of 1s. per share—a premium which is just because shares were issued for 21s., though it is no legal necessity to repay it.

Finally reserves are to be capitalised in a 9 for 1 scrip issue, so that the ordinary shareholder ends with one 10s. share for each £1 of ordinary stock he now holds. The 4½ per cent preference stockholders will also be retaining a 10s. share in respect of each £1 share now held, and their class rights are strengthened by better voting powers and by making the existing stock plus the £900,000 unissued preference capital a closed class.

For Powell Duffryn, the scheme is no swan song. Substantially less than the compensation for the nationalised assets (tentatively estimated by the chairman recently at £15½ million) is being paid out in cash. Moreover the £11.8 million that Powell Duffryn pays out is all money that is at present earning little or no return. The present earnings that cover the 8 per cent ordinary dividend with a modest margin should on the new 10s. shares justify a bigger—possibly a doubled—rate of dividend. And shorn both of its collieries and its surplus cash the company remains a great industrial group. It will still comprise the whole Stephenson Clarke group engaged in coal distribution by land and sea; the Cory Brothers section represents the group's investment in oil storage and in distribution, in shipping and merchanting; the technical consulting group headed by Powell Duffryn Technical Services is now reorganising coal mines under the United Nations contract in South Korea, and in India. There remain also the Cambrian Wagon Company, building railway wagons in South Wales, and Powell Duffryn Carbon Products supplying special chemical carbons.

Business in the Air

LAST year, air transport passed a beacon when for the first time more people flew over the oceans than sailed across them. Estimates suggest that airliner revenue has risen about 10 per cent, giving the major airlines a turnover of nearly \$2,000 million. On this, they had a profit margin—before payment of interest—of just over one per cent. These narrow margins have become an established feature of airline accountancy. Success still tends to be measured more in terms of traffic won than of profit earned and most operators can make their bid for traffic in the comfortable knowledge that a subsidy in some form or other stretches beneath them like a safety net. Profitable operations are therefore almost inevitably followed by pressure from the more ambitious operators for lower fares to attract more traffic and the tight-rope becomes more slender as the acrobats' agility increases.

WORLD AIR TRAFFIC IN 1954

Passenger Miles 000,000	Freight ton-miles 000,000	Mail ton-miles 000,000
32,000	716	217
+ 12	% change on 1953 + 3	+ 16
+ 172	% change on 1947 + 283	+ 143

Source: ICAO

The increase in traffic during 1954 was therefore partly offset by the lower fares at which it was carried. The figures in the table are taken from estimates circulated by the International Civil Aviation Organisation, and these cover a wider field than those given above for the major airlines by their own trade organisation. The big carriers did not increase their percentage of passenger or of mail traffic by quite as much as is suggested by the ICAO figures, which indicates an expansion in traffic carried by the smaller operators. The big carriers did, however, record for the second year in succession a four per cent rise in freight. The 12 airlines that fly on the North Atlantic carried between them a record total of 12,000 tons of freight. The next few years are likely to see a determined drive to build up air freighting, and in the process the British independent airlines may develop as world carriers. Airwork opens an all-freight service across the North Atlantic this spring and Aquila Airways is at present defending its application for a licence to operate a freight service by flying boat to Australia against opposition from the established carriers, who have, generally speaking, been throwing all their energies into developing passenger traffic in the belief that freight could be tackled later at their leisure.

Trade Agreement with Germany

BILATERAL negotiations can do little to expand British trade with Federal Germany, and the latest trade agreement, though it has increased the range of liberalised

goods on both sides, may not make a great difference to a trade that runs freely without special negotiations, save only on the narrow front still covered by quotas. Both countries have little left on quotas, but both guard that little jealously. On paper, Federal Germany has already liberalised 92 per cent of its imports, and the United Kingdom only 80 per cent, although the difference partly reflects OEEC's arbitrary methods of calculating the extent of liberalisation. Germany still clings to quotas on agricultural imports and Britain still clings to quotas on a number of German specialities. As British exports include little agricultural produce, it may be argued that the Germans are harder hit by British quotas than *vice versa*.

Anglo-German trade has been growing satisfactorily partly because the Germans have seized their opportunities of buying sterling area raw materials in London markets. Instead of a United Kingdom deficit, payments now roughly balance, at a much higher level than in 1953. United Kingdom exports, including re-exports, to Federal Germany in the first eleven months of 1954 were nearly £80 million, an increase of over £8 million over the same period of 1953, while imports from Germany (including west Berlin) rose by over £6 million to more than £70 million.

The German exporters are dissatisfied that imports from the United Kingdom have grown more than sales to the British; and further efforts will be made to induce the British to reduce the range of goods on quota. But, there should still be more chances for the British to expand their sales in Germany than the other way round. The German standard of living is constantly rising, taxes have been cut, and there is no reason why more of the money that is being spent should not go to British manufacturers.

Hire Purchase Insurance

SHOPKEEPERS can now insure against loss arising from default under hire purchase contracts. Finishing touches are being put by a leading insurance company to a policy that will cover three-quarters of any bad debts that result from default by customers who buy on hire purchase. The remaining twenty-five per cent will be at the risk of the trader or of the finance house that stands behind him, for it is a cardinal principle of credit insurance that the trader must be left with some incentive to avoid bad debts. The full sum at risk is never covered. This is a much more extensive cover than has previously been available under policies that covered failure to pay instalments on cars and motor cycles but only when default was due to unemployment, sickness or accident. Premium rates will vary with the underwriter's assessment of the trader's past success in avoiding defaults and with the type of goods that are offered for sale on HP terms; the proportion of the cost price at which an article can be sold second hand varies considerably within the range of HP trading, and some types of merchandise are more difficult to keep track of than others. A figure of 30s. per cent is thought to be the pivotal rate. The cost of finance will, it is claimed, normally be appreciably less when the debt is insured than the charge made by finance houses for loans without recourse to the shopkeeper if default

is not insured. It should be added that the opposite view is held by some hire purchase traders. They argue that their loss ratio is in the region of $\frac{1}{2}$ per cent and that a premium of $1\frac{1}{2}$ per cent is too high.

Hire purchase credit insurance involves risks beyond what has traditionally been considered to be insurable. It is necessary for the insurers to feel their way. They will naturally insist that the trader will include all his HP sales in his insurance and not merely those where he feels a doubt about the credit-worthiness of his customer. Policies will be renewable annually. Underwriters will therefore be able at reasonably frequent intervals to raise rates of premium to traders whose default ratio is too high, or even to decline to renew the insurance at all. But these safeguards cannot insulate insurers from a fall in prices to the level where the amount outstanding under an HP contract would considerably exceed the price at which the purchaser could buy an identical article second hand. There is also the risk of widespread short-time working or unemployment. For these reasons the immediate boost that the hire purchase boom will receive from the new facilities may be small.

New World Bank Loans

DETAILS are now available of the \$10 million loan by the International Bank for Reconstruction and Development to the Industrial Credit and Investment Corporation of India. The loan will be for 15 years at $4\frac{1}{2}$ per cent, including the statutory commission of 1 per cent that the bank charges. Amortisation will begin in 1960. It is also confirmed from Washington that the Bank took an active part in the preliminary negotiations that led to the establishment of India's Investment Corporation. In February, 1954 a mission organised by the World Bank went to India to explore the matter with Government officials. It was during that visit that the main outlines of the Corporation were agreed and a Steering Committee of five Indian business men was set up to make detailed plans. The World Bank meanwhile explored the possibility of obtaining private British and American participation in the Corporation's equity.

The World Bank has also announced this week a new loan for \$5 million to Colombia, to be repaid over seven years at $4\frac{1}{2}$ per cent, beginning in 1957. A notable feature is the participation of private interests without the Bank's guarantee. The Bank of the Manhattan Company is providing \$2 million and the First National Bank of Boston \$1 million.

Help for Yugoslavia

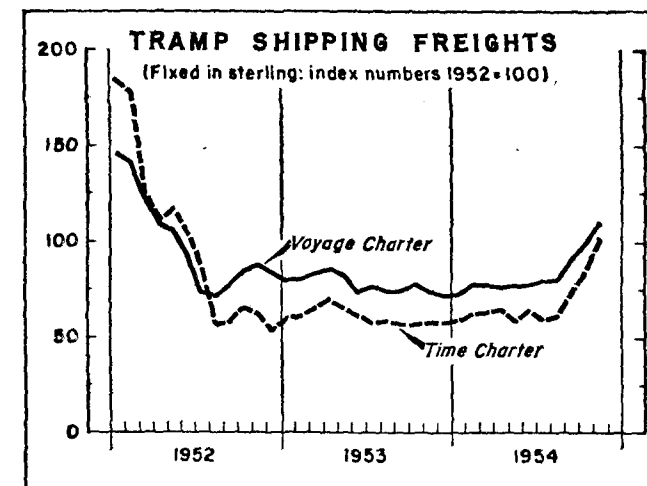
JUGOSLAVIA's accommodating attitude on the Trieste settlement is providing solid advantages for that country. One of them is a most lenient readjustment of the terms on which the Yugoslav debt of £17 million to Britain is to be repaid. That debt arises from credits granted to Yugoslavia in the years 1949-51. It was due for

repayment between 1954 and 1958 by annuities varying between £3 and £4 million. Before the first repayment Yugoslavia pleaded special balance of payments difficulties, occasioned by "adverse climatic factors" and by the incidence of heavy debt repayments in the next few years. Now a new agreement has been reached, and the text to be published shortly as a White Paper will show that Yugoslavia's burden has been greatly lightened. The period covered by the annuities is to be extended until 1962 and the rate of interest is to be reduced.

That is not all. According to official Yugoslav reports the United Kingdom, reversing an earlier decision, has now agreed to join in a programme for aid to Yugoslavia in which the other participants will be the United States and France. For the year ending June, 1955, the sterling grant in aid to the Yugoslav government is expected to be £2 million, while the United States government will provide \$40 million and about 850,000 tons of wheat. Taking the new assistance and the revised debt agreement together it is seen that not only is Yugoslavia's debt burden being eased, but that that country is being furnished with resources out of which to provide the first repayment.

Freights in 1954

ALTHOUGH tramp chartering activity had been slightly reduced before the Christmas holidays, business is still being done at very firm rates in the dry-cargo market, both for voyage and time charters. The Chamber of Shipping index of tramp freight rates which hardly changed at all early in 1954, from 71.9 in January (1952=100) to 80.1 in August, rose by about 10 points every month up to November when the index was 110.4. The time charter index showed rather more fluctuation, but also rose from



58.3 in January to 101.8 in November. It seems likely that the December index will again show a rise, so that the average for the year 1954 is likely to work out somewhere in the region of 85, compared with 77.5 for the whole of 1953.

All the main trades have shared in the recent rise, but the principal influence behind the movement has been renewed activity in chartering for grain and American coal,

assisted more recently by increased demand for scrap from the United States. A special feature of the present situation is the unusual number of forward fixtures, some vessels having been fixed for carrying American coal to Western Europe as far ahead as next October. Several vessels have also been fixed already for next season's grain from the St. Lawrence at rates up to 63s. 9d., compared with the 42s. 6d. that was paid for the first fixtures of the season now ended. Vessels now coming off time charter are having no difficulty in renewing employment at higher rates, and the market is displaying a firmness that it has not experienced for some time. There is certainly no "panic" chartering going on, but it seems that the underlying strength of the freight market is likely to continue for the next few months.

The tanker freight market also ended the year with a majestic flourish. Colder weather, coming rather earlier than usual, stimulated the seasonal United States coast-wise traffic and made a very sharp impact upon the market both in New York and in Europe. London spot rates are now at their highest level for two years, after sinking last summer to their lowest point since 1949. There has been appreciably more business in the time charter market, too. In the last six months over 1½ million tons dw. of tanker tonnage have come back into commission; but there is still about 2 million tons dw. laid up.

At Your Doorstep, Madam

INDUSTRIAL LIFE ASSURANCE, involving the collection of premiums at the door, has changed its name to Home Service Life Assurance. The latest report of the Industrial Assurance Commissioner* also shows that it is changing in character. The average new sum assured is growing; it was £46 7s. in 1953, compared with £43 16s. in 1952. Moreover, new business is now predominantly endowment assurance; not long ago the funeral benefit policy, under which the assured got nothing until he was dead, was the most popular contract. The whole business is also rising in status. For the first time since the 1936 report a summary is given of the actuarial valuations of the companies and societies doing industrial life business. The volume of endowment industrial business in force at the latest valuation was over six times as great for the societies concerned as in 1936, and for the companies over five times as great. Only five small collecting societies showed deficiencies—totalling £40,000—whereas in 1936 ten societies had deficiencies of £210,000. All the companies had surpluses and with one small exception each of them was

* Report of the Industrial Assurance Commissioner for the year 1953. HMSO. 3s. 6d.

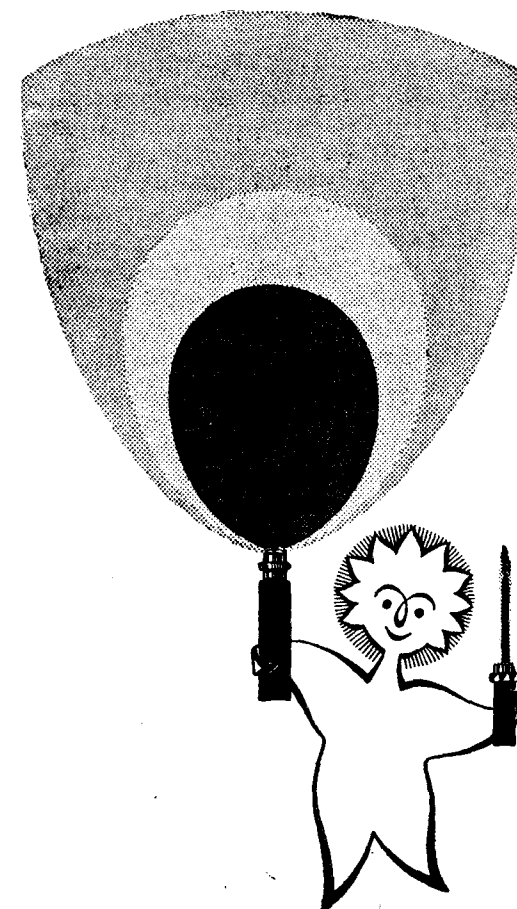
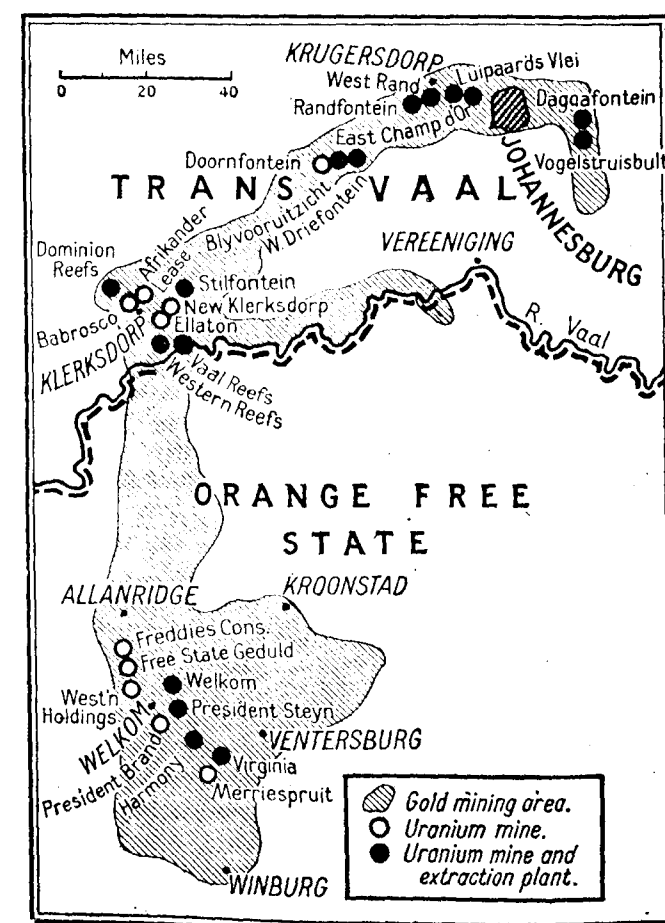
Uranium in the Union

THE grade of uranium ore in South Africa is so low that it can be mined economically only in association with gold. There are now 26 scheduled uranium producers, all of them gold mines, in the Union and one copper company, Rhokana, further north in Rhodesia. The three newest comers to the list are Freddie's Consolidated, Merriespruit and Vaal Reefs. Freddie's and Merriespruit will pump their slimes by pipelines to uranium extraction plants at neighbouring mines. But Vaal Reefs is to erect its own extraction plant, capable of treating 60,000 tons a month. Rumour points to four other mines—Lorraine, Hartebeestfontein, Buffelsfontein and St. Helena—to the list.

Seven of the 26 scheduled mines are already producing uranium. They are, in historical order of coming into production, West Rand, Daggafontein, Blyvooruitzicht, West Reefs, Stilfontein, Randfontein and East Champ d'Or. Five more—Vogelstruisbult, Luipaards Vlei, Harmony, Virginia and Freddie's—should be in production in the early months of 1955.

Profits reported by the mines already in production have been mounting steadily. An odd feature about these earnings is that their yearly totals for 1953 added up to more than the aggregate of the profits the mines reported quarterly. The fact suggests that not only does the price paid for uranium oxide, which is calculated to cover production costs and capital costs (spread over 10 years) leaving a reasonable margin of profit, vary from mine to mine but also that the price is adjusted to changes in the flow of production. In the first nine months of 1954, the gross revenue earned in South Africa from the sale of uranium and thorium oxides—the latter is not a big money spinner—was £9.1 million, compared with £2.3 million in the same period of 1953. That figure is sufficiently encouraging to

suggest that the estimate of a gross revenue of £40 million in 1958 may err on the conservative side.



FLEXIBLE FLAMES

Some industries need a flame 20 feet long, others a mere pencil point of heat. Gas provides both and every gradation in between—a complete heat service for industry, clean, constant and infinitely controllable. The adaptability of gas is a virtue which can reward the user with lower production costs. However you put it to use, you pay only one bill for your gas. You do not have to

budget for storage costs or space nor, unless your needs are exceptional, for special handling equipment and the concomitant labour. If yours is one of the 4,000 industrial processes already served by gas, you may find ideas for increasing efficiency in the latest advances in gas technology; if it is not, it could become the 4,001st. Either way the Gas Industry welcomes your inquiries.



Firm Facts

Questions about your own firm's gas usage can be answered by your Area Gas Board. The free advice and help given by the Boards' Industrial Gas Engineers are backed by full resources of the Gas Industry through the Gas Council's Industrial Gas Development Committee. The first step is to have this coupon filled in and sent to your Area Gas Board or to the Gas Council, 1, Grosvenor Place, London, S.W.1.

NAME _____

ADDRESS _____

WE NEED HEAT FOR _____

The Gas Industry makes the fullest use of the nation's coal

GCG 10A

"DIRECTORS, ENGINEERS Attention Please!"

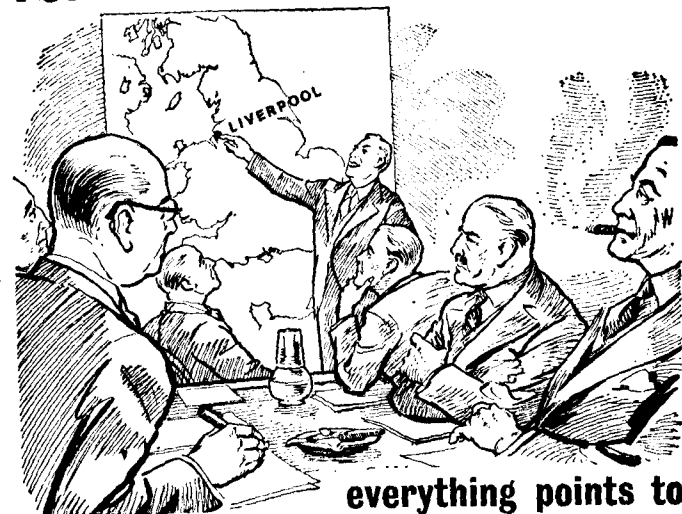
"I am Private Btu (the British Thermal Unit). There are about one and a quarter million of me in one hundredweight of coal. My job is to fight for productivity but often enough I don't even get into action, just die on some fuel dump, go up the chimney in smoke, get done in on a supply line or blown through a roof. That's not fair!"

Give me better leadership! Inspect your plant and buildings at once with only one question in mind: **Where is heat wasted?** Waste can occur in a hundred ways and heat losses can be measured in £.s.d.

FUEL EFFICIENCY PAYS The business men who control N.I.F.E.S.—the National Industrial Fuel Efficiency Service—are satisfied from their own experience that big money savings as well as increased productivity are possible even to small firms.

Issued by **N * I * F * E * S** National Industrial Fuel Efficiency Service
71 Grosvenor Street London W1 'Phone: Hyde Park 9706

For industrial development



everything points to

LIVERPOOL

LAND The three great Liverpool trading estates at Speke, Fazakerley and Kirkby offer manufacturers ideal conditions for industrial development.

LABOUR A great advantage of siting plants on a Liverpool industrial estate is the large labour force available, particularly of young men keen to train and skilled technicians. New housing schemes for workers, with full community amenities, are related to the requirements of developing industry.

SERVICES The estates are well equipped with public services and are adjacent to main roads. Easy access to docks, airport and railways.

FINANCE Mortgage facilities are available for the purchase of factory sites and the building of new factories.

LIVERPOOL INFORMATION
Write for illustrated brochure to the City Engineer and Surveyor, Liverpool Corporation, Dale Street, Liverpool, 2.

017-22



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

Drambuie

THE DRAMBUIE LIQUEUR CO. LTD., EDINBURGH

allocating a surplus to policy holders: in 1936 only ten out of sixteen companies were doing so.

The high rate of lapsing because premiums have been discontinued before either a surrender value or a free policy has been earned and the high expense ratio are the main criticisms of this type of assurance. Some improvement is reported under both headings. For companies the lapse ratio was 18.3 per cent, the same figure as in 1952 and comparing with 18.7 per cent in 1951. For societies the ratio was 22.1 per cent compared with 23.4 per cent in 1952 and 20.7 per cent in 1951. Highest marks go to the Pearl among the companies with a lapse ratio of only 11.2 per cent and the Liverpool Victoria among the societies with 15.0 per cent. Expenses were also declining. For companies the figure was 30.5 per cent of premium income compared with 30.8 per cent in 1952 and 30.7 per cent in 1951. For societies it was 35.2 per cent in 1953 compared with 38.9

per cent in 1952 and 36.2 per cent in 1951. Best marks on expense ratios go among the companies to the Co-operative, with 28.1 per cent, and among the societies to the Liverpool Victoria, with 33.2 per cent. The Commissioner notes that most of the big societies with sums assured of more than a quarter of a million pounds showed lower expense ratios than in 1936, whereas most of the small societies transacting less than 10 per cent of the total business have higher expense ratios than 20 years ago.

In spite of this modern look in home service assurance, it is not growing rapidly like ordinary life insurance. New industrial sums assured in 1953 were £278.8 million, compared with the 1952 figure of £267.6 million, but well below the peak of £286.8 million in 1947. The number of policies also fell to 6.0 million in 1953 compared with 6.1 million in 1952 and 8.5 million in 1947.

Company Notes

TATE AND LYLE. The directors of Tate and Lyle have provided in the full accounts almost every detail that a shareholder could wish for. The news of bigger profits, an increase in the ordinary dividend from 16 to 18 pence and a 25 per cent free scrip issue has now been supplemented by a gross trading account, showing the breakdown of sales, and a description of the sugar refining processes. All that the accounts lack is an explanatory statement from

	Year ended Sept. 26, 1953	53 weeks ended Oct. 2, 1954
Income and expenditure:—		
Export sales	30,398,690	38,846,776
Home sales and other income	70,528,559	79,641,749
Total income	100,927,249	118,488,525
Raw materials (incl. duty)	83,740,382	96,793,895
Fuel and power	1,264,760	1,562,149
Packing materials	4,261,143	4,455,472
Other refining costs	975,387	1,051,510
Overhead costs	1,609,193	3,850,904
Advertising	50,839	61,983
Wages, etc.	4,884,691	5,638,581
Total costs	96,786,395	113,414,494
Income, before tax and depreciation	4,140,854	5,074,031
Depreciation and renewals	1,045,366	1,065,138
Taxation	1,967,742	2,013,823
Reserves	470,848	1,261,172
Net dividends	656,898	733,898

the chairman. They need the support of such a statement for they are full of intriguing and significant changes.

The first that will catch the eye of any shareholder is the sudden increase in the net book value of fixed assets from £9.8 million to over £17 million. That represents a revaluation of fixed assets to present-day values; their estimated gross replacement cost is put at £33.4 million. The revaluation has been balanced by the appearance of £6½ million standing to the credit of capital reserves.

Later in the balance sheet there is an alteration which may be less permanent but is of great temporary interest. Stocks have fallen in the first year free from sugar rationing from £10.2 million to

£5.9 million, while debtors have risen from £3.7 million to £6.1 million. In the autumn of 1953 large stocks were built up just before rationing came to an end in anticipation of a sudden increase in demand. Stocks were thus abnormally high and some reduction was inevitable. The reduction may also owe something to fluctuations in raw sugar deliveries. And as it is associated with a rise in debtors it may also mean that in a year of unrationed supplies the refiners have been keeping the traders' shelves full rather than their own. Turning to the liabilities side of the balance sheet, the shareholder will notice that the company has largely, though not entirely, replaced its bank and short-term loans by commercial bills. Clearly, it has found it cheaper to finance its raw sugar commitments through the discount market.

The end of rationing has brought some important changes in Tate and Lyle's trading account as well as in its balance sheet. Derationing was followed by an expansion in sales at home and by a steep rise in overhead costs. With the end of rationing the company had to take over the distribution of sugar from the Ministry of Food. Thus distribution, selling and transport costs (which are grouped under the heading of overhead expenses) have soared. The changes that

	On Sept. 26, 1953	On Oct. 2, 1954
Balance sheet analysis:—		
Fixed assets, less depreciation	9,858,831	17,028,498
Trade investments, etc.	812,626	1,303,360
Net current assets	6,618,040	6,832,425
Stocks	10,220,880	5,896,625
Debtors	3,734,753	6,120,846
Cash and T.R.C.s.	29,270	2,683,220
Short-term debts and bills payable	2,324,000	2,790,000
Capital reserve	6,518,118	6,518,118
Revenue reserves	3,569,509	4,830,681
Ordinary capital	7,000,000	7,000,000

have taken place in the 53 weeks to October 2nd cannot fail to intrigue shareholders, but it is perhaps still too early to decide that the figures now established in the accounts represent

"normal" quantities in a period of unrestricted sugar consumption.

ASSOCIATED COMMERCIAL VEHICLES. With the accounts of Associated Commercial Vehicles the directors have published a four years' comparison of accounting ratios. Some of them are shown in the accompanying table. Their value to those unfamiliar with the mysteries of a slide rule is great, even though the message that the figures bring is unwelcome. Until September 30, 1953, earnings were expanding. In the latest year there has been a sad falling off. Ordinary earnings as related to net assets have fallen from 10.0 to 5.4 per cent and maintained ordinary dividend of

	Years to Sept. 30, 1953	1954
Earnings and assets:—		
Net assets*	7,313,244	7,461,089
Profit, before tax†	1,621,116	923,326
Net ordinary earnings	730,055	406,099
Net ordinary dividends	258,328	258,328
Accounting ratios:—		
Untaxed profit to net assets	22.2	12.4
Ordinary earnings to net assets	10.0	5.4
Ordinary dividends to net assets	3.5	3.5
Ordinary dividends to ordinary capital	22.5	22.5

* Net assets, excluding goodwill, attributable to ordinary capital. † Profit before tax but after deducting minority interests and gross preference dividends.

22½ per cent is now covered by these earnings 1.6 times instead of 2.8 times. The key to these disappointing results is the decline in the group's gross trading surplus from £1,984,319 to £1,273,357.

The directors rightly give a candid explanation: the "large fall in turnover"—and hence in profits—was due first to "the large drop in sales of vehicles at home" and secondly to "the introduction of new models to meet the demand by operators for vehicles with a more economical fuel consumption." That may seem to be an admission that for a time ACV backed the wrong horse. But the company has now marketed "new medium-weight passenger and goods vehicles." These have met with great success and "the total value of unexecuted orders on hand is at a very

much higher level than that attained at the comparable date last year." Export orders are also well maintained. Shareholders will therefore expect better trading results. And their hopes will be strengthened by the knowledge that the company has now redeemed its £1½ million of unsecured loan stock. That redemption has made a hole in the group's liquid balances, but it will mean a welcome reduction in interest charges.

★

RALEIGH INDUSTRIES. It must be with joy that the chairman of Raleigh Industries, Sir Harold Bowden, tells shareholders that his forecasts of a year ago have been wrong. He then said that the cycle industry was approaching the point where the supply of cycles and accessories was catching up with demand. In fact in the year to July 31st the group had still to ration supplies to customers both at home and abroad even though the group's output again beat all previous records—as did sales and profits. Group trading profits before all charges advanced from £2.2 million to £2.8 million; similarly net profits went up from £712,622 to £1,021,589 and the directors were able to raise the ordinary dividend from 10 to 12½ per cent.

With full order books the group has decided to build two new factories at Nottingham. These will cost between £3 and £4 million, but, as in the past, the group will meet the cost from its own resources. Raleigh's cash balances are not enormous, so that the decision to invest more in bricks and mortar could have some influence on future dividend payments. But shareholders will note that deliveries, sales and profits are likely to go up again in the current year and that the group will no longer have to pay EPL, which in five months took

£95,000, or only £10,000 less than in the full year 1952-53.

★

ARTHUR GUINNESS. The full accounts of Guinness add surprisingly little to the preliminary statement, discussed in these columns on December 11th. They show that the group's trading surplus has risen from just under £5.7 million to over £6.5 million. But the latest profits include £517,000, compared with a mere £162,000, from interests unconnected with brewing. In the accounts the directors still do not explain what these interests are. That explanation will presumably have to wait upon Lord Iveagh's speech at the annual general meeting. (But can it be soft drinks?) If these non-brewing profits are excluded from the reckoning the group's profits from the sale of beer have risen from under £5.6 million to about £6 million. That increase is sharp enough to suggest that Guinness, long-established in the bottled beer trade, has not lost any of its hold on a market, which is growing steadily more competitive. The fact that the group does not—as other bottled beer breweries do—control a chain of public houses in this country may be one factor contributing to its continuing success. That success in the year to September 30th was marked by the increase in the ordinary dividend from 18 to 23 per cent.

The increase in equity payments must owe something to the improvement in liquidity. That improvement in turn owes a good deal to the reduction in the book value of stocks from £6.6 million to £5.5 million. Hence the brewery has been able to add its fixed assets—the net book value of which has risen from £16 million to £17 million—and to pay out a bigger dividend without any sign of strain.

LONDON STOCK EXCHANGE

Next Account begins January 5th
Next Contango Day: January 5th
Next Settlement Day: January 11th

BEFORE Christmas industrial equities were firm and after the holiday they remained in good fettle. Indeed, by the close on Wednesday the *Financial Times* ordinary share index had risen to a new peak of 182.8. On the same day on Wall Street the Dow Jones industrial index jumped to a new record height of 401.97; "rails" and "utilities" advanced to new 1954 peaks. Prices in the gilt-edged market were rather uncertain. They rallied a little just after the holiday but subsequently became irregular and declined on Thursday. In the Dominion and Colonial issues, prices were dull at first but then improved on some demand for the higher couponed stocks. German and Japanese bonds were generally firmer in the foreign market. Among overseas rails "Canpacs" improved.

The continued improvement in industrial equities was led by the store shares. Most of these were marked up after the holiday. Marks and Spencer, Woolworth and "Gussies" led the way. On Wednesday, however, some profits were taken and prices eased. Tobacco shares, notably Carreras "B," were stronger on reports of bigger cigarette sales in 1954. A quiet demand for motor and aircraft shares was concentrated largely on Ford and Rolls-Royce. In the electrical group, Siemens at one point moved out of line with AEL. Buying came from Birmingham on unconfirmed suggestions of a counter bid. Steel shares were rather better again in advance of the next steel offer.

Oil shares were firm, with British Petroleum leading yet another advance. Buying of rubber shares was stimulated by the better price for the commodity. Tea shares were firm and Bowland went up 20s. to 77s. 6d. on the news that the estate was to be sold. The feature of the mining market was the strength of copper shares, which were in demand from the Continent. Diamond shares continued to go up following the news of higher diamond prices. Little business was reported in Kaffirs and prices tended to sag on Wednesday.

FINANCIAL TIMES INDICES

1954	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Dec. 22...	179.6	116.09	3.82	4.71
" 23...	180.1	116.06	3.82	4.70
" 24...	180.9	116.07	3.82	4.68
" 27...	181.7	115.99	3.81	4.66
" 28...	182.8	115.83	3.81	4.63
MARKINGS: Weekly average of bargains marked in the Stock Exchange Official List				
1954, High...	182.8	118.10	Total bargains	
" Low...	131.1	111.78	Dec. 22	9,132
" (Jan. 1)...	131.1	111.78	" 23	7,444
" (Jan. 5)...	131.5	112.55	" 24	4,566
1953, High...	131.5	112.55	" 27 Bxg. Day	5,309
" Low...	113.9	105.68	" 28	8,265
" (May 20)...	113.9	105.68	" 29	8,265

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Dec. 29		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Dec. 22, 1954	Price, Dec. 29, 1954	Net Yield, Dec. 29, 1954	Gross Yield, Dec. 29, 1954	Prices, 1954 Jan. 1 to Dec. 29		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Dec. 22, 1954	Price, Dec. 29, 1954	Yield, Dec. 29, 1954
High	Low							High	Low						
100½	99½	Exchequer 2½% 1955	100/1/4	100/1/0	100/1/0	1 15 0	1 15 0	38/3	20/8½	15 c	STEEL & ENGINEERING		37/3	36/6	4 15 11½
100½	98½	Do. As'td. Exchequer 1960	99½	99½	99½	1 4 6	2 4 3	12/4	8/9	415 c	B.S.A. £1		10/—	10/—	7 8 0
200½	99½	Do. As'td. Funding '66-68	99½	99½	99½	1 15 3	3 3 2	24/6	23/3	10 b	Cammell Laird 5/-		24/3	24/—	4 10 3
100½	99½	Exchequer 2½% '63-64	99½	99½	99½	1 9 11	2 12 11½	73/6	49/9	10 b	Dorman Long £1		67/3	66/6	5 13 8
105½	101½	Exchequer 3% 1960	104½	104½	104½	0 18 3	2 6 6	44/6	34/6	10 b	Guest Keen N'fold £1		43/6	44/—	5 13 8
105½	99½	Exchequer 3% '62-63	103½	102½	103½	1 6 5	2 13 3½	29/10½	24/10½	10 b	Stewarts & Lloyds £1		28/10½	29/6	6 17 11
101½	99½	Serial Funding 2½% 1957	100½	100½	100½	1 3 10	2 5 1	29/6	22/—	4 a	Summers (John) £1		28/10½	29/—	6 17 11
101½	100½	Serial Funding 3% 1955	100½	100½	100½	0 13 2	2 3 11	41/10½	23/9	15 c	United Steel £1		39/6	39/6	3 15 11½
101½	100½	War Bonds 2½% '54-56	100½	100½	100½	0 19 10	2 7 6½	32/—	21/4	15 c	Vickers £1		30/—	30/3	6 12 3m
101½	100½	Funding 2½% '52-57	100½	100½	100½	1 7 3	2 12 4½	32/—	21/4	15 c	Bradford Dyers £1		30/—	30/3	6 12 3m
100½	95½	War Loan 3% '55-59	100½	100½	100½	1 9 4	2 17 6½	32/4½	24/9	12 b	Brit. Celanese £1		28/3	28/3	6 7 5
100½	95½	Savings Bonds 3% '55-65	99½	99½	99½	1 14 6	3 2 9½	31/4½	24/8	10 b	Coats (J. & P.) £1		27/7½	28/—	5 7 2½
101½	97½	Funding 2½% '56-61	100½	99½	99½	1 9 1	2 12 6½	40/7½	25/2	4½ b	Courtauld £1		39/9	40/—	4 0 0½
98½	92½	Funding 3% '59-69	96½	96½	96½	1 16 1	3 3 2½	39/9	30/6	10 a	Lancs. Cotton £1		30/9	32/—	7 16 3½
101½	93½	Funding 3% '66-68	99½	98½	98½	1 16 1	3 3 2½	39/9	30/6	5 a	Patons & Baldwins £1		31/6	32/6	6 3 1m
99½	95½	Funding 3½% 1999-2004	95½*	95½*	95½*	2 1 7	3 14 1½	25/10½	17/9	6½ b	MOTOR & AIRCRAFT		19/—	19/—	5 5 3
105½	100½	Funding 4% '60-90	103½	102½	102½	1 14 2	3 10 10½	12/5½	6/3½	4 a	Bristol Aeroplane 10/-		10/3	10/3	6 1 11½
98½	90½	Savings Bonds 3% '60-70	95½	95½	95½	2 0 4	3 8 11½	30/3	20/9	7½ c	British Motor 5/-		22/3	22/3	6 14 10
97½	90½	Savings Bonds 3% '64-67	94½	94½	94½	1 17 7	3 1 1½	30/3	20/9	7½ c	De Havilland £1		21/10½	22/3	6 14 10
106½	101½	Victory 4% '20-76	105½	104½	104½	1 16 2	3 12 2½	83/6	35/9	12 c	Ford Motor £1		77/6	79/4½	3 0 6
96½	87½	Savings Bonds 3% '65-75	94½	93½	93½	2 1 1	3 9 11½	49/4½	23/10	3 a	Hawker Siddeley £1		46/—	46/3½	4 10 10
99½	93½	Consols 4% aft. Feb. '57	98½	96½*	96½*	2 5 8	4 2 11½	108/—	80/6	25 c	Leyland Motors £1		102/9	101/10½	4 18 2
93½	84½	Conv. 3½% aft. April '61	88½	88½	88½	2 3 9	3 19 10½	81/—	44/—	12½ b	Rolls Royce £1		78/9	78/9	2 19 3½
104½	99½	Conv. 3½% 1969	102½	102½	102½	1 15 5	3 7 6	9/—	5/5½	12 c	Standard Motor 5/-		7/6	7/4½	8 2 9
100½	99½	Conv. 2½% 1958-59	99½	99½	99½	1 7 4	2 5 3½	30/6	22/9	22½ c	Shops & STORES		26/6	27/6	4 1 10
69½	63½	Treas. 2½% aft. April '75	66½	65½	65½	2 2 0	3 16 8½	50/6	32/—	7½ a	Boots Pure Drug 5/-		42/—	40/7½	6 15 5
82½	74½	Treas. 3% aft. April '66	78½	77½	77½	2 2 8	3 17 11½	63/—	26/7½	45 b	Debenhams 10/-		57/6	57/6	3 5 3½
101½	92½	Treas. 3% '77-80	98½	97½	97½	2 0 9	3 12 9½	117/6	92/9	17½ b	Gt. Universal 5/-		109/6	108/9	4 2 9
101½	92½	Treas. 3% '79-81	98½	98½	98½	2 0 5	3 13 0½	79/6	36/11	45 b	Lyons (J.) 'A' £1		70/6	70/—	2 13 7
91½	83½	Redemption 3% '86-96	87½	87½	87½	2 2 7	3 12 7½	65/3	42/8	40 b	Marks & Spen, 'A' 5/-		62/3	63/3	3 3 3½
92½	84½	War L'n 3½% aft. Dec. '52	87½	87½	87½	2 1 10	3 16 1½	47/9	33/7½	37½ b	Oil		74/—	76/10½	2 4 3½
69½	63½	Consols 2½%	66½	65½	65½	2 0 10	3 9 4½	125/7½	56/9	17½ c	British Petroleum £1		120/—	120/—	2 18 3
97½	88½	Br. Elec. 3% '63-73	94½	94½	94½	2 0 9	3 9 5½	453½	77/10	12 b	Burnah £1		52/—	52/—	2 8 2½
95½	87½	Br. Elec. 3% '74-77	94½	93½	93½	2 0 9	3 9 5½	453½	77/10	12 b	Royal Dutch 100 R.		118/9	118/1½	3 16 10½
111½	103½	Br. Elec. 4½% '74-79	108½	108½	108½	1 17 1	3 14 4	34/—	17/6	5½ a	Shell Reg. £1		29/9	29/3	6 4 5
101½	93½	Br. Elec. 3½% '76-79	98½	98½	98½	2 0 5	3 12 7½	31/—	22/—	16 c	Trinidad T'holds 5/-		30/—	30/6	6 5 11½
92½	83½	Br. Trans. 3% '78-88	87½*	87½*	87½*	2 3 7	3 13 0½	47/9	30/3	12 c	Unilever £1		47/—	47/—	5 2 2
97½	88½	Br. Trans. 3% '68-73	94½	94½	94½	2 0 10	3 9 4½	60/9	31/3	16 b	Furness Withly £1		60/—	59/—	3 14 7½
108½	100½	Br. Trans. 4% '72-77	105½	104½	104½	1 18 0	3 13 2½	31/—	22/—	16 c	MISCELLANEOUS		62/10½	62/6	4 9 7½
92½	84½	Br. Gas 3% '90-95	87½	87½	87½	2 2 5	3 12 3½	47/9	30/3	12 c	Assoc. Elect. £1		95/3	95/7½	3 13 2
103½	96½	Br. Gas 3½% '69-71	102½	102½	102½	1 16 4	3 8 4	47/9	30/3	16 b	Assoc. Port. Cem. £1		47/9	47/6*	4 4 3
108½	99½	Br. Gas 4% '69-72	107½	106½	106½	1 14 11	3 11 0½	47/9	30/3	16 b	B.I.C.C. £1		74/9	76/3	3 2 11½

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

Prices, 1953 Jan. 1 to Dec. 29		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Dec. 22, 1954	Price, Dec. 29, 1954	Yield, Dec. 29, 1954
High	Low					
92	84½	Aust. 3½% '65-69	96½	95	1 13 9½	1 13 9½
98½	98½	Ceylon 4% '73-75	101	101	3 18 7½	3 18 7½
73½	66½	N. Zealand 4% '76-78	104	104½	3 14 0½	3 14 0½
95½	90½	L.C.C. 3% aft. 1920	76	74½	4 0 6	4 0 6
81½	73½	Liverpool 3% '54-64	99	99	3 2 4½	3 2 4½
104½	101½	M. Wtr. 'B' 3% '34-2003	84½	82½	3 15 9½	3 15 9½
...	...	Agric. Mort. 5% '59-89	100½	100½	4 17 6½	4 17 6½
...	...	German 7%	105	105	...	...
...	...	German 5%	165	165	...	...
133½	119	Japan 5% 1907	163	163½	...	...
176	136	Japan 5½% Conv. 1930	187	189½	...	...

Prices, 1954 Jan. 1 to Dec. 29		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Dec. 22, 1954	Price, Dec. 29, 1954	Yield, Dec. 29, 1954
High	Low						
				BANKS & DISCOUNT			£ s. d.
51/9	42/3	16 c	5 a	Barclays £1	50/-	49/6	4 0 10m
75/4½	58/9	14 c	7 a	Lloyds 'A' £5, £1 pd.	72/6	71/6	3 18 4
90/-	74/9	8 a	10 b	Midland £1, fully pd.	88/-	87/6	4 2 3
85/9	72/7½	8½ b	8½ a	N. Prov. 'B' £5, £1 pd.	82/6	82/-	4 2 11
98/9	79/6	18 c	10 a	Westmstr 'B' £4, £1 pd.	95/6	95/-	4 4 2
67/6	46/-	17½ b	7½ a	Nat. Disc. 'B' £1	66/6	66/6	3 15 2½
52/-	40/10½	5 b	5 a	Union Disc. £1	52/-	52/-	2 17 9
57/9	44/6	5 b	5 a	Barc. (D.C.O.) £1	55/-	55/-	3 12 9
50/-	37/6	4 a	4 b	Chart. Bk. of India £1	43/6	44/-	3 12 9
49/-	40/3	7 b	7½ a	INSURANCE	46/6	46/-	6 6 0
				Leg. & Gen. £1, 5/- pd.	15½	15½	2 3 7
16½	9½	50 a	85 b	Pearl £1, fully pd.	23½	23½	4 13 10
25½	20½	40½ b	20½ a	Prudential 'A' £1	43½	43	4 15 0
47½	35½	105½ c	112½ c	BREWERIES, ETC.			
				Bass £1	134/6*	134/4½	6 8 0
138/1½	125/-	10 a	33 b	Distillers 4/-	27/4½	28/-	3 11 5
28/3	17/4½	25 c	10 a	Guinness 10/-	41/9*	42/-*	5 9 6
43/3	31/-	8 a	15 b	Whitbread 'A' Ord. £1	92/6	92/6	4 18 0
96/-	60/-	15½ b	7 a				

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	This week	Western Europe :	This week
Production and Consumption	Dec. 11th	Production and Trade.....	Dec. 11th
Manpower.....	Dec. 18th	British Commonwealth	Dec. 11th
External Trade.....	Dec. 25th	Western Europe :	Dec. 18th
Financial Statistics	This week	Prices and Money Supply	Dec. 25th
Industrial Profits.....	Oct. 16th	United States	Dec. 25th
World Trade.....	Oct. 16th		

Prices and Wages

	Unit	1953				1954			
		1951	1952	1953	1953	1954	1954	1954	1954
		mid-June	Dec. 15	Dec. 22	Dec. 29	Dec. 7	Dec. 14	Dec. 21	Dec. 28
WORLD PRICES									
Commodity Price Indicator : (1)	1952=100	126	99	89	92	93	94	100	100
All items.....	"	114	100	93	101	103	104	117	116
Food.....	"	167	99	87	77	77	78	85	84
Fibres.....	"	99	100	80	101	102	100	100	87
Metals.....	"	131	96	96	101	102	100	102	105
Other items.....	"								
BRITISH WHOLESALE PRICES									
Old series :		1951	1952	1953	1953	1954	1954	1954	1954
All articles.....	1938=100	315.0	323.3	323.5	321.4	322.9	324.7	323.9	326.0
Food and tobacco.....	June 30, 1949=100	253.0	292.0	314.6	313.8	312.5	310.8	308.9	311.8
Materials used in :									
Non-food manufacturing.....	"	193.3	162.1	145.8	142.8	142.6	143.2	143.7	144.6
Mechanical engineering.....	"	134.3	149.9	145.7	143.2	144.9	147.3	150.6	154.4
Electrical machinery.....	"	151.9	169.4	155.2	150.0	153.2	157.0	161.7	166.9
Building and civil engineering.....	"	125.6	133.6	130.4	130.1	130.1	131.3	132.0	133.0
House building.....	"	123.0	130.6	128.7	128.4	128.4	131.1	131.7	132.5
Commodities :									
Cotton, raw.....	"	223.2	171.9	140.6	139.8	141.0	142.1	156.4	157.8
Wool, raw.....	"	252.3	147.9	171.1	173.6	174.6	173.0	164.9	159.3
Rubber, No. 1 RSS, one month future.....	"	499.1	282.8	199.1	189.1	171.3	167.3	199.8	203.7
Softwood, imported.....	"	143.5	158.0	144.1	138.3	137.8	138.7	144.2	146.9
Copper, ex-warehouse (2).....	"	187.5	220.7	217.6	201.3	204.1	203.6	202.8	218.5
UK RETAIL PRICES									
Interim index :	June 17, 1947=100	125	136	140	140	140	144	143	144
All items.....	Jan. 15, 1952=100	...	102.6	105.8	105.7	105.7	106.0	108.4	108.2
Food.....	1938=100	202	221	228	227	227	228	233	234
All items.....	"	191	221	233	232	232	232	243	241
Food.....	"	119	122	129	130	131	131	134	135
Rent and rates.....	"	249	259	253	253	255	255	255	255
Clothing.....	"	177	191	207	207	213	214	215	215
Fuel and light.....	"	288	294	286	285	285	283	283	283
Household durable goods.....	"	318	255	256	257	257	257	257	257
Drink.....	"		386	387	387	387	387	387	387
Tobacco.....	"								
Purchasing power of £ (based on all consumer spending).....	1938=100	48	45	44	44	44	43	43	42
UK TERMS OF TRADE (3)									
Import prices :	1953=100	117	113	100	98	99	99	99	100
All items.....	"	100	104	100	98	99	99	102	103
Food, drink and tobacco.....	"	140	123	100	98	99	99	99	99
Basic materials.....	"								
Export prices :	"	98	103	100	100	99	99	100	99
All items.....	"	98	103	100	100	99	99	100	99
All manufactures.....	"	89	99	100	98	97	96	94	92
Metals.....	"	117	112	100	100	100	101	100	101
Engineering products.....	"								
Textiles (excluding clothing).....	"								
Terms of trade :	"	118	109	100	98	99	99	100	101
Ratio of import to export prices.....	"								
SHIPPING FREIGHTS									
Tramp shipping freights (fixed in sterling).....	1952=100	...	100.0	77.5	73.9	77.5	73.8	80.1	90.6
UK WAGES									
Weekly wage rates :	June 30, 1947=100	120	130	136	137	137	143	143	144
All workers.....	"	119	129	134	135	135	136	141	142
Men.....	"	123	133	140	141	142	143	147	148
Women.....	"								
Weekly earnings : (4)	s. d.	141 1	151 11	160 1	...	160 1	...	...	...
All workers.....	"	166 0	178 6	189 2	...	189 2	...	...	...
Men.....	"	90 1	96 4	102 5	...	102 5	...	...	...
Women.....	"								
All workers.....	1938=100	265	285	301	...	301	...	...	...
Men.....	"	241	259	274	...	274	...	...	...
Women.....	"	277	296	315	...	315	...	...	...

(1) From August, 1953, the index has been revised to show a more representative wheat price. (2) Figure 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	Netherlands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION (1) (1948 = 100)												
1938.....	118	82	78	90	193	132	76	101	89	81	67	64
1952.....	181	114	115	131	231	171	130	147	130	135	111	133
1953.....	184	114	118	127	251	193	142	161	144	140	111	149
1954, May.....	207	124	131	145	282	225	146 ³	175	152	143	122	...
June.....	216	124	134	142	281	226	...	166	156	152	124	...
July.....	211	112	87	134	271	236	...	188	155	104	62	...
August.....	213	121	129	112	270	236	...	148	150	146	114	...
September.....	...	...	137	137	292	245	...	...	160	159	127	...

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. l. t.)											
1938.....	50	1,922	135	3.84	505	1.2	3.45	0.94	118	99	174	12.5
1952.....	1,163	10,252	554	132.64	1,350	432.8	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	681	124.3
1954, May.....	1,366	10,658	646	133.77	1,558	814.2	15.59	129.11	860	582	777	149.4
June.....	1,293	10,514	746	132.45	1,559	790.6	14.68	120.02	861	650	712	120.8
July.....	1,278	10,032	709	121.77	1,573	827.6	15.58	114.29	961	548	731	108.4
August.....	1,358	10,251	631	116.51	1,519	885.1	12.26	109.36	872	546	718	78.9
September.....	1,383	11,141	677	117.57	1,714	...	15.46	...	...	609	772	107.2
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	490	118.04	1,409	149.9	8.41	72.02	660	337	678	84.7
1953.....	1,099	9,414	508	117.24	1,542	282.1	9.50	77.50	672	303	637	92.4
1954, May.....	1,330	8,693	552	125.52	1,823	211.8	6.96	76.62	700	317	782	59.9
June.....	1,290	9,875	572	125.62	1,707	206.5	8.94	88.11	724	394	738	68.1
July.....	1,327	9,138	501	114.90	1,926	204.7	9.13	81.14	745	358	746	63.2
August.....	1,342	8,723	536	116.50	1,839	141.9	10.04	79.07	702	319	626	37.6
September.....	1,364	8,899	557	114.26	1,842	...	12.25	...	...	336	716	62.4

BALANCE												
1938.....	- 20	- 116	- 7	- 1.29	- 37	- 0.4	- 1.43	- 0.06	- 31	- 33	- 20	- 0.4
1952.....	- 263	- 39	- 64	- 14.60	+ 59	- 282.9	- 5.94	- 48.46	- 34	- 183	- 68	- 45.0
1953.....	- 7	- 680	- 65	- 4.28	+ 208	- 310.5	- 5.78	- 47.25	- 66	- 240	- 44	- 31.9
1954, May.....	- 36	- 1,965	- 94	- 8.25	+ 265	- 602.4	- 8.63	- 52.49	- 160	- 265	+ 5	- 39.5
June.....	- 3	- 639	- 174	- 6.83	+ 148	- 584.1	- 5.74	- 31.92	- 137	- 256	+ 26	- 52.7
July.....	+ 49	- 894	- 208	- 6.87	+ 353	- 622.9	- 6.45	- 33.15	- 216	- 190	+ 15	- 45.2
August.....	+ 16	- 1,528	- 95	- 0.01	+ 320	- 743.2	- 2.22	- 30.29	- 170	- 227	- 92	- 41.3
September.....	- 19	- 2,242	- 120	- 3.31	+ 128	...	- 3.21	...	...	- 273	- 56	- 44.8

VOLUME OF EXTERNAL TRADE ⁽²⁾ (1948 = 100)														
IMPORTS														
1938	266	94	118	...	249	...	79	88	118	100	94	91		
1952	217	121	148	118	241	...	98	159	131	128	119	220		
1953	207	126	169	119	271	...	111	172	156	141	118	217		
1954, May	256	133	} 212 ^a	{	137	330	...	111	183	188	160	} 130 ^a	{	321
" June	259	136			136	328	...	104	182	183	161			285
" July	254	132	...	119	326	...	109	160	210	148	} 130	{	272	
" August	280	134	...	119	318	...	86	...	192	148			146	
" September	293	...	...	...	357	...	108	...	...	...	...	165		
EXPORTS														
1938	147	110	139	...	530	...	136	119	156	123	111	107		
1952	202	138	186	199	670	...	164	146	256	141	133	150		
1953	270	151	205	209	783	...	183	154	292	144	143	182		
1954, May	337	152	} 227 ^a	{	237	966	...	129	151	317	152	} 161 ^a	{	155
" June	315	171			240	896	...	167	157	324	205			161
" July	335	158	...	224	1,018	...	172	163	347	167	} 157	{	175	
" August	331	162	...	232	974	...	199	...	324	149			78	
" September	335	...	...	...	983	...	244	...	...	...	...	137		

Financial Statistics

EXCHEQUER RETURNS

For the week ended December 18th there was an "above-line" deficit (after allowing for Sinking Funds) of £21,696,000 compared with one of £37,001,000 in the previous week and a deficit of £57,303,000 in the corresponding period of last year—when ordinary expenditure was inflated after the sanctioning of the supplementary estimate for the Ministry of Food. Net expenditure "below-line" last week reached £24,435,000, bringing the total cumulative deficit to £571,303,000 (£778,735,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to Dec. 19, 1953	April 1, 1954 to Dec. 18, 1954	Week ended Dec. 19, 1953	Week ended Dec. 18, 1954
Ord. Revenue					
Income Tax.....	1800,000	601,148	627,864	17,767	17,808
Sur-tax.....	132,000	47,100	45,400	1,900	1,800
Death Duties.....	164,375	117,300	130,900	2,700	4,000
Stamps.....	55,000	39,500	52,570	1,000	1,600
Profits Tax & E.P.T.	172,000	143,600	128,100	3,100	2,700
Excess Profits Levy	60,000	47,350	60,650	900	1,050
Special Contribution and other Inland Revenue..	1,000	720	830	50	...
Total Inland Rev.	2384,375	996,718	1046,314	27,417	28,958
Customs.....	1062,500	772,597	811,312	19,710	20,521
Excise.....	719,000	524,490	550,488	5,555	5,070
Total Customs and Excise	1781,500	1297,087	1361,800	25,265	25,591
Motor Duties.....	77,000	17,954	20,040	Dr.	Dr.
PO (Net Receipts).....	21,000	9,200	12,600	4,500	2,850
Broadcast Licences	24,000	20,310	20,761	63	...
Sundry Loans.....	245,000	91,587	114,193	3,309	6
Miscellaneous.....	4532,875	2432,856	2584,158	51,554	51,705
Total	4532,875	2432,856	2584,158	51,554	51,705
Ord. Expenditure					
Debt Interest.....	570,000	417,643	405,733	...	...
Payments to N. Ireland Exchequer.....	51,000	32,029	31,957	...	...
Other Cons. Fund.....	10,000	5,689	5,346	25	1
Supply Services.....	3855,399	2465,361	2420,722	130,700	73,400
Total	4486,399	2920,722	2863,758	130,725	73,401
Sinking Funds.....	36,000	24,416	24,910	400	...
"Above-line" Surplus or Deficit	512,282	304,510	78,572	21,696	21,696
"Below-line" Net Expenditure	266,453	266,793	22,268	24,435	24,435
Total Surplus or Deficit	778,735	571,303	57,303	46,131	46,131
Net Receipts from:					
Tax Reserve Certificates.....	200,434	246,725	1,567	197	...
Savings Certificates.....	10,500	25,000	550	1,700	...
Defence Bonds.....	32,756	8,600	216	1,673	...

* Since end September the capital expenditure of the Post Office has been charged directly on the Exchequer (instead of being financed from the Savings Funds) and is consequently included in "below-line" expenditure and the total deficit. As at December 18th this item stood at £25,400,000.

FLOATING DEBT

Date	Treasury Bills (£ million)		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts	Bank of England	
1953					
Dec. 19.....	4,753.0	266.9	1.0	5,026.9	
1954					
Sept. 18.....	3,290.0	1,608.6	277.6	5,176.2	
" 25.....	3,320.0	1,578.0	306.2	5,204.2	
" 30.....	4,872.5	314.3	7.8	5,194.5	
Oct. 9.....	3,350.0	1,990.4	287.0	5,227.4	
" 16.....	3,380.0	1,591.8	295.1	5,226.9	
" 23.....	3,410.0	1,544.0	307.9	5,261.9	
" 30.....	3,440.0	1,514.3	274.8	5,229.0	
Nov. 6.....	3,450.0	1,483.1	272.3	5,205.4	
" 13.....	3,470.0	1,452.1	273.0	5,195.1	
" 20.....	3,480.0	1,548.1	291.8	5,319.8	
" 27.....	3,480.0	1,571.7	271.2	5,322.8	
Dec. 4.....	3,470.0	1,613.4	254.6	5,382.8	
" 11.....	3,450.0	1,672.7	256.4	5,382.8	
" 18.....	3,440.0	1,727.1	262.2	5,429.3	

THE MONEY MARKET

THE authorities continue to leave Lombard Street "on its own," and the market's fears of dearer money and its need to protect itself against a credit squeeze at the year-end have in consequence forced rates higher still. On Wednesday of last week one or two houses were forced to take aid at Bank rate; but no acute shortage of credit was experienced in the week covered by the Bank return. On Christmas Eve, indeed, there was a superfluity of funds, and the authorities resorted to considerable "reverse" sales of bills.

At the week's Treasury bill tender, however, the rate was raised for the fourth successive time. The market again lowered its bid by 3d. to £99 10s. 9d. per cent, with the result that the average rate of discount rose by 1s. 1d. to £1 16s. 11.56d. per cent. Total applications fell by £3.8 million to £382.4 million, and the market again secured a higher allotment (at 62 per cent against 59 per cent). After the tender commercial bill rates hardened in sympathy, with the three months bank bill quoted ¼ per cent higher at 1½ per cent. Loans into January were arranged before the holiday at 1½ per cent and on Wednesday last at 2 per cent.

Business in the gold market was quiet before the holiday, but on Wednesday the authorities made considerable sales (possibly on South African account). The Bank return shows a reflux of notes of £7.0 million.

LONDON MONEY RATES

Bank rate (from 3¼% 13/5/54)	%	Discount rates	%
Bank bills: 60 days	1½	3 months	1½
Deposits (max)	1½	4 months	1½-1½
Banks	1½	6 months	2-2½
Discount houses	1½		
Money Day-to-day	1½-1½	Five trade bills:	
Short periods	1½-2	3 months	2½-3
Treas. bills 2 months	1½	4 months	2½-3½
3 months	1½	6 months	3-4

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot				
	December 29	December 22	December 23	December 24	December 28	December 29
United States \$	2.78-2.82	2.78½-2.79½	2.78½-2.79½	2.78½-2.79½	2.78½-2.79½	2.78½-2.79½
Canadian \$	2.69-2.73	2.69½-2.70½	2.69½-2.70½	2.69½-2.70½	2.69½-2.70½	2.69½-2.70½
French Fr.	972.65-987.35	974½-974½	974½-974½	974½-974½	974½-974½	974½-974½
Swiss Fr.	12.15-12.33	12.24½-12.24½	12.24½-12.24½	12.24½-12.24½	12.24½-12.24½	12.24½-12.24½
Belgian Fr.	138.95-141.05	139.25-139.30	139.25-139.30	139.25-139.30	139.25-139.30	139.25-139.30
Dutch Gld.	10.56-10.72	10.58½-10.59	10.58½-10.59	10.58½-10.59	10.58½-10.59	10.58½-10.59
W. Ger. D-Mk.	11.67-11.84	11.76-11.76½	11.76-11.76½	11.76-11.76½	11.76-11.76½	11.76-11.76½
Portuguese Esc.	79.90-81.10	79.90-80.00	79.90-80.00	79.90-80.00	79.90-80.00	79.90-80.00
Swedish Kr.	14.37-14.59	14.52-14.52½	14.51½-14.52	14.51½-14.52	14.52-14.52½	14.52-14.52½
Danish Kr.	19.19-19.44	19.38½-19.39	19.38½-19.39	19.38½-19.39	19.38½-19.39	19.38½-19.39
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
One Month Forward Rates						
United States \$	Par-1c. dis	Par-1c. dis	Par-1c. dis	Par-1c. dis	Par-1c. dis	Par-1c. dis
Canadian \$	Par-1c. dis	Par-1c. dis	Par-1c. dis	Par-1c. dis	Par-1c. dis	Par-1c. dis
French Fr.	2-4 dis	2-4 dis	2-4 dis	2-4 dis	2-4 dis	2-4 dis
Swiss Fr.	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm
Belgian Fr.	Par-1	Par-1	Par-1	Par-1	Par-1	Par-1
Dutch Gld.	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm
W. Ger. D-Mk.	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm
Swedish Kr.	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm
Danish Kr.	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm
Norwegian Kr.	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm
Gold Price at Fixing						
Price (s. d. per fine oz.)	251/4	251/5½	251/7½	251/6	251/5½	251/5½

BANK OF ENGLAND RETURNS

	(£ million)		
	1953 Dec. 30	1954 Dec. 23	1954 Dec. 30
Issue Department:			
Notes in circulation.....	1,619.9	1,758.7	1,751.7
Notes in banking dept.....	55.4	16.7	23.6
Govt. debt and securities*	1,671.8	1,771.3	1,771.2
Other securities.....	0.7	0.8	0.8
Gold coin and bullion.....	2.9	3.4	3.4
Banking Department:			
Deposits:			
Public accounts.....	14.9	20.0	15.4
Treasury special account..	7.2	9.6	9.6
Bankers.....	290.2	270.8	276.1
Others.....	70.4	63.8	66.3
Total	382.7	364.2	367.4
Securities:			
Government.....	316.6	339.7	335.8
Discounts and advances..	4.9	8.9	8.9
Other.....	21.5	14.7	14.8
Total	343.0	363.3	359.5
Banking department reserve.	57.8	19.0	26.1
"Proportion".....	15.1	5.2	7.0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,725 million to £1,775 million on December 15 1954.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment s. d.	Allotted at Max. Rate %
	Offered	Applied For	Allotted		
1953					
Dec. 25	250.0	338.9	250.0	42 7.34	63
1954					
Sept. 24	280.0	428.0	280.0	32 3.86	60½
Oct. 1	280.0	397.7	280.0	32 0.23	74
" 8	280.0	417.7	280.0	31 11.50	58
" 15	270.0	429.1	270.0	31 11.18	49
" 22	250.0	416.5	250.0	31 11.30	49
" 29	250.0	439.2	250.0	31 7.19	47
Nov. 5	250.0	413.0	250.0	31 7.16	48
" 12	250.0	424.2	250.0	31 6.98	49
" 19	250.0	424.9	250.0	32 5.80	41
" 26	250.0	431.7	250.0	32 6.84	39
Dec. 3	250.0	411.2	250.0	33 6.12	43
" 10	250.0	425.4	250.0	34 8.97	40
" 17	270.0	396.2	270.0	35 10.51	59
" 24	270.0	382.4	270.0	36 11.56	62

* On Dec. 24th tenders for 91 day bills at £99 10s. 9d. 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 £250 million.

A HOME FOR YOUR SAVINGS



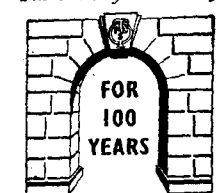
The savings of today ensure the homes of tomorrow.

Help yourself and the nation by saving regularly.

- ★ INTEREST AT 2½% PER ANNUM FROM DATE OF INVESTMENT.
- ★ £1-£5000 ACCEPTED.
- ★ WITHDRAWALS AT SHORT NOTICE.

TEMPERANCE

The Gateway To Security



PERMANENT BUILDING SOCIETY
223-227 REGENT STREET
LONDON W.1.
PHONE: REGENT 7282
Branches throughout the Country



Where the **NATIONAL** comes in

Australia's continued development offers undoubted scope and opportunities for the expansion of British industrial interests and activities. In the initial stages of estimating prospects, and later during the planning and operation of an enterprise, The National Bank of Australasia is in a good position to help the wheels go round much more smoothly. 'On the spot' information, gathered from over 750 branches throughout Australia, is readily obtainable from the Information Department of the Bank's London Office.

THE NATIONAL BANK OF AUSTRALASIA LIMITED

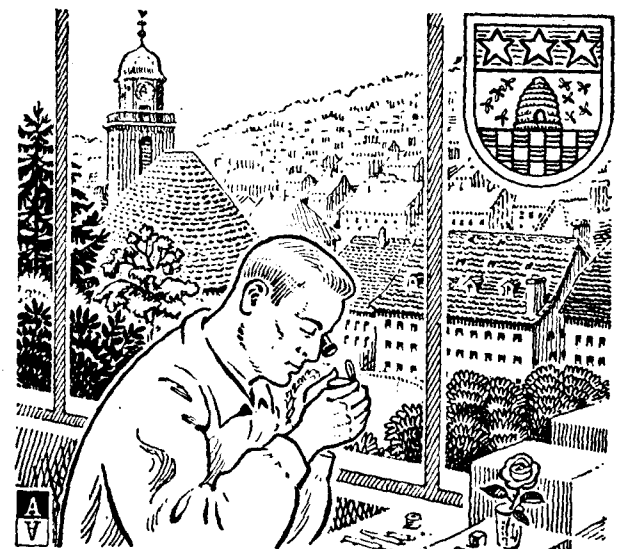
(Incorporated in Victoria)

Your best introduction to Australia
Head Office: 271-279 Collins Street, Melbourne
London Office: 7 Louthbury, EC2

Over 750 Branches throughout Australia

Assets £271 Million

Perhaps you didn't know that
LA CHAUX-DE-FONDS



has a beehive on its coat of arms, signifying the diligence and industry of its famous watchmaking citizens?

But everybody knows

that La Chaux-de-Fonds annually exports more than one half of the whole Swiss production of watches, and also millions of postage stamps printed there for foreign Governments. Naturally, like all other Branches, the La Chaux-de-Fonds Branch of the Union Bank of Switzerland has great experience in all matters concerning imports and exports. This experience is available to you.

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

Cable Address for all Offices and Branches:
BANKUNION

COMPANY MEETINGS

O.K. BAZAARS (1929)

(Incorporated in the Union of South Africa)

LARGER NET PROFIT

DIRECTORS' REPORT ON PAST YEAR'S OPERATIONS

The twenty-fifth annual general meeting of OK Bazaars (1929), Limited, was held on December 31st at Johannesburg.

The following is the directors' report, which has been issued to shareholders with the accounts for the year ended June 30, 1954:

To the Shareholders,

Your directors submit herewith in respect of the year ended June 30, 1954:

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

DIRECTORS' REPORT
CAPITAL

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

PROFIT

The net profit for the year under review after providing for all expenses and taxation was £782,261 as compared with £730,551 for the previous year. The net profit available for allocation and appropriation in the accounts of the parent company has been

dealt with as set out in the accompanying table.

DIVIDEND

Your directors recommend that on this the twenty-fifth anniversary of the formation of the public company the present and past trading results justify the payment to the holders of ordinary shares of a cash bonus of 10 per cent in addition to the usual final dividend of 30 per cent. These payments together with the interim dividend of 20 per cent paid in July last, make a total for the year of 60 per cent (including the bonus).

RESERVES

Capital reserve in the parent company's accounts has been increased to £3,500,000 by transferring £2,151,475 from general reserve and £1,141,782 from unappropriated profits. The amount of £82,258 shown in previous balance sheets as a "reserve for furniture, fittings, plant and equipment" has been transferred to the "provision account" to which reference is made in the next paragraph. Corresponding adjustments of these accounts are reflected in the group accounts. The balance sheet under review now reflects two reserves, a capital reserve and a revenue reserve, the latter being unappropriated profits at June 30, 1954.

PROVISION FOR REPLACEMENT AND RENEWAL OF FIXTURES AND FOR MODERNISATION AND MAINTENANCE OF SHOP PREMISES AND EQUIPMENT

It is proposed that in future as far as possible a uniform annual charge be made for replacements and renewals of certain equipment. With this object in view, your directors have established a "provision account," which at June 30, 1954, stood at £132,258 and includes the £82,258 mentioned above.

CONSOLIDATED ACCOUNTS

Shareholders are referred to the consolidated accounts of the company and its subsidiaries, which present a picture of the activities of the group as a whole. The group net profit, after deducting all expenses, taxation and the interests of outside shareholders, is £853,090, which compares with £834,749 for 1953. Capital and reserves total £7,961,301 at June 30, 1954; the 1953 figure was £7,666,697. Trading stocks at £4,392,377 were £162,212 less than the previous year.

OTHER INTERESTS

Raphael Bros., Limited.—This wholly owned subsidiary company earned a profit of £17,156 for the year.

Sowden and Stoddart, Limited.—The trading results of the Sowden and Stoddart shops for the year were disappointing and showed a group profit of £2,464.

CTC Bazaars (South Africa), Limited.—Your company continues to hold 54 per cent of the issued ordinary share capital of CTC Bazaars (South Africa) Limited, which company is again paying a dividend of 10 per cent, the same as last year.

Federated Shippers Limited.—During the year under review your company received a dividend of £18,000 from Federated Shippers Limited, being 15 per cent on an investment of £120,000.

Dok Products Limited.—It was a term of the franchise granted by the Pepsi-Cola Company of New York to Dok Products Limited that the controlling interest in that company should be held and retained by a private company controlled by Messrs Michael Miller, Sam Cohen and Sheldon S. Wilson. Dok Holdings (Pty.) Limited was formed for this purpose and your company was the holder of 300,000 shares of 5s. each in that company which it purchased at par. The remaining 312,000 shares in the company were held by the three persons mentioned above, and at previous annual general meetings shareholders were advised of the position. Subsequently, with the consent of the Pepsi-Cola Company, Messrs M. Miller, S. Cohen and S. S. Wilson transferred their shares in Dok Holdings (Pty.) Limited to Columbine Investment (Private) Limited, of which company they are the sole shareholders.

The only asset of Dok Holdings (Pty.) Limited consists of 612,000 ordinary shares in Dok Products Limited. The profit history

of the latter company for the four years to June 30, 1954, is as follows:

	1951	1952	1953*	1954*
Profit after tax.....	46,274	66,761	33,117	5,405
Dividends on 7 per cent preference shares.....	Nil	Nil	1,342	6,720
Balance available for holders of ordinary shares..	46,274	66,761	31,775	12,125
Dividends paid on ordinary shares:				
Amount.....	37,500	38,576	23,379	7,844
Per cent.....	12½	12½	7½	2½
Balance carried forward to unappropriated profits	8,774	28,185	8,396	19,969

* Consolidated with subsidiary company. Italics denote deficit.

Subsequent to the end of the financial year an offer was received from Columbine Investments (Private) Limited to purchase the company's shares in Dok Holdings (Pty.), Limited, on the basis of 6s. 3d. per share, which approximates to the value of the ordinary shares of Dok Products, Limited, as disclosed by the 1954 audited balance sheet. Your directors accepted the offer as they are of the opinion that the company's investment in Dok Holdings (Pty.), Limited, should be used to better advantage for the company's trading requirements. The interested directors abstained from voting on the relative board resolution.

DEVELOPMENT

Worcester (Cape).—The erection of a store at Worcester has been delayed due to the purchase of adjoining ground and a change in the building layout. New working plans are nearing completion and tenders will be called for early in the New Year. It is anticipated that the building will be ready for trading towards the end of 1955 or early in 1956.

Durban.—The rebuilding of your company's Durban store is now under way and is being constructed in sections to minimise dislocation of trading. The erection of a new, modern store on the three-quarter-acre site in Durban is a major undertaking involving a capital expenditure of approximately half a million pounds.

Springs (Transvaal).—Plans are well advanced for the erection of a new store on modern lines in Springs on a central site owned by the company to replace the one in which the company now trades. This building should be completed about December, 1955.

Pretoria.—Important additions and improvements are now being carried out to the Pretoria store in order to give the company an enlarged trading area.

Kimberley (Cape).—The company has completed plans for the erection of a modern store in Kimberley and building operations will commence in 1955. At present the company is trading in leased premises which are inadequate.

Kenilworth (Johannesburg).—A new store is in the course of construction at Kenilworth, Southern Suburbs, Johannesburg, and the company should be trading there before the end of the current financial year.

Carletonville (Western Transvaal).—A site has been purchased by the company at Carletonville, a new and fast-developing town which serves the rich Far West Rand Goldfields area. Building plans are in progress and the premises should be complete and ready for trading during the next financial year.

Modernisation of Premises.—It is the policy of your directors to modernise and keep up to date the company's stores including those held under long-term leases and during the year considerable progress was made and the relevant expenditure is shown in the balance sheet. In particular, alterations and improvements are being effected to the Johannesburg, Eloff Street store, where work was still in progress at June 30, 1954.

Port Elizabeth Property.—Your company

has recently purchased Aegis Buildings, which adjoins the present store in Port Elizabeth.

In 1950 it purchased Advertiser Buildings which is at the back of and adjoins Aegis Buildings and it is the board's intention, as soon as possible, to demolish the existing buildings and build shop premises to link up with the existing store.

ORANGE FREE STATE

Kroonstad.—The company opened a branch at Kroonstad on September 22, 1954, and trading to date has been satisfactory.

Fresta Holdings Limited.—Your company held a 25 per cent interest in Fresta Holdings Limited which was formed for the purpose of trading in the new Orange Free State Goldfields area with both the European and African population. During 1954 your company purchased the remaining 75 per cent interest and, therefore, holds all the share capital of Fresta Holdings Limited. Your board has decided to restrict the company's activities in that area to the usual OK Bazaars type of business for which it is equipped and not to operate the five stores which hitherto catered exclusively for Africans, as this is a specialised type of trading. Three of these stores have been leased on satisfactory terms, one has been closed down as the premises were demolished in terms of the original conditions of its establishment, and trading has continued in the remaining one on a temporary basis.

The main store at Welkom, which is an OK Bazaars store and is the major capital investment of Fresta, is now firmly established and has shown a marked improvement during the year under review. Steps are presently being taken to erect on sites adjacent to this store a substantial block of retail shops which will be let to outside tenants, thus ensuring that the OK Branch remains situated in the hub of the Welkom Civic Centre. At the same time, the upper floors of the new building will provide additional trading space for the branch.

Virginia.—Your company has purchased a site in Virginia, another town in the Orange Free State Goldfields area, and plans are being prepared for the erection without delay of an OK Branch.

The company is now trading in Bloemfontein, Welkom and Kroonstad, the three largest towns in the Orange Free State and its programme includes the development and extension of its operations in this wealthy gold and uranium mining area.

GENERAL

Since the close of the financial year, your company sold Stands Nos. 539 and 540, Johannesburg, being the northern half of Glencairn Buildings.

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

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

On Behalf of the Board,
M. MILLER, Chairman,
S. COHEN, Deputy Chairman,
Directors.

THE LIVERPOOL WAREHOUSING COMPANY

59TH ANNUAL MEETING

CHAIRMAN'S STATEMENT

The fifty-ninth annual general meeting of the Liverpool Warehousing Company Limited, was held in Liverpool on December 22nd. Mr W. Milligan, the chairman, had circulated to stockholders the following statement:

It is a pleasure to furnish you with your directors' report, balance sheet and profit and loss account for the year ended September 30, 1954.

You will note that the net profit for the year, after taxation and all charges, including depreciation, amounts to £231,769. From this sum we have transferred £48,044 to capital profits reserve, leaving available a sum of £183,725. After bringing into account the balance of profit and loss account brought forward from the previous year and interim dividends already paid, there remains a sum of £269,770, which has been appropriated as follows: £50,000 to rebuilding reserve, £25,000 to general reserve and £76,416 for the payment of final dividends, leaving £118,354 to be carried forward.

The total of the company's capital and reserves at September 30, 1954, amounts to £2,835,633, which compares with £2,720,945 at the end of the previous year. The total of our investments shows no material change as compared with last year, although there is a marked increase in the market value at September 30, 1954, indicative of the general rise in Stock Exchange prices.

Last year virtually marked the end of our rebuilding programme under the War Damage Act, and this year the building work executed has been paid for entirely out of our own resources. It is incumbent upon us to provide depreciation upon such expenditure, and this accounts for the increase in the item of depreciation of fixed assets in the profit and loss account. At the same time we have thought it appropriate that the amount of £52,847 previously shown as a deduction from the fixed assets, should be added to this item, which has been grouped under provisions in the balance sheet.

The year commencing October 1st has unfortunately had a bad start owing to the dock strike. This prompts me to mention that the basic business of the company is vulnerable to happenings outside our control, and for this reason your directors are anxious to promote subsidiary activities. We are of the opinion that the development of our road haulage business offers one of the best prospects. At the present time the company owns a modern fleet of 57 vehicles engaged in short- and long-distance haulage, and it is our intention to acquire additional vehicles in the near future.

Road haulage, as you will recognise, is closely allied to warehousing, and we are hopeful that the enlargement of our operations in this sphere will open up new possibilities for the utilisation of warehousing facilities.

Motor vehicles engaged in the conveyance of exports to the docks from time to time encounter serious delays. We believe that your company can be of material assistance in solving this problem by providing temporary warehouse accommodation for exports.

During the past year we have disposed of some further warehouses to neighbours of ours who require additional space for an expansion of their factory. These are being replaced by premises of the latest type in

which we are able to make extensive use of mechanical appliances for the more rapid handling of goods.

"THE SANDON" SUBSIDIARY

The results achieved by our subsidiary, The Sandon Motor and Engineering Company, Limited, show an improvement. The new garage and service station opposite the Cotton Exchange, which was mentioned last

year, is being well supported. Having regard to the inevitable expansion in the use of private and commercial motor vehicles, we have every confidence that this business will continue to develop and that it will, as time goes on, play an increasingly important part in the combined affairs of the company. We have placed to the reserves an amount approximately equivalent to the net profit after provision for taxation.

One final word: I see the Duke of Edin-

burgh recently referred to what in the Navy they called "a happy ship." I am sure that term may also be applied to the many departments of The Liverpool Warehousing Company Limited and The Sandon Motor and Engineering Company Limited, and I am sure, also, that you would not like to close the year without a very hearty vote of thanks to all employees who have contributed such good and willing work to our success.

The report and accounts were adopted.

BANK OF CEYLON

POSITION OF FINANCIAL STRENGTH

MR H. V. PERERA ON INTRODUCTION OF NEW SERVICES

The annual general meeting of the Bank of Ceylon was held on December 18th at Colombo.

The following is an extract from the statement by the chairman, Mr H. V. Perera, on the report and accounts for the year ended September 30, 1954:

As you are probably aware, Sir Ernest de Silva, who had been the chairman of the bank from its inception in 1939, resigned from the board in October this year owing to ill-health. During the long period he was chairman, the board had the benefit of his very wise guidance, which was based on his wide knowledge of men and affairs, and his remarkable ability to see an issue clearly and get to the heart of a problem quickly. I am sure you will wish to be associated with the directors in their expression of regret at his resignation, and in the hope that he will be speedily restored to health.

Consequent on the resignation of Sir Ernest de Silva the other directors did me the honour of electing me chairman. Mr H. W. Peiris, who has been on the board since the inception of the bank, was elected deputy chairman in my place. The vacancy on the board created by the resignation of Sir Ernest de Silva has been filled by the nomination of Mr Fasil A. Caffoor by the Hon the Minister of Finance. Mr Caffoor has been for many years a friend and supporter of the bank, and I have no doubt that, with his wide experience and well established reputation in business affairs, he will give his colleagues on the board every assistance in the conduct of its business. Sir Arthur Ranasinha, who was the Government director on your board for about four years till recently, has been called to the high office of Governor of the Central Bank of Ceylon. While regretting his departure from our midst, we would congratulate him on his appointment and wish him all success in his new sphere of activity. Sir Arthur Ranasinha's place on the board as Government director has been taken by Mr L. J. de S. Seneviratne by virtue of his appointment as Secretary to the Treasury, and I have no doubt that Mr Seneviratne will be of great assistance to the board.

GOVERNOR-GENERAL

July 17th will be a memorable date in Ceylon's history as it marks the first appointment of a Ceylonese as Governor-General and as such the representative of Her Majesty the Queen of Ceylon. The selection of His Excellency Sir Oliver Goonetilleke is most fitting, as no one has served his country better in the many and varied appointments he has held. His Excellency, as you know, was on the board as Government director for some time when he was holding the office of Financial Secretary under the Donoughmore Constitution. We recall with a sense of pride his association with the board during that period.

I am sure you will join us in congratulating Mr M. D. H. Jayawardene on his appointment to the high office of Minister of Finance. From the knowledge we have of what he has done in the sphere of finance during the short period he has been in office, we are confident that he will prove a worthy successor to Sir Oliver Goonetilleke, who functioned as Minister of Finance for about a year. We feel proud that Mr Jayawardene was associated with the bank as one of its staff officers, though for a very short period. Mr Jayawardene has modestly claimed that his departure from the bank was of benefit to it. We do not share this view, as we are certain that on his leaving the bank it lost an officer who would have proved an excellent executive. However, the bank's loss is the country's gain.

BANK OF CEYLON

In the last report mention was made of the fact that the bank controlled over a third of the total deposits of all commercial banks, and I am now happy to inform you that this position is still being maintained.

Cash on hand and balances with banks rose by Rs. 14 million to Rs. 66 million, and this figure bears a very satisfactory relation to total deposits, the ratio being about 19 per cent.

It will be seen that the bank's holdings of Ceylon Government securities have dropped by Rs. 13½ million. This drop, however, is more than offset by increases in Treasury bill holdings and cash reserves aggregating Rs. 19 million.

Investments are still stated at book or par value, whichever is lower, for reasons explained to you in the last report.

It may also be mentioned that redemptions or sales, which account for the drop of Rs. 13½ million on government securities, have been at par or at prices yielding on the whole a net appreciation to the bank.

Advances comprising loans, overdrafts, bills discounted and purchased, totalled Rs. 93 million—an increase of Rs. 8½ million over the corresponding figure for the previous year. Here, too, as in the case of deposits, the bank continues to control over a third of the total advances made by all commercial banks, the actual ratio being slightly higher than that for the preceding year.

You will also be happy to learn that this high level of activity in the bank's credit operations has been maintained without any deterioration in the quality of its credits.

Balance sheet total rose by Rs. 46½ million to Rs. 428½ million. Of this increase, deposits account for Rs. 15 million, and credits and other contra accounts for Rs. 28½ million. The increase in the contra item is largely due to a "recording account" of the balances of

transactions between the governments of Ceylon and China. Of the accounts which carry the bank's liability, I am happy to state that credits show a welcome addition of Rs. 5 million, and this indicates a return of improved trade which it is hoped will expand.

Gross profit has been maintained at just over last year's level and the net profit shows a small increase over last year. Your directors have pleasure in recommending payment of a final dividend of 9 per cent, making 15 per cent for the year.

It will be seen from the directors' report that a further transfer has been made from inner reserves to permanent reserve account of a sum of Rs. 1,150,000 and, with the allocation to permanent reserve of Rs. 350,000 which is recommended from this year's profits, the addition will be Rs. 1,500,000. This brings the total permanent reserve to Rs. 6 million, which exceeds the issued and paid-up capital of the bank and is only Rs. 1,500,000 less than the authorised capital. This tangible evidence of the strength of the bank will, we hope, give satisfaction to our shareholders, and they are assured that substantial inner reserves are held over and above those earmarked to meet contingencies.

SERVICES INTRODUCED DURING THE YEAR

Banks in Ceylon have been criticised in the past for not making available to the small man the current account or cheque-using facility.

The problem of providing current account facilities to all and sundry with adequate safeguards against fraud and cheating called for a practical solution. We now have a satisfactory solution in the provision of accounts called security checking accounts which are operated through cheques made available to all constituents without in any way prejudicially affecting the confidence reposed in a cheque.

To own a security checking account, the minimum initial deposit required is only Rs. 100. Cheques are available from the bank against each deposit, and each cheque can only be issued for a sum not exceeding a specified amount which the bank inserts in the cheque. Hence, a person accepting such a cheque is certain that it will not "bounce"—the funds are there in the bank.

The State could step in here and help us in our efforts to popularise the cheque-using habit by waiving the stamp duty of six cents per cheque leaf on at least the security cheques which have been specially designed to serve the small man. What the State would forgo by way of revenue on stamp duty will, in my opinion, be compensated for by an increased investment in Government securities arising from the resulting development of the banking habit and the expansion of deposits.

Medium-term loans repayable over a

maximum period of eight years are now granted for the purpose of financing development projects and house construction. Our experience so far with these specialised loans has been satisfactory, though the usual difficulties in the passing of title to immovable property exist.

MOBILE BANKING SERVICE

I must also refer to our mobile banking service. This did not come into operation during the financial year under review, but all the preliminary work was done during that period and a mobile banking unit has already been introduced to serve Wellawatte and Hultsdorp. It is hoped to extend this service to other parts of the city and also to the provinces, with the aid of more units, and such extension will, of course, depend on the results shown by the first unit already introduced.

When we meet next year I hope that we shall be in a position to announce that the multipurpose "bank on wheels" just introduced has been followed by several more.

Further progress was made during the year under review in the development of our branch system. A branch of the bank was opened in Chilaw, and all construction work in connection with our branch at Amparai was completed and the official opening of the Amparai branch took place shortly after the end of the financial year. We expect to open branches at Matara and Anuradhapura early in the new year, and in keeping with the policy of your directors more and more branches will be opened throughout the country as and when circumstances permit us to do so.

The report and accounts were adopted.

TOWN INVESTMENTS LIMITED

BOARD'S EXPANSION POLICY

The thirty-second annual general meeting of Town Investments Limited will be held on January 20th in London.

The following is an extract from the statement by the chairman, The Viscount Buckmaster:

The consolidated accounts show a further rise in the revenue of the group from £332,055 to £346,801. In spite of rising costs, we have achieved certain economies in the management of the business, and the net profit, subject to taxation, available for dividend is increased from £150,141 to £161,114. The board have every confidence in the future of the company. They believe that the increase in revenue will continue and they recommend an increase in the dividend for the year from 9½ per cent to 12½ per cent.

Your board recommend that the sum of £175,000 be transferred from unappropriated profits to capital general reserve, with a view to an issue of shares out of the capital general reserve in due course.

Only a small proportion of the properties owned by the group is within the Rent Restrictions Acts. Progress has been made on an amicable basis in negotiating agreements as to the increased cost of services, and serving the requisite notices of repairs increases under the Housing Repairs and Rents Act, 1954.

In regard to the future, your board are continuing to pursue an active policy. We have entered into substantial financial commitments for the erection of office and business premises in London and elsewhere, and the board are determined to lose no opportunity of expanding where it is prudent to do so.

THE NATIONAL BANK OF SCOTLAND

CONTINUING PROGRESS

LORD ROWALLAN'S SURVEY

The hundred and twenty-ninth annual general meeting of the Proprietors of The National Bank of Scotland Limited was held in the bank's head office on December 23rd.

In the absence of the Right Honourable Lord Rowallan, KBE, MC, TD, DL, governor of the bank, who was unable to be present by reason of indisposition, the chair was taken by the deputy governor, Lord Balfour of Burleigh, DCL, DL, who delivered an address on Lord Rowallan's behalf, from which the following are extracts:

The balance sheet and report give ample testimony to the continuing progress of the bank. Perhaps the feature that stands out with greatest prominence is the increase in the deposits from £96 million to £112,500,000, an increase of no less than £16,500,000, and although not all of this increase may be permanent, for some of it represents moneys of a temporary character, nevertheless a very considerable, indeed the greater, part is a real addition to the bank's connections.

On the other side of the balance sheet you will find that these increased funds have been fairly evenly divided between liquid resources, in the form of cash balances, and investments, each of which shows an increase of about £9 million. We continue to preserve our high ratio of immediately liquid assets which provide a backing of about thirty-six per cent for our liabilities to the public in the form of deposits and note circulation. Advances and bills discounted together closely approximate £30 million, which is only £500,000 less than in 1953, a reduction which is of no significance and is no more than a day-to-day fluctuation.

RECORD PROFITS

The profits, after meeting all expenses and making all suitable provisions, were £36,000 higher at £342,000, the largest amount yet recorded, and after setting aside £100,000 to revenue reserve, £40,000 for writing down the value of bank buildings and other property, and allocating £75,000 to the trustees for the officers' pension scheme, the directors have thought it right and proper to recommend that the sum set aside for dividend should this year be increased, the net amount so required, after deduction of tax, being £121,000 as against £107,800 for 1953.

DIVIDEND HISTORY

If I were to go back a little in the history of the bank to bring this increased dividend distribution into its proper perspective, it would be pertinent to recall that for some years up to 1909 dividends of 20 per cent were paid on the then capital stock of £1 million without any deduction of tax, or to put it in another way, the stockholders at that time received £200,000 when the balance sheet totals were less than £20 million. In 1909 income tax was deducted from the dividend for the first time, and then at the rate of only 1s. 2d. per £.

In 1913 and again in 1914 the rate of dividend was restricted to 18 per cent, but in 1915, when the impact of the First World War began to be felt, the dividend was cut to 16 per cent and has continued at that rate

ever since, although the paid-up capital was increased by £100,000 in 1919. From 1920 until 1953 the gross amount distributed to the consolidated capital stockholders was £176,000, but with income tax during part of these years as high as 10s. in the £, these stockholders had at times to be content with no more than £88,000 net.

A STRIKING CONTRAST

The contrast between the amounts that passed into the hands of the stockholders in these later years and what they obtained in the early part of the century is striking indeed. Like the Israelites of old, it could be said that they have wandered for nearly forty years in the wilderness and they are only now approaching within sight of the Promised Land. Moreover, in 1909 the paid-up capital was £1 million and the reserve fund £900,000, whereas today the issued capital stands at £1,650,000 and the reserve fund at £3,150,000, together £4,800,000.

It should be easily enough understood that this additional £2,900,000 of proprietors' funds, which—apart from £400,000 derived from the issue of the "A" stock—have been built up over these intervening years, to say nothing of the sums that have been allocated to inner reserves for contingencies, have been earning and producing revenue in which stockholders up to now received no participation.

FURTHER ADJUSTMENT OF CAPITAL

With a balance sheet containing record figures of £135 million, the time is fully ripe for a further adjustment in the bank's capital. The first step was, as you know, taken in July, 1954, following upon the intimation made in the 1953 annual report, when £150,000 was transferred from reserve fund towards reducing the uncalled liability on the consolidated capital stock, increasing the amount paid up thereon from £1,100,000 to £1,250,000.

Because of the improvement in the general financial situation, and for the purpose of bringing the bank's capital more into line with the actual resources employed, the directors have felt fully justified in arranging to take the second step. They have therefore transferred from inner reserves the sum of £700,000 which, together with the appropriation of £100,000 from out of the year's profits, has raised the reserve fund to £3,150,000.

DISCHARGE OF UNCALLED LIABILITY

On January 17, 1955, £750,000 will be withdrawn from the reserve fund and be applied to discharge the balance of the uncalled liability on the consolidated capital stock, making the amount paid up £2 million. Thereafter there will remain only the reserve liability of £3 million, which cannot be called except in the event of liquidation. It can be accepted that this transfer from the inner reserves to the published reserve still leaves the inner reserves standing at a level which, in the opinion of the directors, is ample to take care of all likely contingencies.

When these transactions are completed, the

capital paid up, partly consolidated capital stock and partly "A" stock, will amount to £2,400,000 and the reserve fund will stand at the like sum of £2,400,000.

TAXATION

Much has been said from this chair in the past on the need for reduced taxation, but regretfully I have to say that politicians of all shades seem to be much more taken up with schemes adding to expenditure which, however well-intentioned, may be somewhat different from what the country can properly afford. From certain quarters we hear the outcry against profits, but properly understood profits are the measure of the efficiency of industry. It is paradoxical but true that the Welfare State can exist only in a community where profits are large.

The report and accounts were adopted.

NETHERLANDS BANK OF SOUTH AFRICA LIMITED

INCREASED ACTIVITY

UNION'S FAVOURABLE ECONOMIC PROSPECTS

The fourth ordinary general meeting of shareholders of Netherlands Bank of South Africa Limited was held on December 21, 1954, in Pretoria, Mr J. P. Kakebeke (the chairman) presiding.

The following is an extract from his circulated statement:

The results for the financial year 1953/54 may be considered as satisfactory and the progress made by the bank as reflected by the figures submitted to you are in conformity with the generally favourable position of conditions in the Union.

POSITION OF THE BANK

The total balance sheet figures as at September 30, 1954, show an increase to £29,321,435 of which current, deposit and other accounts contributed an amount of about £2 million. The increased activity of the bank is also noticeable in the higher advances to our customers. Bills discounted remained approximately at the same level, mainly due to continued import control.

The purchase of new premises in Cape Town and further building operations in Johannesburg, Pretoria and some smaller centres resulted in increased figures for bank premises of approximately £500,000.

The ultimate profit figure is slightly higher than last year. Income from interest, commission and exchange showed an improvement which, however, was set off to a large extent by higher expenditure. A balance of pre-incorporation excess taxation reserve has been included in our profit and loss account which amount has also been included in the transfer to reserve.

As customary all additions to furniture, office equipment and stationery which were not inconsiderable this year, were written off. Adequate provision has been made for taxation, possible bad and doubtful debts, depreciation of bank premises and for the ordinary strengthening of the separately established staff pension fund which is actuarially on a sound basis.

Our London office again showed a favourable development. The gradual progress made in Southern Rhodesia gives reason for satisfaction.

Business with the Continent through our affiliates in Amsterdam and other centres continued to increase.

During the financial year new branches

were opened in Kimberley, Welkom and Umtali (Southern Rhodesia), while two daily agencies were established in Johannesburg at Siemert Row and Hillbrow. In the North-Western Transvaal we opened agencies (to our Potgietersrus branch) at Tolwe/Welgedacht, Swartwater and Marken. After the close of our financial year, agencies were opened in Malvern (to our Nugget Street branch in Johannesburg) and at the Dominion Reef Mine (to our Hartbeesfontein branch).

From the directors' report you will note that a dividend of 7½ per cent (1s. 6d. per share) can again be recommended. Moreover your directors propose to allocate from this year's profit:

(a) A special depreciation of £50,000 (unchanged) on bank buildings.

(b) A special allocation of £15,000 (last year £25,000) to the staff pension fund.

(c) An addition of £50,000 (unchanged) to reserve, which will then reach a figure of £600,000.

Summarising I may state that economic prospects for the Union and Southern Rhodesia may on the whole be considered favourable and the bank is fully prepared to take part in any further development.

The report and accounts were adopted.

BARCLAYS BANK D.C.O.

ANNUAL GENERAL MEETING

The twenty-ninth ordinary general meeting of Barclays Bank DCO was held on December 29th at 28 Gracechurch Street, London, E.C.3.

Mr Julian Stanley Crossley (the chairman) presided.

The secretary, Mr C. F. S. Pringle, read the notice convening the meeting and the auditors' report to the stockholders.

With the concurrence of the stockholders present, the report and accounts and statement by the chairman, which had been previously circulated, were taken as read.

The chairman reported with regret the death of Mr O. Gordon, who had been chairman of the Rhodesian Committee (which was later reconstituted as the Rhodesian Local Board) until his retirement in September, 1951, prior to which he had been chief agent in Rhodesia. On his retirement, Mr Gordon had rendered distinguished service to the bank for forty-nine years.

RETIREMENT OF MR E. O. HOLDEN

The chairman also referred to the impending retirement on December 31st of Mr E. O. Holden who had been a member of the London Committee since July, 1945. He spoke of the many important positions Mr Holden had held in the bank since he joined the bank from Barclays Bank Limited in 1926, his last appointment being that of a general manager of the bank—an appointment he held from 1940-1945, when he retired on pension and became a member of the London committee. Mr Holden had been a director of Barclays Overseas Development Corporation since its inception in 1946, and the chairman said that he was glad to say that although Mr Holden was retiring from the London Committee, the Development Corporation would have the benefit of his experience and advice as a director for some time longer. The chairman said that when Mr Holden retired he would have completed over fifty years' service with the bank and his colleagues on the London Committee would greatly miss his wise counsel.

The chairman then mentioned that he had said in his statement that the time was now

approaching when the bank would feel justified in offering the members an opportunity to participate in the progress of Barclays Overseas Development Corporation Limited, and he was now proposing that, as a first step, the corporation should announce an issue of £1 million 4 per cent unsecured loan stock 1974/79 which had been successfully placed with institutions in the City.

NEW DIRECTORS

The chairman referred to the appointment of the two new directors—Mr P. V. Emrys-Evans and Mr G. F. Lewis—both of whom were well known and whose election would later in the meeting come forward for confirmation, and on behalf of the stockholders welcomed them at the meeting.

The chairman said that Mr P. V. Emrys-Evans was the son of Mr John Emrys-Evans, CMG, who was vice-chairman of the National Bank of South Africa from 1902 to the date of the amalgamation in 1926, when he became a member of the South African Board of this bank and was vice-chairman of that board until his death in 1931. The chairman said that it gave him particular pleasure to be able to welcome his son to the board.

OVERSEAS VISITS

He also referred to Mr G. F. Lewis, well known as a former general manager of Barclays Bank Limited, who in the short time he had been a director, had paid several visits overseas—to Rhodesia, Israel, Canada and New York.

The chairman also mentioned that Mr Barnes, the deputy chairman, had just returned from a visit to Egypt and Cyprus. The chairman said that considerable importance was attached to these visits of directors and senior staff to overseas territories as they were a means of bringing up to date knowledge of the rapidly changing conditions and trend of events in those places, and this was most helpful in shaping the policy of the bank.

FINAL DIVIDEND

The chairman then moved the adoption of the report of the directors and the statement of accounts and the payment of a final dividend of 4 per cent on £9,276,875 ordinary stock (£1,500,000, the new capital, not ranking for dividend in respect of the year ended September 30, 1954), less income tax at the standard rate of 9s. in the £.

The motion was seconded by Mr A. C. Barnes, deputy chairman, and carried.

The retiring directors, Sir Eric Gustav Machtig, GCMG, KCB, OBE; The Hon Geoffrey Cokayne Gibbs, CMG; Mr Cuthbert Fitzherbert; Mr Paul Vychan Emrys-Evans; and Mr George Frederick Lewis, were re-elected.

On the motion of Mr R. G. Thornton, seconded by Sir Frank Newson-Smith Bart, the auditors, Messrs Deloitte, Plender, Griffiths and Company, Price Waterhouse and Company, Peat, Marwick, Mitchell and Company and Cooper Brothers and Company, were reappointed.

VOTES OF THANKS

A vote of thanks to the staff, proposed by Mr A. T. Dudley, MC, a director, and seconded by Brigadier E. C. Pepper, CBE, DSO, DL, was carried unanimously and responded to by Mr B. F. Macdona, a general manager.

A vote of thanks to the chairman for presiding at the meeting was proposed by the Rt Hon Lord Rennell of Rodd, KBE, CB, and was unanimously accorded.

CENTRAL AND DISTRICT PROPERTIES LIMITED

The twentieth annual general meeting of Central and District Properties Limited was held on December 17th in London.

Mr Russell L. Tillett, FCA (the chairman), presided as said:

The increase in fixed assets, with the accompanying increase in net current liabilities, is due partly to the incorporation for the first time of the assets of the subsidiary company acquired in 1953 and their cost of acquisition, and partly to the substantial addition to "investments." This latter purchase of shares in a property company will prove an advantageous investment for the company.

The increase in the excess of current liabilities over current assets has been mitigated by the issue of £50,000 worth of ordinary shares at par to the members by way of rights.

Rental values have been well maintained, and the opportunity has been taken, where possible, to renew leases at increased rents.

There have, as you know, been certain changes in legislation affecting property owners, namely, the passing of the Housing Repairs and Rents Act, 1954, and the Landlord and Tenant Act, 1954. As regards the former, we feel that material increases in revenue can be expected. The necessary steps are well in hand to secure these benefits.

Property at Angel Hill Parade, Sutton, is about to be rebuilt as a block of shops with flats over, and the income to be derived therefrom will be a welcome addition.

Next year the company will have the benefit of a full year's income from the trade investments, with the possibility of a reduction in taxation by reason of our increased expenditure on repairs. The report was adopted.

J. BROCKHOUSE & CO.

PROBLEM OF STEEL SUPPLIES

The fifty-seventh annual general meeting of J. Brockhouse & Co., Limited, was held on December 22nd at West Bromwich.

Mr J. L. Brockhouse, MA (chairman and managing director), presided, and in the course of his speech said: The accounts reflect in part the result of the reorganisation of certain of the subsidiary companies, to which I referred last year and indeed, the result would have been very much better had we not been subjected to very keen competition in the earlier part of the year in many of our trades.

At the present moment in all our production factories, our order book is more than comfortably full but it must be remembered that this business is taken on a highly competitive basis.

Our greatest concern at the present time is the supply of steel in all its forms. Steel mills today are quoting nine to twelve months against specification. The worst feature, however, is that there is no guarantee of tonnage, even at this protracted delivery. The repercussions on the export market are very harmful and export customers are not interested whatever the price may be if protracted and uncertain deliveries have to be quoted. This question of guaranteeing steel supplies to consumers is one which must be studied by the Iron and Steel Federation. The arbitrary methods at present adopted are a great disservice to the whole of the steel consumer industries.

The report was adopted and a total dividend of 6 per cent on the ordinary stock was approved.

JOSHUA HOYLE & SONS

SUBSTANTIAL IMPROVEMENT

The annual general meeting of Joshua Hoyle & Sons Limited was held on December 29th at Bacup. The following are extracts from the speech of the chairman, Mr H. A. Enright:

I am pleased to report a substantial improvement in the group trading profit from £704,407 in 1953 to £794,378, achieved in a year of progressively keener competition.

Increasing quantities of goods are being diverted into home trade channels due to a falling off in export demand, with the result that although we are able to report a larger turnover, profit margins have narrowed.

The menace of imported foreign and Empire grey cloth does not show any signs of decreasing. It is having a most disturbing effect on the trade and is an undermining influence upon the buyers' confidence. Cotton remains at a firm and high price and, coupled with increased wages and costs, does not point to a cheapening of prices.

We are constantly considering the heavy expenditure necessary to maintain existing plant and to acquire modern and improved machinery and methods; therefore, a re-equipment reserve has been established to which £500,000 has been transferred. It is intended to make the necessary provisions for this programme from the company's earnings.

It is impossible to forecast future trends but our flexibility and efficiency will help us to take advantage of changing conditions at home and abroad.

We have now had a full year's trading since we de-centralised our organisation and we have found our new grouping a great advantage. The report was adopted.

THE LANCASHIRE COTTON CORPORATION LIMITED

Condensed Balance Sheet as at 31st October, 1954.

	Authorised £	Issued £		£	£
SHARE CAPITAL AND STOCK:—			FIXED ASSETS:—		
Preference Stock ...	12,013	12,013	Land, Buildings, Plant, Machinery, etc.		
Ordinary Shares and Stock ...	8,237,987	8,093,026	Valuation at 31st October, 1954 ...		3,216,580
	8,250,000	8,105,039	Additions at Cost, less Sales ...		6,335,920
Capital Reserves ...		365,118			9,552,500
Revenue Reserves ...		9,500,000	Less: Provision for Depreciation ...		3,200,000
Profit and Loss Account ...		973,618			6,352,500
		18,943,775	Wholly-owned Subsidiary Companies, Shares at Cost plus net profit since acquisition ...		
3½% First Mortgage Debenture Stock (with interest to date) ...		1,804,446			249,802
CURRENT LIABILITIES AND PROVISIONS:—			CURRENT ASSETS:—		
Sundry Creditors ...	568,131		Stocks on Hand ...	7,818,427	
Provision for Taxation ...	3,663,974		Debtors ...	1,748,214	
Other Provisions (including Proposed Dividends) ...	374,876		Investments ...	1,870,520	
		4,606,981	Tax Reserve Certificates ...	1,538,925	
			Cash at Bankers ...	5,776,814	
					18,752,900
					£25,355,202
					£25,355,202

KENDALL AND GENT LIMITED (Machine Tool Makers)

SATISFACTORY FUTURE OUTLOOK

The one hundred and eighth annual general meeting of Messrs Kendall and Gent Limited was held on December 21, 1954, at the registered offices of the company, Victoria Works, Hyde Road, Gorton, Manchester.

Mr F. C. Mosley (the chairman), who presided, said:

Ladies and gentlemen: This is our one hundred and eighth annual general meeting and I am happy to welcome you to it.

The accounts and the report of the directors have been circulated and, with your permission, I will take them as read. (Agreed.)

The last year was no exception to any preceding it in so far as there were the usual number of difficulties to be overcome, but I feel sure you will all agree that the results for the year are extremely satisfactory, and were only achieved by the very splendid efforts put forward by everyone.

As you are aware, we have enjoyed for some years a "sellers' market in overseas countries, but this no longer exists today, and, as is well known, we are meeting greater competition in those markets, but we are members of a selling organisation which is most ably represented in all overseas markets and we hope that as the world gradually settles down we shall increase our overseas business again.

During the year large machines have been completed and erected in Canada and Australia.

We have always striven to provide a works in which our people would be happy to work and we have tried at all times to provide them with all the amenities we possibly can.

ADDITIONS TO FACTORY

A further bay has been added which will have the effect of giving us more very valuable additional floor space.

All necessary repairs have been carried out; new machinery has been installed during the year; the plant is right up to date, and we have an excellent lot of skilled workmen, so that if we have to face in the future a more difficult period of trade, we feel we shall be able to hold our own.

The directors are once again pleased to record a good output from the works, and at the same time consider the balance of orders "on hand" to be satisfactory. Since the close of the year we have received some very nice orders.

The net profit for the year (including investment income and after charging management and all other expenses and directors' fees) amounts to £156,658. This sum is more than last year by £51,408. As you all know, we have been very conservative in dealing with our profits for a long number of years, and have built up very good reserves.

Turning to the balance sheet:

The net profit is £139,836, after depreciation, which is a great improvement. We are again making full provision for taxation by reserving the sum of £78,200 which is £20,200 more than last year. This year your directors have decided to recommend placing £30,000 to general reserve fund; £10,000 to dividend equalisation reserve fund.

With regard to the subsidiary company, we are glad to report another successful year.

CAPITAL RESERVES

Now we come to the capital reserves—these remain the same as last year at £70,000. The revenue reserves which stood last year at £60,000 to which we have added £30,000 making £90,000; the dividend equalisation reserve of £10,000—to which we have added a further £10,000 this year; making that fund £20,000—or a grand total of reserves of £180,000. We have also increased the "carry forward" from £47,777 to £48,788—a difference of £1,011. As you are all aware, the capital of the company was increased last year by a bonus of £30,000, so we are very glad that we have been able to pay an increased dividend on the increased capital.

From the balance sheet you will see that the current assets, £446,428, exceed current liabilities, £142,003, by £304,425. Cash in hand at bank, £81,283 more. Stocks of materials, etc., are down by £25,376. Debtors and payments in advance, £17,225 less.

As usual, the other assets—loose tools, patterns and drawings, patents and trade marks, furniture and fittings—have been entirely written off, and stand in the balance sheet at nil.

The report and accounts were adopted and the final dividend of 10 per cent and bonus of 10 per cent less income tax, making with the interim dividend of 5 per cent, a total of 15 per cent and bonus of 10 per cent for the year, less income tax, was approved. Messrs Edwin Collier and Company, our auditors, were re-elected, and the proceedings terminated.

ALLIED RETAIL TRADES (LONDON), LTD

LARGER TURNOVER

The seventh annual general meeting of this company was held on December 30th in London, Mr W. H. Martin (chairman and joint managing director) presiding.

The following is an extract from his circulated statement for the year to October 3, 1954. The trading profits from all our branches amounted to £128,591 (£124,490), and the net profit to £77,628 (£76,639). The net ordinary dividend is 15 per cent.

Newspaper and Tobacco Group.—The trade of this group has been satisfactory and branch profits have gone up from £118,547 to £125,620. Once again our increased turnover has not reaped the increased net profit to the extent we hoped, owing chiefly to increased wages, but under the conditions prevailing this year the increase is not entirely unsatisfactory.

The Bakery Group.—The bakery trade still remains in the doldrums and our problems are much the same as they were, although we have one or two schemes in mind which, should they come to fruition, might prove a satisfactory solution to our problems.

Turnover.—Our turnover for the year was £2,047,184, compared with £1,852,005 last year, thus showing an increase of £195,179, or 10.5 per cent.

The outlook of the Tobacco and Newspaper group is not unpromising, while the outlook for the bakery trade is no worse than last year. The prospect for the coming year can be viewed with some confidence.

The report and accounts were adopted.

HECHT, LEVIS & KAHN, LTD. (Merchants in Raw Rubber Developments) Commodities

DIVERSIFICATION OF ACTIVITIES

SIR WALTER FLETCHER'S SPEECH

The twenty-ninth annual general meeting of Hecht, Levis & Kahn, Ltd., was held on December 22nd in London, Sir Walter Fletcher, CBE, MP (the chairman), presiding.

In the course of his speech, the chairman said: The conditions to which I referred last year were greatly accentuated in the year now under review. This is reflected in the group trading profit of £155,437 as compared with the previous year's figure of £328,985. The practice continued in certain countries of dealing in rubber more as a counter with which to speculate in foreign exchange, particularly in those countries where the retention of a proportion of dollars is permitted, than in normal straightforward dealing. As a result, the Malayan and, above all, the London markets were left to a considerable extent to stagnate, with rubber quoted at prices which, when one considers the cost of purchase and shipping from Malaya, showed little relationship to the prices at which big buyers in America and Europe could obtain rubber from the sources which I have mentioned.

The net profit figure of £103,442 compared favourably with that of the previous year, £120,154, and the proportion of the net profit applicable to the parent company, i.e. £42,187, is considerably better than that shown for the previous year, i.e. £26,953.

Diversification of our business has continued, but we are having to pay towards our way in the technical intricacies of each and every article in which we are now dealing.

THE OUTLOOK

Since the end of the financial year under review, there has been a distinct brightening of the future. We are mounting a very difficult slope and are much encouraged by a revival in the rubber market, aided by the ability which all concerned have shown to seize the opportunity when it presented itself, and by the willingness of everyone concerned not to think backwards into the past but of new forms of work in the future.

The menace of synthetic rubber may, or may not, be less great than it appears and we may indeed have to participate even in that activity in some form or other. The world is likely to develop more on road than on rail and, in the long run, it may well be that the general demand, which would certainly rise if something like a peaceful solution of the political problems which beset us were found, would present a bright future for raw rubber as well as synthetic, but we cannot count on this and we must resolutely pursue new policies with new and young minds to help us.

The modest dividend of 15 per cent we are recommending on the ordinary stock was not entirely earned during the year but we are able to pay this ordinary dividend, plus of course the usual preference dividend, and to provide for the annual redemption of preference stock and thereby only diminish the carry forward by £2,724. This still leaves the company with total reserves of over £730,000, this after full taxation reserves have been made.

I hope that when we next meet, and I have the pleasure of facing you again, it will be possible to present better accounts and, can I say, with less care and worry besetting us.

The report was adopted.

The Economist

FOUNDED 1843

JANUARY 8, 1955

ONE SHILLING

Means to What End?

Temptations of Orthodoxy

Saigon and Hanoi

Copperbelt in Crisis

Towards Flexible Money

The Wheat Argument

AMERICAN SURVEY: State of the Union

THE WORLD OVERSEAS: France on the Morning After

BOOKS: Personalities of the Civil War

Annual Postal Subscriptions: by ordinary mail £3; by air see page 155

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

VOLUME CLXXIV • NUMBER 5811

Where we stand

To found and operate an industrial or commercial undertaking in modern society presupposes the possession of certain purposes and principles.

To put it another way: there are certain assumptions and beliefs—economic, social and moral—which underlie all industrial and commercial enterprise.

In our opinion it is of value to examine these beliefs from time to time and to state them publicly, so that everyone may know where we stand. Here we set them out—the beliefs and principles on which this Company bases its conduct of affairs with the outside world and within its own organization. There is nothing extraordinary in them. If we did not, however, believe in certain principles and act on them, obviously we should not be in business at all.



Esso Petroleum Company, Limited

WE BELIEVE that competitive private enterprise is the best and most flexible means of providing the community with the goods and services it needs. It is the most efficient system yet found of creating wealth, eliminating waste and raising standards of living. By making the most economical use of the community's resources in capital, skill and labour, it secures the maximum well-being for the community. To the consumer it guarantees goods and services of the highest quality at the lowest practical cost. For the employee it provides the best wages and conditions of work that are economically realisable. It secures the highest return on invested capital. Failure to satisfy any of the above conditions results in the private undertaking concerned being forced out of business to make way for others who can. That is the law of competition.

WE BELIEVE that competitive private enterprise is also the most effective and least wasteful way of mobilising capital resources for productive purposes. By offering fair reward for risk taken it ensures the availability of new capital for development. While profits are the reward of success, losses are the penalty for failure. Under private enterprise such losses are borne by the private investor and not by the public purse; that is the best guarantee in the long run that a business will be run efficiently and economically and will be continuously adjusted to the real and expressed needs of the community. And that in its turn is the best guarantee of stable and improving conditions of employment. Therefore...

WE BELIEVE in private enterprise in the oil industry, in which the condition of survival for individual companies is to supply ever improving goods and services to the community at the right price. That is the principal characteristic of the system—the constant need for improvement and economy. No one has yet discovered a better system for achieving both these ends.

WE BELIEVE that the oil industry is performing a vitally important service to the public, essential to present-day civilization and essential to maintaining and raising world-wide standards of living. Therefore we are convinced that the provision of the petroleum products which make this possible is a task which is without qualification worth while.

WE BELIEVE that this Company has the knowledge, the experience, the competence and the resources to carry out this task worthily. This has been demonstrated to date by its success in serving the public in open competition with other companies engaged in the same trade. We have no reason to suppose that the future will prove otherwise.

WE BELIEVE that in thus engaging in business—which we have done for the last 66 years—a company takes upon itself certain obligations:—

OBLIGATIONS. To those who have associated themselves with the Company's business as suppliers of capital or labour; to the community at large; and finally to the Company itself. Specifically, these obligations can be summarised as follows:

TO THE SHAREHOLDERS. Since it is the Shareholders who provide the money without which the Company cannot either come into being, remain in business or develop, it is right that the Company should so conduct its affairs as to provide a fair return for the Shareholders' investment and the risk they have taken. Plainly it is also in the Company's direct interest to do so, otherwise capital will not remain available nor will fresh capital be forthcoming for development.

TO THE EMPLOYEES. Since the Employees give their skill, experience, energy and time to the Company, it is right that the Company should secure for them also the material reward appropriate to their efforts and abilities. This reward should at all times be adequate to ensure a decent progressive standard of living, and should be increased as and when individual ability, loyal service and acceptance of greater responsibility make this in equity desirable. A fair system of material rewards will also include facilities for social security, such as pensions and other benefits, supplementary to those already provided by the State. The Company also recognises its obligation to provide safe and sanitary working conditions and to see that hours of work and opportunities for rest, holidays and recreation are at least as favourable as those observed by other leading companies in comparable operations. Its aim is, by objective selection, to place employees in the work most suited to their abilities and to provide the means for them to improve their performance by training and so advance in their profession.

For the efficient and harmonious conduct of its business, the Company believes in the necessity and value of joint consultation at all levels.

Finally, the Company recognises an employee's religious and political freedom; that is, his freedom to associate or not with any religious body, political party or any lawful society or organization.

TO THE COMMUNITY. Since a company is an integral part of the social and economic life of the community—be it locally or nationally—it is under an obligation to conduct its business in such a way as to further the social and economic progress of that community, or at very least not to impede it.

It has a duty beyond its immediate business of supplying goods and services at the right quality and price; it has a duty of citizenship, of co-operating with the proper authorities at every level of government. In framing its policies, it must consider the aspects of the public interest. In its everyday actions it must practise consideration for its neighbours. It must be an active asset to the community within which it operates, not a passive occupier of space.

TO THE COMPANY. If one is convinced, as we in this Company are convinced, that a competitive, privately-owned oil industry best serves the public's needs; that, inside that industry, this Company is well fitted and well able to supply the consumer with the products he requires at an economic price; and that, at the same time, the Company fulfils its obligations to its shareholders, to its employees and to the community at large, then one final obligation logically follows.

It is the obligation to maintain, perpetuate and develop the Company itself so that it can continue to perform its task in a like manner to the greater benefit of all who work, or come into contact, with it.

That responsibility falls not only on management, but on every one of the 12,000 men and women who earn their living in this country with Esso.



WIN YOUR SHARE OF THE BIG NORTH AMERICAN MARKET

In Canada and the United States the construction of homes, office buildings, factories and public works continues at a high level. This activity can mean business for you, because it stimulates the buying of the widest range of commodities.

Use the effective showroom of the Canadian International Trade Fair to display and sell your goods in the North American market—and thus earn dollars required for your country's purchases abroad.

SHOW YOUR PRODUCTS AT THE

8th Annual CANADIAN International TRADE FAIR

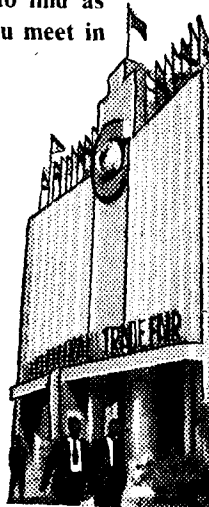
TORONTO, MAY 30 TO JUNE 10, 1955

OPERATED BY THE GOVERNMENT OF CANADA TO PROMOTE YOUR BUSINESS

Here you can meet key businessmen from many countries who come prepared to buy the products displayed—such as household appliances and furnishings, machine tools, construction equipment, electrical apparatus and office equipment—and to compare values for future requirements.

It would take you a long time to find as many potential new customers as you meet in just two weeks at the Trade Fair.

*
Apply now for the space you want, to Canada House, London, S.W.1, or direct to Canadian International Trade Fair, Exhibition Park, Toronto, Canada.



KILLING TWO BIRDS WITH ONE THERM

YOU BURN COAL RAW, and what happens? You make smoke, which makes smog, and you destroy the raw materials of a hundred different products from paint to motor-spirit, from nylons to fertilizers. Smoke is not only a menace to health—it is the funeral pyre of wealth. Mr. Therm carbonises coal, and what happens?

He produces gas and coke, the two great smokeless fuels—highly efficient and clean burning. And he provides for British Industry (and for export) all the chemicals and substances that would otherwise be lost for ever to our National economy. Thus with one stone Mr. Therm kills two hateful birds—waste of wealth and menace to health.

Mr. Therm's way is much the more sensible.

'GUILTY CHIMNEYS'
The Gas Council's Smoke Abatement Film
'GUILTY CHIMNEYS'
is available on loan to approved borrowers

GAS AND COKE—heat without smoke

THE GAS INDUSTRY MAKES THE BEST USE OF THE NATION'S COAL Issued by the Gas Council

WALLSPAN—Engineering's Modern Miracle gives you outer walls in days!

*If you want your new building finished faster — EARNING SOONER —
discuss Wallspan with your architect*

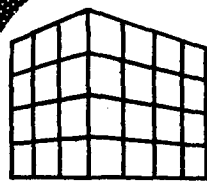
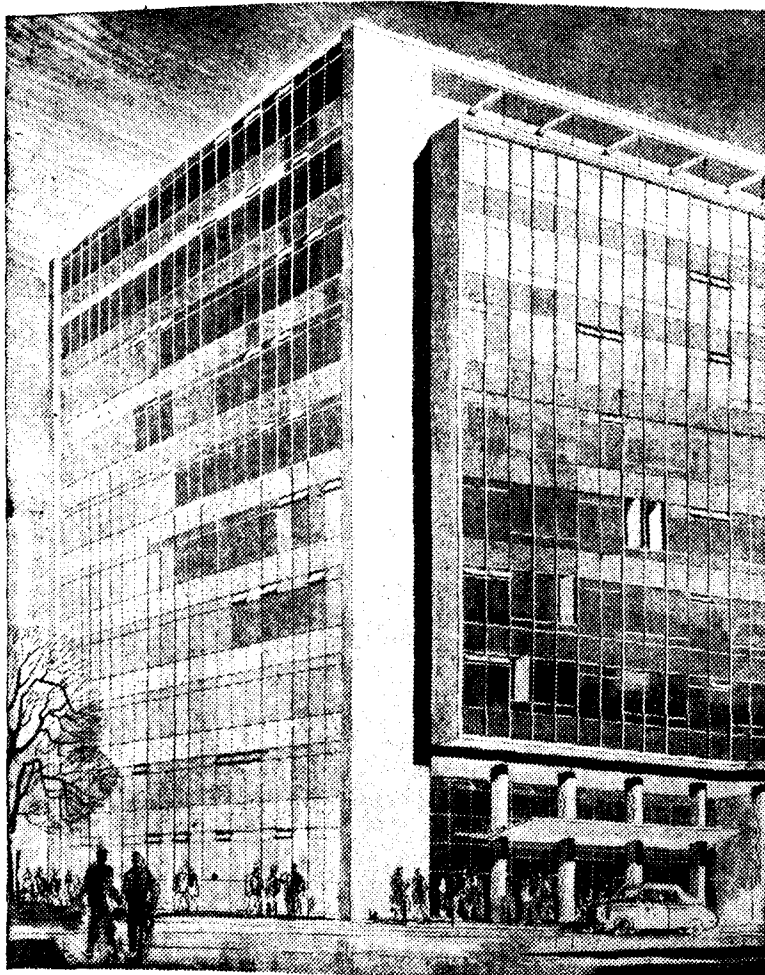
What is Wallspan? A means of providing walls in an incredibly short space of time. Since the weight of a modern building is carried on the framework, the walls are left with two main jobs to do. They must keep cold and wet out, and heat in. At the same time, they must give the building an appearance that both the architect and the owner are proud of. Wallspan does all this extremely well and with the added advantage of getting walls up very quickly.

Wallspan—like all great engineering advances—is comparatively simple. To the structural frame of the building is bolted a grid formed from vertical and horizontal components. These are made of strong aluminium alloy that never rusts or corrodes. Into the spaces of this grid are fixed sheets of glass or opening window frames. There you have your light and air. In the other spaces of the grid are put sheets of solid panelling materials—and there's your solid wall. There are dozens of different kinds of these panelling materials in various textures, colours and thicknesses. With them, an infinite variety of Wallspan walls can be designed, each exactly suiting the uses of the building in any climate of the world. That is all there is to it. One contractor erects the whole wall and it is fixed for all time. It needs negligible maintenance and it can go up in a matter of days.

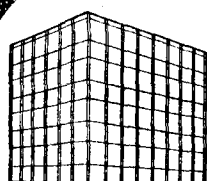
WALLSPAN CURTAIN WALLING

WILLIAMS & WILLIAMS

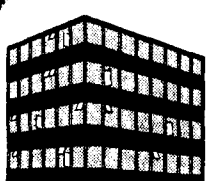
RELIANCE WORKS · CHESTER



Wallspan starts here
This is the stage at which Williams & Williams fixing teams move in to put up the Wallspan wall.



The grid goes up
The vertical and horizontal components are put in place. Each bar takes about 4 minutes to fix.

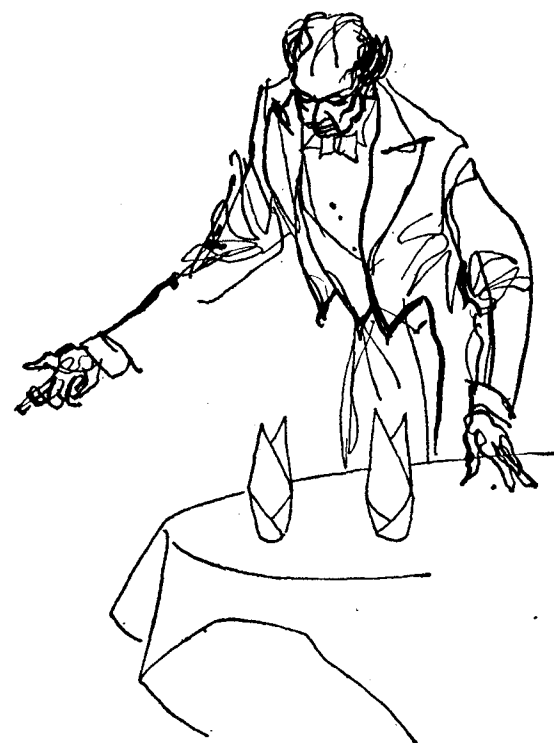


Glass, windows, panels, next
Into the grid are put sheets of glass, opening window frames and panels of solid insulating material, each fixed in five minutes—weatherproof for all time.

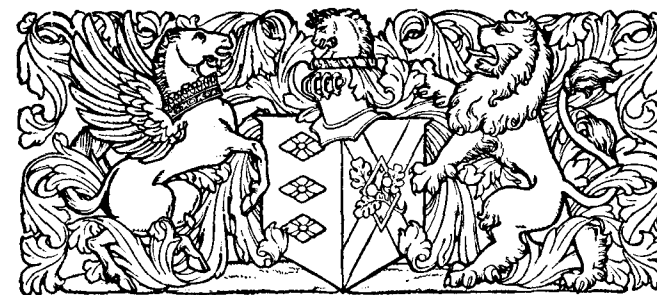


All the light and air you want
Opening window frames provide ventilation wherever it is required. Plain glass sheets are fixed straight in, giving all the natural light you want, exactly where you want it. Solid panels complete the wall.

You'll be using your building sooner — much sooner — if it has Wallspan walls



The discerning diner
expects (and rightly deserves)
an Irish Linen table-napkin



LEATHER UPHOLSTERY

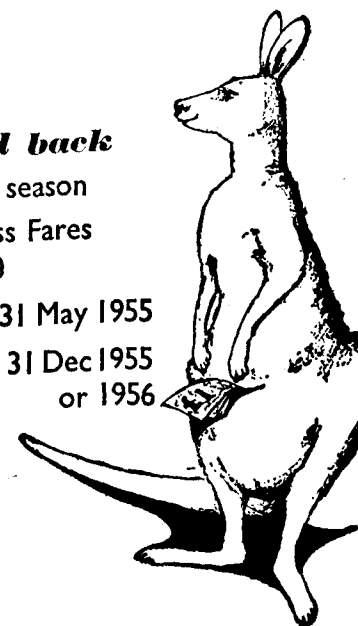
**MAKES YOUR NEW CAR
A LASTING INVESTMENT**

Real leather is unique for its enduring comfort and luxurious appearance. So, even if this refinement involves a little extra cost, you will be more proud of your car and, when the time comes to re-sell, your good judgment will be more than rewarded.

"YOUR CAR AND YOUR COMFORT" is the title of a booklet on the virtues of leather upholstery and gives an up-to-date price list of cars that are available with leather upholstery. Write to: The Dressed Hide Leather Publicity Committee, Leather Trade House, Barter Street, London, W.C.1.

YOU WILL BE MONEY IN POCKET

If you travel to
Australia and back
during the quiet season
Special First Class Fares
from £200
Outwards—1 Feb to 31 May 1955
Homewards—1 Sep to 31 Dec 1955
or 1956



P&O

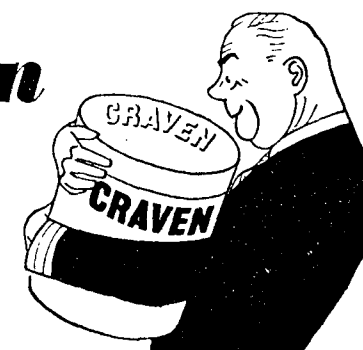
For further particulars enquire:
14-16 COCKSPUR STREET • Telephone: WHitehall 4444
122 LEADENHALL STREET, E.C.3 • Telephone: AVENue 8000
OR YOUR LOCAL TRAVEL AGENT

Craven

his

first

love



THE MAN who has been tempted to smoke something else for a while comes back to Craven like the prodigal returning to peace after suffering. And how bewitchingly his "first love" welcomes him. Slowly, yet irresistibly, the cool, slow burning Craven captivates once again and holds him in its deeply satisfying spell. How right Sir James Barrie was when he said Craven "is a tobacco to live for".

Try CRAVEN

As the first pipeful casts its spell you'll agree that here is real smoking luxury... as every Craven man knows.

Craven Mixture 4/7 oz. Craven Empire de luxe Mixture 4/3 oz.



Nappies aired yet, Mrs. Hollis?

When washed in water soft as rain, clothes are really clean and free from hard-water lime deposits. In laundries, Albright & Wilson's 'CALGON' (Sodium Metaphosphate) has long been used to soften hard water. 'CALGON' is not a soap, nor a detergent, but simply a water softening powder. It is now being distributed through retail shops for all home uses.

A sample of Calgon will be sent on request.

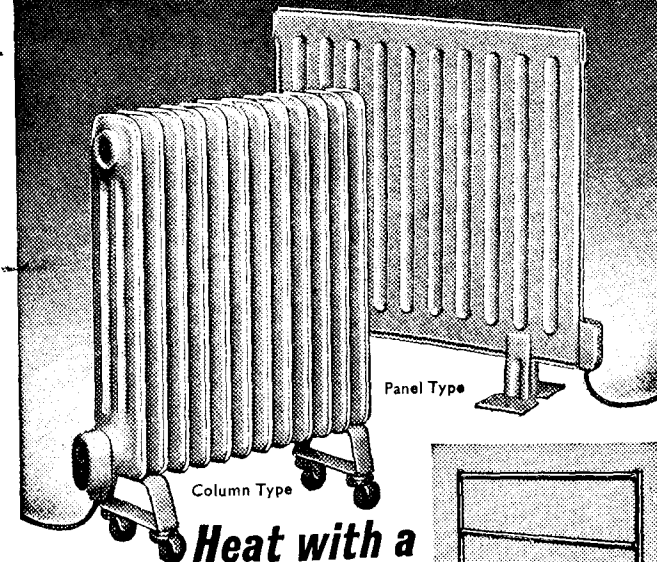


Chemicals for Industry

ALBRIGHT & WILSON

ALBRIGHT & WILSON LTD • 49 PARK LANE • LONDON • W.1
NEW 100

PORTABLE CENTRAL HEATING



Heat with a HURSEAL

Oil-filled electric, thermostatically controlled
SAFETY RADIATOR
TROUBLE FREE • NO MAINTENANCE
You just plug it in anywhere

From £11.19.8 (Including Tax)
Models are also available for Gas
Paraffin or Bottled Gas operation.
Insist on a Hurseal

H.P. Terms available. Call or write for details to:
HURSEAL LTD., 229 REGENT ST., LONDON, W.1 Tel.: REGent 1051

Oil-filled Safety TOWEL RAILS
Attractive Floor or Wall
Models for Gas or Electricity

It moves in the right circles

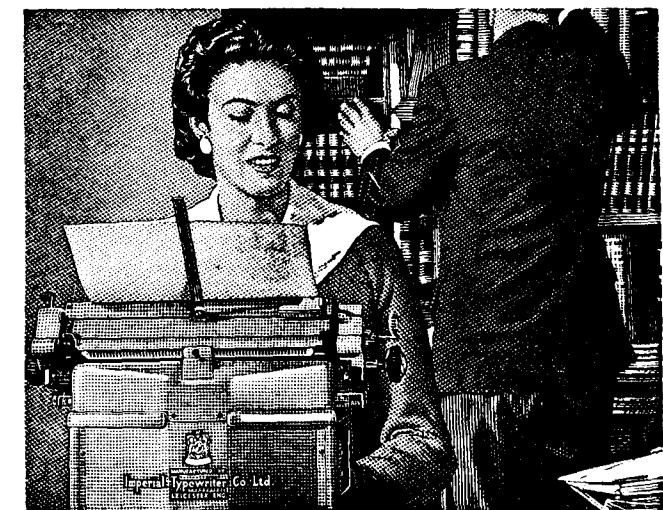
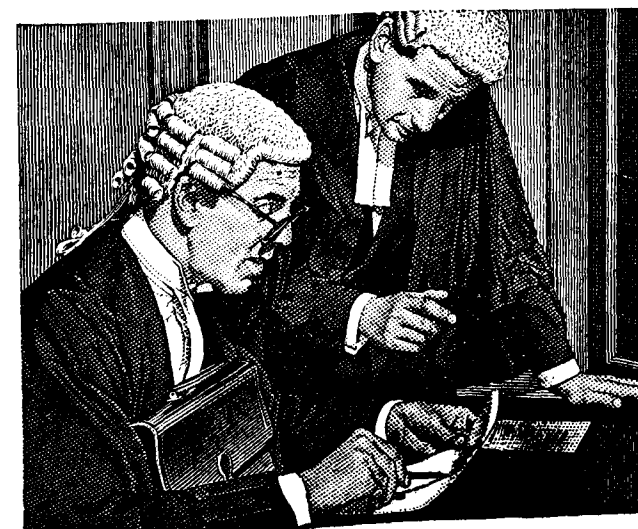
There's a place for Anglepoise on every desk . . . by every armchair. It throws its beam exactly where needed at a touch—and "stays put". Needs only a 25 or 40 watt bulb. At any good electricians or stores. Send for booklet to Dept.35



Black or Cream £4.14.8
Cream & Gold mottled £5.6.6

Sole Makers: **HERBERT TERRY & SONS LTD • REDDITCH • WORCS**
TAS2A

*Better
for everyone*



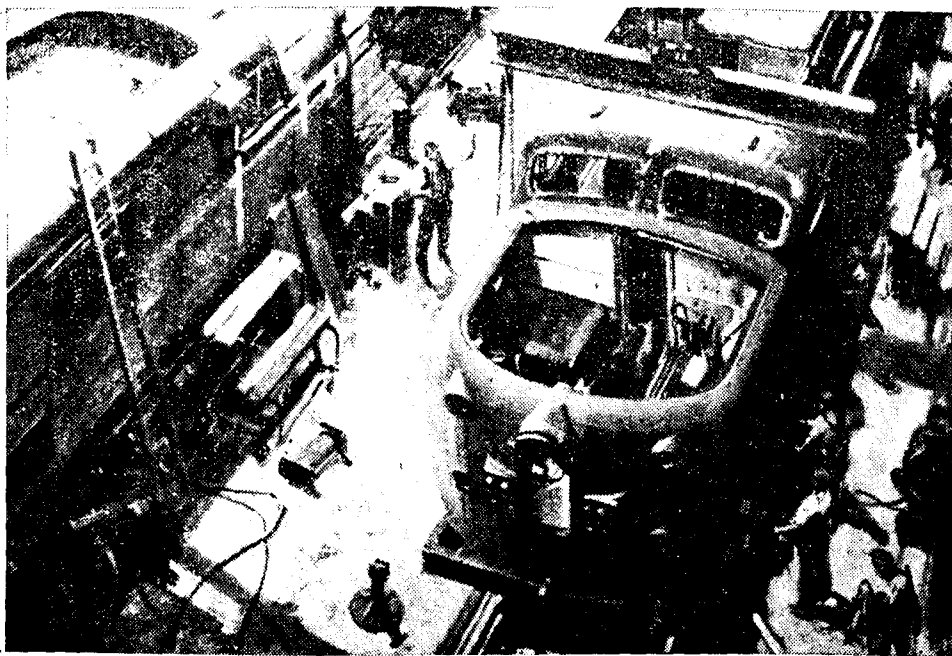
**Imperial
typewriters**

IMPERIAL TYPEWRITER CO. LTD., LEICESTER & HULL

CRC22

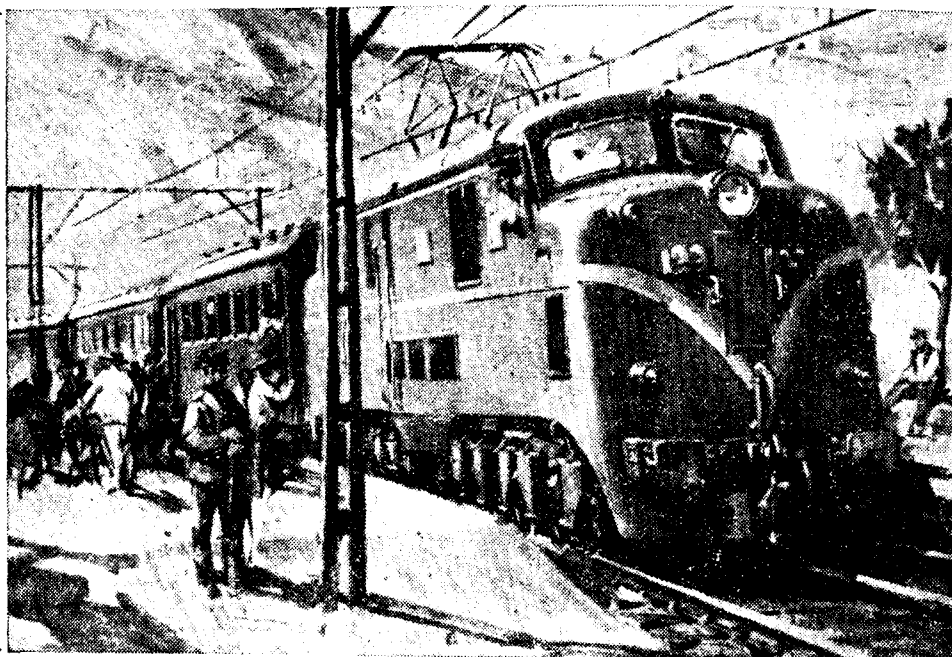
'ENGLISH ELECTRIC'

Providing superior acceleration with greater fuel economy, and demanding less routine attention, electric and diesel locomotives are taking over from steam in many lands. ENGLISH ELECTRIC has supplied such locomotives to 29 countries — carrying out, in many of them, complete railway electrification schemes. In every case, design and construction take full account of local conditions and particular technical and traffic requirements.



bringing you

These modern locomotives bring cleaner and more comfortable travel, faster goods and passenger services. In Spain, electric locomotives powered by ENGLISH ELECTRIC are hauling heavy trains at higher speeds over the Cantabrian mountains, on lines noted for their gradients, curves and tunnels. Helping to improve the railways of many nations is only one of this busy Company's contributions to better living in the modern world.



better living



The ENGLISH ELECTRIC Company Limited, Queens House, Kingsway, London, W.C.2

The Economist

FOUNDED 1843

JANUARY 8, 1955

ONE SHILLING

Means to What End?	87
Temptations of Orthodoxy	88
Saigon and Hanoi	90
Copperbelt in Crisis	92

NOTES OF THE WEEK

All the Wrong Lines; No Rest for Europe; The Communists' Big Push; East German Sabre-rattling; Swift Answer to Malenkov; Bait for Farmers; Consumers in the Cold; Striker's Resources; Coventry and St Custard's; Mr Hammarhjold Arrives; Efficiency at Suez; From Blockage to Blockade; Comprehending the Comprehensives; Broadening the Mind; Cabinet Making in Nigeria; Towards a European Fund; The "Green Pool" Stirs; The Balkans of the West; Estates Under the Hammer; Not to be Prescribed.

LETTERS TO THE EDITOR	104
BOOKS AND PUBLICATIONS	105

AMERICAN SURVEY

State of the Union	109
Neither Brains nor Trust; Bulls Stamped; Moving Into Albany; Economic Man of the Year; Ten-Year Plan for Roads; Slipped Discs; Shorter Notes.	

THE WORLD OVERSEAS

France on the Morning After	116
Greenland Comes of Age; Movement on the Mekong; Training for Soviet Service; Notes from Australia.	

THE BUSINESS WORLD

Towards Flexible Money	125
The Wheat Argument	127

BUSINESS NOTES

Markets Unworried; Defence Lag Aids the Chancellor; Buoyant Revenue; Bank Dividends —Round Two; Inquest on Coal; Savings and Banking; The Output Margin Narrows; Optimism from the Shipyards; Hire Purchase Boom; The Gold Reserve; Dearer Aluminium; Life Insurance Bounds Ahead; More Troubles in Copper; New Issues in 1954; Higher Prices of Paper and Pulp; A Long Bow at Kansanshi; Commodity Prices in 1954; Good Year for Diamonds; Shorter Notes.

COMPANY NOTES AND SECURITY PRICES	142
STATISTICS	145

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

Means to What End?

AT the beginning of the week it seemed probable that the country would have to choose between the evil of a railway strike and the still greater evil of a railway subsidy. As *The Economist* goes to press, early on Thursday afternoon, it seems possible that it is going to get both. This moment—the moment between Godesberg and either Munich or battle, when new demands have been presented which may cause even a Transport Commission to turn—would normally be a very difficult one at which to write. But this week it is not difficult at all.

For the really important news of the past week is not the still undecided question of whether there is going to be the temporary—though bitter—inconvenience of a railway strike. The really important news, in the broad context of history, is that the desperately dangerous principle on which peace negotiations will be based, either before or after a strike, has already been decided. It has been laid down by, and apparently universally accepted from, the lamentable report of the Court of Inquiry into this dispute. "The Nation," begins the passage proclaiming it, "has provided by statute that there shall be a nationalised system of railway transport, which must therefore be regarded as a public utility of the first importance. Having willed the end, the Nation must will the means."

There would be no harm in this statement, if the court and the public understood exactly what it means. What the phrase "a public utility of the first importance" should mean, of course, is that the economic distribution and effective use of resources in this industry is of the first importance. What the court takes it to mean is precisely the opposite. Its interpretation is that railway workers—however many of them there are, however inefficiently deployed, however small the net addition of each man to national production—should receive wages that would leave them "in no worse case" than their colleagues in "comparable" industries. The court does not pass judgment on whether railwaymen are getting such a comparable wage at the moment. It leaves that question to be decided by negotiations—but negotiations between a union whose duty it will be to demand as much for its members as it can get, and a nationalised body which will have no incentive (indeed, since it will naturally seek good labour relations, it will have a positive disincentive) to draw the union's kicks upon itself in order to save other people's ha'pence. For the court believes that it is a false and "unfortunate" principle to suggest that the Transport Commission can only pay out money that it itself has earned. Instead, the taxpayer "must will the means."

This principle—and the Government's acceptance of a report enunciating it—may be the opening of a new stage in British industrial and political history. On the court's ruling, a nationalised industry now means an industry which has an inalienable right to draw a subsidy from the public, and no responsibility to return efficient service to it. Let no British Socialist, in particular, be under any delusions

about the implications of this report for his doctrine of efficiency through public ownership, for the long fight he has waged against sectional concentrations of monopoly power. Let no politician of any party fail to recognise what this report portends. It used to be a cardinal feature of the British constitution that there could be no expenditure of public money, no new burden imposed upon the taxpayer, save under the authority of a Minister of the Crown. These things can now apparently be done under the authority of a court of inquiry instead.

These will seem harsh judgments to the three members of the court—a lawyer, a shipowner and a trade union leader (in a recently nationalised industry)—all of whom worked unpaid at great speed to complete the report. It is easy to see now that the Government should never have shifted a decision of such major economic importance, at the kernel of public policy, on to three distinguished but arbitrarily chosen gentlemen under such impossible conditions. It is easy to see now that, once the recommendations were published, first the Government and then the Transport Commission should have said that it could not possibly accept them.

But this is not the time to apportion blame. It is the time to restate the principles on which any tolerable settlement, before or after a strike, will need to be based.

Temptations of Orthodoxy

THE Exchequer return which was published on December 31st shows that Mr Butler will be faced this year with a very curious dilemma—a dilemma which those who formed their views about economic “respectability” during the controversies of the nineteen thirties might not have believed could exist. When he comes to frame his Budget he will have to choose between steering an old, orthodox and very popular course—or a modern, Keynesian, and very much sterner course. He will have to choose between the thoroughly inflationary policy of a balanced budget, and the far stricter Keynesian doctrine—in present circumstances—of surplus finance. This is a dilemma to bleed the heart of any Chancellor, and especially a Conservative Chancellor who is entering what everybody expects to be an election year.

The message of last week's Exchequer return is that Mr Butler is currently gathering in rather more money, and is spending very much less, than he expected when he presented his Budget last April. At that time he estimated that his total budgetary outturn this financial year would be £100 million worse than in 1953-54; instead, in the first nine months of the year, it has been £184 million better. A principal reason for this is that deliveries of, and therefore payments for, military aircraft are shamefully behind schedule; subsi-

The chief of these is that railwaymen should have the opportunity to earn a decent wage, instead of the right to be doled out with one. The end which the nation seeks is an efficient railway system; and that is the only end to which it should will the means. This will require Government help for the railways' capital programme, and it may require that the Transport Commission should be allowed to run a deficit for a strictly limited period, during which it will need to cut down its labour force, reform its charges, and re-organise many of its services. But it certainly does not mean that the Commission—or any other essential industry, nationalised or private, with an uneconomically swollen labour force—should be allowed to run a deficit for ever.

Paradoxically, the enforcement of these principles may have been made more possible by the National Union of Railwaymen's slowness to grasp at the opportunity which was held out to it on Wednesday of this week; paradoxically, it may now be better for the national economy if there is after all a strike. But the prospect of an economic settlement to this dispute has been made very much dimmer by the report from this Court of Inquiry—and by the public's apparent acceptance of it. The nation, as well as the Government, will have no reason for satisfaction, whether it spends this miserable weekend in looking back on a second surrender or forward to the bitter hardship of a stoppage.

diary reasons are that the swelling of private incomes and capital in the past year has increased the yield of both income taxes and death duties, and that the hire purchase boom has added sensibly to revenue from purchase tax. None of these factors, when considered soberly, is a logical excuse for tax reliefs that would swell the volume of private purchasing power to a larger torrent still. But it is very difficult for a Chancellor to consider such factors soberly, when the less complicated and more exciting raw figures are being brandished in his face.

The most exciting of these figures is that, unless something goes badly wrong in the last quarter, by Budget day Mr Butler should be able to show an ordinary or “above-the-line” surplus of perhaps £300 million for 1954-55; when he drew up his Budget nine months ago, he expected to show an above-the-line surplus of only £10 million, which is as near to exact balance as any Chancellor can decently aim. Moreover, on the basis of present tax rates, that surplus might be more or less maintained through 1955-56. It is true that Government civil expenditure will probably go up next year, and that defence expenditure—while below this year's estimate—will not necessarily be much below this year's performance; but against this, with incomes still rising and next year's tax receipts from

this year's profits already certain to be high, revenue might increase quite sharply. If the Chancellor has a surplus of £300 million in hand for 1955-56, and feels that he can give it all away, that would be the equivalent of at least 1s. 3d. off the income tax. It is not surprising that Conservative bankbenchers are licking their chops.

But if the Chancellor does not disappoint them, those who fear inflation will be at his throat. An above-the-line surplus of £300 million sounds very impressive until it is realised how very little it actually means; the items that are entered above the line in the budget accounts are determined much more by historical accident than by any recognised canons of finance. If the different, though equally accidental, American system of budget accounting were used, the Chancellor would not show a surplus at all but a fairly substantial deficit; if the “capital account” system used in some other countries were in vogue, he would show an even larger surplus than now. All these budget accounts, as Keynes never tired of pointing out in the nineteen thirties, are utterly misleading idols; to tighten or loosen the whole national economy in order to ensure that one accidental total falls equal to another accidental total in the period that it takes the earth to move round the sun, is a strange form of heathen magic. But during the nineteen thirties, at a time when Keynesian precepts suggested that large tax reliefs could be made, Conservatives regarded Keynes as unrespectable; it is a little hard on them to be told that they must regard his ghost as the supreme financial arbiter now, at a time when pursuit of his precepts would compel the Chancellor to give nothing away at all.

★

For that, on the strictest interpretation, would seem to be the gloomy conclusion that a genuinely economic approach to the Budget would reach. It is important to explain why. The first step in the latter-day system of public finance is for the Chancellor to estimate by how much real national income might increase in the year ahead, under conditions of the fullest possible employment of resources. If he takes note of the level of industrial production now compared with a year ago, and assumes that any higher flow of dividend receipts from abroad will be just about offset by a deterioration in the terms of trade, it is difficult to see how he could rely in prudence on an increase of much more than £400 million in real income in 1955-56. The second step is to judge by how much demand upon these new resources is likely to rise. Neither defence nor house-building—both of which have absorbed a large segment of any increases in resources in recent years—is likely to rise in 1955-56. But fixed investment of other kinds seems likely to increase by at least £200 million; and consumption, which probably rose (in real terms) by more than £300 million in 1954 even without the benefit of any tax reliefs, might be expected to take at

least £200 million too. On these stern criteria no part of the postulated increase of £400 million in real incomes would be left to give away.

This, however, will surely be too stern a reading for working politicians to bear. It is probable therefore that the pre-election Budget in April will be based on a compromise between the new view and the old. The Chancellor is most unlikely to find £300 million for tax remissions. But he will be very receptive to arguments, or even to excuses, for granting some relief. And in this context, without wholly abandoning the latter-day approach, there are three excuses that he might parade.

First, if a dose of electoral budgeteering proved inflationary, the pressure of too insistent demand would fall primarily upon the balance of payments and upon the level of stocks. The external surplus in 1954 was probably more than £200 million, and experience in the dock strike showed that stocks are surprisingly well-upholstered; it may be argued that this will justify the running of some risks. Secondly, if budgetary policy proved too loose, Bank rate policy could be tightened; indeed, there is an emerging case for an anticipatory increase in Bank rate already. Within limits and in the short run, cheap money and lower taxes are alternatives, and if the country were willing to do without the one it might safely be given the other. Thirdly—and Conservative politicians may attach especial emphasis to this—the centre-piece of the new-fangled analysis is the extent to which real income can be expected to increase; this is always a most hazardous estimate, and it may itself be affected by tax reliefs almost as much as it determines them. The experience of the past few years shows that it is unsafe to deride the importance of marginal incentives to harder work.

These are excuses of very varying worth. The Bank rate argument is by far the best; the balance of payments argument by far the worst. The incentives argument hovers in between; it might justify an extension of earned income relief, but hardly a cut in the purchase tax or in other indirect taxes about which politicians seem to be currently most concerned. In broad perspective, however—and in an economy in which it is surely worth while to run some risk to make a cut in the crushing burden of taxation—economists who are also taxpayers may agree that a little leeway should be allowed to the Chancellor; it will be taken in any event. But they will believe, too, that this should add up to a few inches rather than many ells. Above all, the country should realise what is happening if it gets a really popular budget. The surplus that has so joyfully appeared in the Exchequer accounts will be the excuse much more than the cause; the tenets of modern finance will not be overthrown, they will merely be taking a rest in an election year. This, perhaps, is a new manifestation of the divine right of Governments. King James is once again calling for his old shoes; as his historian wisely pointed out, they are easier on the feet.

Saigon and Hanoi

ON February 23rd the foreign ministers of the eight Seato powers will assemble in Bangkok for their first meeting. It will be an important occasion—Sir Anthony Eden is expected to lead the British delegation—and it is clear that Indo-China will be prominent on the agenda. This is a reminder of something that is not sufficiently realised in this country: that there has been no real settlement in Indo-China. There is, indeed, a special ambiguity about the word "settlement" in current political speech. An international agreement which merely relaxes tension for the time being may serve to postpone a crucial conflict, and the time gained may be used for fruitful negotiation which in the end averts the conflict; but the situation may just as easily deteriorate further, so that its last state is worse than the first.

It is widely assumed that the Geneva conference failed to achieve any settlement in Korea, but succeeded in Indo-China. In reality, however, the conference had almost exactly the opposite effect. There was no cause for alarm at its failure to agree about Korea, for such an agreement, though desirable, was not immediately vital. The fighting in Korea had produced a stalemate on a clearly defined front which served as a *de facto* frontier. The western powers were not under any compulsion to accept the enemy's terms because of military disaster or the imminent prospect of it; hence they resolutely maintained their position that Korea should be unified only on the basis of free elections conducted under the supervision of the United Nations—the same formula as they have maintained with equal constancy for the reunification of Germany.

The refusal of the Communists to agree to this has meant in both cases that partition continues; but it is a stable partition in that both sides are aware that any serious military trespass across the boundary line means war. The feeling of relative confidence which now prevails with regard to Korea is not due to any expectation that the Communists will keep any promises which it is in their power to break without war, but simply to the belief that they will not deem it expedient to launch a fresh military aggression there, and that likewise the South Koreans, despite President Rhee's

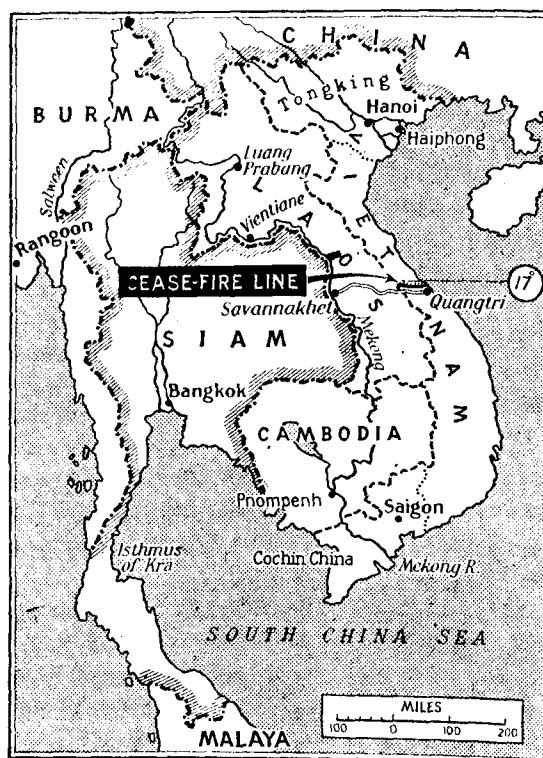
threats, will not venture to march north. The Communists' dissatisfaction with this state of affairs is indicated by the suggestions from Peking for another conference on Korea; but unless they have some constructive proposals to make for ensuring free elections, such a conference could only perpetuate the existing deadlock.

The situation in Indo-China is quite different. The military background there at the time of the Geneva conference was one not of stalemate, but of catastrophic defeat. The Communists at Geneva were not willing to grant a truce without a political agreement; they had the French on the run and they knew it. Had they insisted, they could probably have forced a total French

evacuation of Indo-China and the surrender not only of Hanoi, but also of Saigon. That they refrained from exerting all the military pressure in their power was doubtless due partly to the fear that the Americans might after all intervene if matters were pressed too far, and partly to their anxiety to take over Hanoi and the delta installations intact rather than in ruins; but it was due even more to their conviction that the agreement on elections which they obtained would enable them to take over south Vietnam too in two years' time.

For in agreeing to nationwide elections for Vietnam in 1956, the western powers did not insist on United Nations supervision or any of the guarantees thought essential for Germany and Korea. The only supervision was to be provided by a three-nation commission with one Communist member and an Indian chairman and casting vote. France and Britain accepted this—and America too undertook not to contest the Geneva terms—because in the circumstances it was impossible to get anything better. The essential thing was to extricate a beaten army from a disastrous entanglement and to relieve the French people of a war which they no longer had the will to fight.

It is estimated that the population of northern Vietnam, even after the loss of half a million refugees, will still slightly exceed that of the south. The Communist Viet Minh could therefore count on winning nationwide elections if it gained all the votes in the



north while those in the south were divided between various factions, including pro-Communist ones. The Viet Minh should have no difficulty in mobilising the votes of the north, where no political opposition is now tolerated. Unless there is some drastic change in this situation the Viet Minh must inevitably win a nation-wide election, whatever may be the relative strength of parties in the south. That this is so has been clear from the beginning to those who understand the issue involved in the western insistence on guarantees of free elections in Germany and Korea, and who realise that the Geneva agreement does not provide such guarantees for Vietnam.

★

It may well be asked: what then is the sense of pouring money into southern Vietnam, of building up a Vietnamese army, or indeed of any political activity at all in the south, other than that of caretaking for the new masters who are shortly to arrive? When the Viet Minh have won the elections by their automatic majority, they will appropriate whatever new installations and equipment have been provided for southern Vietnam by France and America, and everyone in the south who has been guilty of any anti-Viet Minh activity will face brain-washing, forced labour or execution. The present policies of the Saigon government, of the United States and of France—in so far as France is not simultaneously trying to "co-exist" with the Viet Minh—only make sense if there is a will to refuse participation in any national elections until genuine political freedom is assured throughout the country.

The legal ground for such a refusal would be that the Geneva agreement implied electoral freedom in all Vietnam, and that the 1956 elections cannot be held if this freedom is denied in the north. (Indeed, the visible breakdown of the experiment in democratic government in the south ought to strengthen the arguments against holding elections before political freedom is assured there too.) But the Communists would certainly claim that the Geneva agreement had been violated. They have evidently understood the agreement as a face-saving device to cover a total French surrender and French permission for them to take over the whole of Vietnam within two years. Last week their foreign minister, Pham Van Dong, warned France that it would be held responsible if the Saigon government jibbed at elections, and declared that

Vietnam will be united one way or another, with France or against France; if France tries to stop it she will be defeated. . . . Our only enemies are those who oppose the unity of Vietnam. . . . France must choose between Washington and Hanoi. . . .

As far as France is concerned, their estimate seems fairly accurate. The French are determined not to let themselves in for any more fighting in Indo-China. Many politicians in Paris see the only hope of salvaging

the wreck of French economic interests there in an agreement with the Viet Minh; and even while the war was still going on, the French were careful in their retreat not to destroy installations of economic value. Ever since the military collapse in Tongking the French have in fact been ready to write off the Saigon government, and particularly since it has been led by a strongly anti-French prime minister.

Unfortunately for such calculations, the Saigon government has not so far written itself off, nor has Washington. The Americans argue that no further advance of Communism in South East Asia should be tolerated, and that control of south Vietnam would give the Viet Minh a stranglehold on Cambodia and Laos, whose main communications are with Saigon. (It would also, be it noted, bring a Communist army within 300 miles of Malaya.) Although serious doubts have been expressed by some Americans, such as Mr Joseph Alsop, Washington still seems to believe that a stable government may yet be organised in southern Vietnam, if a feeling of confidence and security can be created there; and that the southern army, although due to be reduced in size, could be improved with American training and equipment, and at least made adequate to police its own territory. American policy since Geneva has clearly been directed towards strengthening the Saigon regime, and the aid given—as from this week, it is being given directly to Saigon, by-passing Paris—is obviously not meant to provide a free gift for the Vietnamese Communists at the expense of the American taxpayer. It cannot be intended, as is conventionally said, to give the non-Communist groups a chance of winning the elections, for there is no likelihood that Ho Chi Minh will permit any genuine opposition in the north, and without that genuinely free elections cannot possibly be held—let alone won.

★

The only intelligible aim of the American policy is to give the southern government the best possible chance of survival on as permanent a basis as that of South Korea. But if the *de facto* partition becomes an enduring one, it is vital not only that the democratic allies should publicly insist that responsibility for the division rests on the Communists who block the road to free and fair elections, but also that they should remember this fact themselves. If they fail in this, the Viet Minh's claim to be the only champions of national unity will prevail both in Vietnam and far outside. This difficult and dangerous situation should be frankly recognised without delay; and the policies of the Seato partners should be co-ordinated quickly, not left to drift until the next crisis. A critical point will be reached in mid-1955, when arrangements for the elections are due to be discussed, if not sooner. Next month's meeting of ministers at Bangkok provides a timely opportunity to take this urgent matter in hand.

Copperbelt in Crisis

THE strike of the African mineworkers on the Northern Rhodesian copperbelt may seem an unexpected outcome to the storm that has been gathering over racial and industrial relations in that area. The mines have been brought to a standstill not on the issue of Africans doing skilled jobs hitherto reserved for Europeans, but on a demand for a wage increase for the Africans, in the jobs they are already doing, of from 100 to 300 per cent, according to grade. Nonetheless, the strike arises directly out of the crisis over the colour bar in employment in the mines, and its explosive possibilities may not be much less than those of a strike of white workers in defence of their privileges.

A showdown between the white mineworkers and the copper companies has been in prospect ever since the Rhodesian Selection Trust gave notice, last November, to terminate the agreement with the European mineworkers enshrining the principle of "equal pay for equal work." This principle has been successfully erected as a barrier to Africans rising above the level of semi-skilled labourers, because European pay is so high that it is called "wages" only to maintain the useful fiction that the privileged white miners are a section of the British working class. In outspoken statements, Mr R. L. Prain has made it clear that the Selection Trust considers that such prevarication must cease, and that a beginning must be made with African advancement before African resentment reaches a point where peaceful labour relations are hopelessly prejudiced. The other group of copper companies, the Rhodesian Anglo-American group, has fallen out with its determined opposite number (so that the Chamber of Mines has temporarily ceased to function as the employers' organisation) and is continuing to negotiate; but if it achieves any success, that will probably be due as much to Mr Prain's determination to force the issue as to any powers of persuasion possessed by Sir Ernest Oppenheimer's negotiators. Moreover, it is difficult to imagine the terms of the settlement being much less than those already proposed—namely, that over five years some 5 per cent of skilled jobs shall be opened to Africans. For these indeed are the bare minimum.

★

With Mr Prain fighting their battles against the white mineworkers and against Anglo-American, with its South African affiliations, the obvious tactic of the African mineworkers might seem to be to sit back and acquire merit by good behaviour. To cut across the white men's private fight over the first principles of justice to Africans is to offer a handle to those who have all along declared that the Africans are not interested in advancement or justice, only in higher unskilled wages. The alacrity with which the European Mine-

workers' Union declared legitimate the Africans' strike objective, and promised not to blackleg in the interests of multiracial working class solidarity, suggests its relief at this promising diversion. But the Africans have not been appeased.

It is certainly true that there is a struggle for power in the African Mineworkers Union which has discredited the policy of "wait and see." A strike, furthermore, will conveniently divert attention from the auditors' comments on the union's last annual accounts, which make very understandable any effort to increase its membership and its income from dues. This is indeed the primary object of the strike; but it is part of a new phenomenon in African trade unionism, and a very ominous one—a sustained and well-organised effort to create a powerful, militant and politically conscious mass union. The African Mineworkers Union, for all its vagaries, is the best run black trade union in the whole continent. The present strike follows carefully engineered strikes by the African building and government industrial workers (the demand for an increase of 10s. 8d. a shift is exactly double the demand made by the building workers). And with it goes a demand that the employers shall pay the increased wages to workers with union cards only.

The African retort to the European mineworkers' obstinacy is, in fact, to organise themselves on a racial basis. African leaders have perfectly appreciated the recent Forster report on the advancement of Africans, and have at last seen through the sham phrase "equal pay for equal work"—which, in the brilliant African metaphor quoted in the report, provides a ladder for African advancement with a top and a bottom rung and all the intermediate rungs missing. Their first move is now to demand a bigger share in the copperbelt's profits for all Africans. It is of less importance to them immediately that a few Africans should get skilled jobs than that all Africans should look to a single powerful union as the champion of all African rights. They have pitched their demands high—but that is only another indication that the strike itself, win or lose, is expected to achieve a vital political purpose. They are demanding that the lowest paid worker, now earning some £4 15s. a month, shall get £18 or £19 while the highest, earning perhaps £20 a month, shall get £35 or so. The whole African wages level is to be lifted much nearer to the European, and though such a demand is no doubt quite unrealistic both in terms of African productivity and the general level of African agricultural income, the fact is—and can be used as propaganda—that the whole increase will cost the industry between £6,000,000 and £7,000,000 a year—against annual profits which Mr Prain told the Royal Society of Arts this week were running at £40 million before taxation.

The unrealism of the Africans' demand, and the probability that they will lose the strike, should not divert attention from the basic inference that they are deliberately turning their face against the white man; that what Mr Prain and others have feared—that European concessions may come too late—is already happening. The European Mineworkers have, in short, played into the hands of men like Mr Nkoloma, the dynamic secretary of the African Mineworkers Union, who had so much to say to the Russians at the last meeting of the International Labour Organisation; they have lost the day, almost certainly, for the moderate arguments of Mr Katilungu for patience and trust in the white man's good will and his formula of "partnership." To whose interest was it to bring into existence a small but growing and influential cadre of African skilled artisans, prosperous, with a stake in the copperbelt and its orderly progress and therefore in moderation? It is very clear how the Belgians have answered this question across the Rhodesian frontier. But the European mineworkers can only see the skilled black artisan as a threat to themselves and their children. They have failed to see the significance of the refusal of the African Mineworkers Union to allow the companies to recognise the African Salaried Staff Association as a legal union, jealously insisting on keeping them under its control. But these privileged Africans—clerks, bossboys and so forth—are in fact the Africans most opposed to the present strike.

★

What is the reason for this ostrich attitude of the European mineworker? He is usually credited with the sense to see that an encroachment of skilled Africans on one per cent of the skilled jobs, at a time when the whole industry is expanding, is no threat to his money and privileges; it is said that he is thinking of his children. The reply that an expanding economy will always provide good jobs, if not always the same jobs, does not satisfy his craving for security. But this is not the whole story. Of the 6,000 European mineworkers relatively few expect their children to make their careers in the copperbelt, for many—perhaps half—of them are migratory workers who hope to make a "pile" out of six or seven years' work in the mines wherewith to buy a farm or a small business in South Africa. While they are in the copperbelt, the spirit they bring to trade union discussions is the spirit of South Africa. But the legacy they leave will have to be borne by settlers of mainly British stock—many of whom are more liberal-minded and farseeing.

The outlook is ugly. It is reported that the white union leaders are now more anxious to settle, and they may gratify the Anglo-American negotiators by coming to tolerable terms, whereupon, doubtless, the Rhodesian Selection Trust will be content to join in, and both firms will take credit for the result. But it begins to look as if none of this will impress the Africans. Even

if rioting, bloodshed and further embitterment of race relations are avoided, the Africans seem set on a course which will lead to an increasingly hard and fast white-versus-black alignment.

This is an unhappy conclusion to reach as the Federation nears the first anniversary of its first general election—an election which swept the Federal Party, on a policy of moderation and partnership, to power. Sir Geoffrey Huggins and Sir Roy Welensky, however, cannot ignore the dangers of the gap between promises and practice. In trouble with a growing Confederate wing in the Federal Party itself, they are trying to keep out of the copperbelt dispute. They cannot do so. For what is happening on the copperbelt is fateful for the whole political future of Central Africa. The major task of statesmanship in the Federation is to induce a decisive change of heart among black and white alike on the copperbelt (whence, to put the government's interest at its lowest, half the Federation's taxes comes). It is not too late, for the African industrial movement is still in a formative stage, and the leadership is still in question, besides being inexperienced. But time is getting short.

War Aims

To fight once for all, and until victory should have crowned our efforts, the great coming battle of the world between progress secured by freedom, and despotism bent upon stagnation and reaction, would be a cause to call forth all our efforts and to hallow all our sacrifices. . . . To fight for the rescue of Europe from the overpowering and paralysing influence of Russia, to emancipate the people of Germany by depriving the Sovereigns of Germany of that mighty bugbear in the East by which their subjects have hitherto been frightened and kept down; so to weaken the Czar that his future policy must be widely different from his past . . . this, too, would be an object sufficient to justify a war. . . . To carry on a contest of which the purpose and result should be such an effective and masterly revision of the map of Europe as should be self-sustaining; to secure our complete and final disentanglement as principals from the complicated "Eastern Question," by some such arrangement as Talleyrand proposed and Napoleon half contemplated; . . . this even, would be a course not discreditable either to our manhood or our statesmanship. . . . But to break a forty-years' peace with the sole purpose and effect of administering a severe and mortifying rebuke to Russia; of warning her to be more careful and more modest for the future, to choose her time with more sagacity and calculate her means with greater accuracy; to enter into a duel for the sake of showing that we are not afraid and not disposed to be bullied or insulted with impunity; to fight for the sake of keeping the Ottoman Empire on its legs for a few years longer; . . . to be satisfied, in fine, with a desperate and bloody conflict in which we shall have reaped barren honour, and our adversary shall have come off with considerable damage;—this, we confess, would seem to us a most "lame and impotent conclusion," and would go far to justify all that has been said of the sinfulness and the impolicy of war.

The Economist

January 6, 1855

Notes of the Week

All the Wrong Lines

IN the report of the Court of Inquiry, said Mr Campbell of the National Union of Railwaymen on Wednesday, "the commission has got its backside tanned more than we have." The aim of the report was clearly to enable him to say this, and to enable Sir Brian Robertson to find some consolation for his grossly unfair public humiliation in the thought that Mr Campbell had been spanked, too. But, up to early on Thursday afternoon, this was all that the report had achieved. The National Union of Railwaymen refused on Wednesday to call off the strike even under the favourable conditions for negotiation that the court recommended—unless it was assured in advance that it would receive from these negotiations virtually everything for which it had asked. A meeting at which it would be decided whether the commission would make this final surrender was in progress as *The Economist* went to press.

It is difficult to find a single good word that can be said for the court's report. The points on which it criticised Mr Campbell were that he acted improperly in rejecting an agreement that he had already ratified, and that he did not make constitutional use of the railways' conciliation machinery; although there is substance in these complaints, it would have been wiser to have rubbed home the Commission's real grievance about unimplemented promises on productivity, instead of castigating the unfortunate Mr Campbell, but not his more irresponsible rank and file, upon an admitted procedural irregularity.

Having said nothing at all about the efficiency of labour on the railways—which is the kernel of the dispute—the court also ran as far away as it could from passing judgment on the wage problem, which is the dispute's outward and visible shell. It did not know whether railwaymen were getting a wage comparable to other workers' at the moment, although it said that it believed that there were some problems to discuss—particularly in the grades of higher responsibility; this last point is indisputable, but the grades of highest responsibility—the engine drivers and footplate-men—were not in fact involved in the strike threat. Finally, the court put forward its extraordinary argument that since the Transport Commission had already offended against its statutory duty of covering its expenditure by receipts, taking one year with another, it should now be able to forget about this duty altogether. One of the principal lessons to be drawn from this report is that the Minister of Labour should now reconsider for what functions he really intends the device of these hastily assembled "courts" to be used. At the moment they are being used as a convenient instrument of possible government abdication from responsibility for economic affairs.

No Rest for Europe

TOO many people now seem to think that the new European system is virtually an accepted fact. It is vital to avoid any such illusions. The Paris agreements on Western Union and western defence have not yet been ratified. The French Assembly's vote last week was an essential link in the chain of the ratification process, but it was not the last link; and what remains to be done is not mere formality. Even a brief relaxation at this stage could yet prove disastrous. Those who are tempted to relax should take warning from the unflagging campaign that the Soviet leaders and their followers in the West are still waging against the Paris agreements, if from nothing else. Moscow does not waste its energy on lost causes. And M. Mendès-France, although contemplating the transfer of his portfolio as foreign minister into other hands, is clearly under no illusions about the difficulties that still lie ahead; instead of taking the rest that most men would need after his recent ordeals, he is visiting Italy and Germany.

It is true that the ratification of the agreements is as good as assured in Belgium and the Netherlands, and that the Italian Senate is unlikely to upset the decision already given in the lower house. But the Saar problem remains an obvious threat to the relationship between France and Germany during the tricky weeks to come, when the Paris agreements must pass through both the *Bundestag* and the French upper house. After the events of Christmas week, not even the most expert French observers are eager to prophesy how the *Conseil de la République* will act. The only point that is generally granted is that if the agreements are returned to the Assembly on some procedural pretext, all M. Mendès-France's personal talents will be needed to steer them out again. The prime minister's prospects of survival in office, which are described by a correspondent on page 116, are therefore a vital factor in the equation. Another, perhaps just as vital, must be the tactics of an American Administration which was acutely distressed by the way the French deputies celebrated Christmas, but which nevertheless shows a clear recognition of the French premier's problems—and of his uniqueness.

The Communists' Big Push

IT would be hard to exaggerate the effort which the Communists are still making to prevent the ratification and implementation of the Paris agreements. Moscow expects that every man this day will do his duty. In Soviet

Germany, calls for action of all kinds have been renewed by President Pieck and others. In spite of the vote in the French Assembly, says *Neues Deutschland*, "all possibilities for stopping final ratification are still open. These possibilities lie above all and in the first instance in the extra-parliamentary field." A "Russian Hour" commentator on the Vienna radio has said, in connection with the Paris decision, that "the peace-loving forces do not make their struggle for peace dependent on the outcome of a particular parliamentary vote. . . . It is not impossible that the French people may force the annulment of the Paris agreements." A general strike is the action for which the Communists hope.

There is little chance that the Communist agitators will bring off a general strike in Germany; and in France their power is not what it was when the trade union federation called a strike in an attempt to wreck the Marshall Plan at its outset. As for British strikes, they are, of course, welcomed in the headquarters of the World Federation of Trade Unions, and Communists are doubtless doing what they can to foster trouble. But for a strike to be really effective in Soviet eyes, it must openly support Russia's foreign policy, and should not be solely for the express purpose of higher wages. If the up train fails to run on Monday morning, it should be because the driver objects to German rearmament. And this is where British strikes must be a disappointment in Moscow.

The "Department of Misinformation" in the Soviet propaganda headquarters is doubtless working overtime. It is safe to assume that in all western countries Communists, and in particular crypto-Communists, are under orders to spread reports that rouse opposition to the treaties. They may well have some success. It is more difficult for even the most conscientious journalist to know whether a "story" that has been given to him is tendentious or twisted than it is for a trade union official to decide whether there are political motives behind agitation for a strike. Indeed, it is not the job of a newspaper correspondent to judge the effect of his message, and often impossible for him to find out whether it is entirely accurate. There will be many pitfalls to avoid in the weeks and months to come.

East German Sabre-rattling

A STATEMENT issued from Prague on the last day of 1954 followed up the threats made at Mr Molotov's conference of satellites a month earlier. It gave notice that in the event of West German rearmament Poland, Czechoslovakia and East Germany will form a defensive military alliance. Staff talks have already taken place, and will be resumed this month. In East Berlin, President Pieck and other speakers have brought in the new year with speeches about the formation of a national army and militia which will be set up if the western treaties are ratified and implemented.

How seriously should the new Communist threats be taken? As usual, there is an element of bluff in them. After the *Bundestag* approved the EDC in 1952, just as alarming statements were issued as now. General conscription seemed imminent in the Soviet zone. Field-

Marshal Paulus—now a mouthpiece for the Communists in appeals to West German officers—was brought back from Russia. But in the event, little was done. The Soviet leaders are probably not at all anxious to build up a large German force. Conceivably, the Russians are fearful lest "their" Germans should go over to the other side. It will not have been forgotten in Moscow that even a Russian general, Vlasov, fought on the German side in the war, with an army of Soviet citizens. As for a coalition with Poles and Czechs, the Russians have always shown great reluctance to allow their satellites to band together, except under the strictest supervision. And the Poles and Czechs themselves will find it hard to accept a German army as an ally.

In the meantime, the Russians are trying to make their German sabre-rattling as loud as possible by pretending that no East German army already exists and that there is no East European military alliance. This deceives nobody. The Soviet German forces have been known for years by the peace-loving name of "barrack-based police," but everyone recognises them as soldiers in their Russian-type uniforms. The force has been built up slowly, with due regard to political reliability, but it already numbers six divisions, two of them armoured. The Polish army consists of 23 divisions, including four armoured ones, and the Czech of 13 divisions, two of which are mechanised. Purely on the basis of numbers, therefore, the satellite coalition might be a powerful force, even without the Soviet divisions behind it.

Swift Answer to Malenkov

THE Foreign Office is to be congratulated on the speed of its reaction last weekend to Mr Malenkov's observations about four-power talks. The Soviet prime minister marked this New Year, like the last one, by answering questions sent to him by an American news agency, a means of catching the world's ear which evidently appeals to Moscow. Asked about his attitude towards a possible further meeting on the Berlin model between Russia, Britain, France and America, Mr Malenkov insisted that by "working to settle the major international problems by themselves" the three western powers were destroying "the possibility of holding a four-power conference." On the Far East, he said that he felt that talks with "interested powers" should be welcomed. It was of some interest that in neither case did he press the claims of the Chinese, although they themselves increasingly demand a voice in European affairs, and although it is obvious that nothing can be settled in the Far East without them.

Within a matter of a few hours the Foreign Office issued a statement in London. It reminded the world that four-power talks could not be considered till the agreement on Western European Union had been ratified. And on the Far East it retorted that, while the Geneva conference was "useful" just because it was "summoned to deal with specific problems," "it is unlikely that a conference to discuss Far Eastern affairs in general would make progress at this stage." One factor which made possible such a

rapid Foreign Office reply was the view that, since this was not a formal Russian communication to the western powers, they did not need to keep in step when answering it. The British could simply say what they thought.

A lie is the more readily nailed the more quickly it is answered. And, while in this instance Mr Malenkov was merely indulging in a characteristically suggestive misrepresentation of the facts, there can be little doubt that his words lost much of their sting when read by most of the world almost simultaneously with a western answer. Obviously haste has more dangers than delay, where policy has to be carefully co-ordinated between several capitals. But, in an age when diplomacy by propaganda has become a normal method of conducting international relations, if the Russians can be countered at once they should be. It is good that the Foreign Office has begun the new year so very much on its toes.

Bait for Farmers

ON the surface, the Labour's policy statement on agricultural marketing seems a queer document to have produced during a by-election in the marginal farming constituency of South Norfolk. It has the virtue of being fairly explicit—which will assist Labour's opponents to make political capital out of selected passages from it. It has the disadvantage—from a propagandists' point of view—that a cover has been drawn over the feather-bedding policy that it inevitably contains.

This cover—at first sight it looks very heartening—is that Labour has made a bow towards the principles of the Lucas report of 1947. It has come out in favour of independent—though Government-appointed—regulatory and trading commissions for cereals, livestock and eggs. Because of its "special and exemplary history" (in other words, its entrenched position), the producer-controlled

Milk Marketing Board will be allowed to continue, fenced in only by a revived advisory commission. This concession will certainly not satisfy the farmers who—abetted by some Conservatives—are keen to bring all agricultural marketing under their own control.

But closer inspection shows that Labour has in fact stood the Lucas report on its head, and produced a result little different from the machinery of its own postwar controls. The Lucas Committee had the reasonable idea that, in a free market, limited subsidies to agriculture would go furthest if administered by independent bodies, which should have sufficient trading and other powers to dispose of home-grown food to the best advantage. But the appointed commissions proposed by Labour would be given complete control over the marketing of all produce, both home and imported. The Livestock Commission, in particular, would be a formidable body. It would be responsible for meat imports, purchase all home-produced meat, operate all slaughterhouses and retain "a measure of control" over all meat to the retail stage; evidently not a single chop would escape its scrutiny. Bulk purchasing of imports would be resumed, and an "appropriate Ministry" (it is not stated which) would supervise the commissions. In practice the activities of these commissions would almost certainly be quickly submerged in a comprehensive, and producer-pressured, Government control.

Consumers in the Cold

LABOUR presumably hopes that its marketing proposals—when and if they are understood in the countryside—will have a nostalgic appeal to those farmers who are finding free market conditions to be tough. Farmers would again be paid guaranteed fixed prices (except for coarse grains) and sheltered from competition through import control. Additionally, the promise to abolish auction

Strikers' Resources

If the railwaymen do go on strike, they will have the following sources of income:

1. The National Union of Railwaymen's strike pay of 36s. a week. The union's total assets are £5½ million, but not all of this can be used for the strike fund.

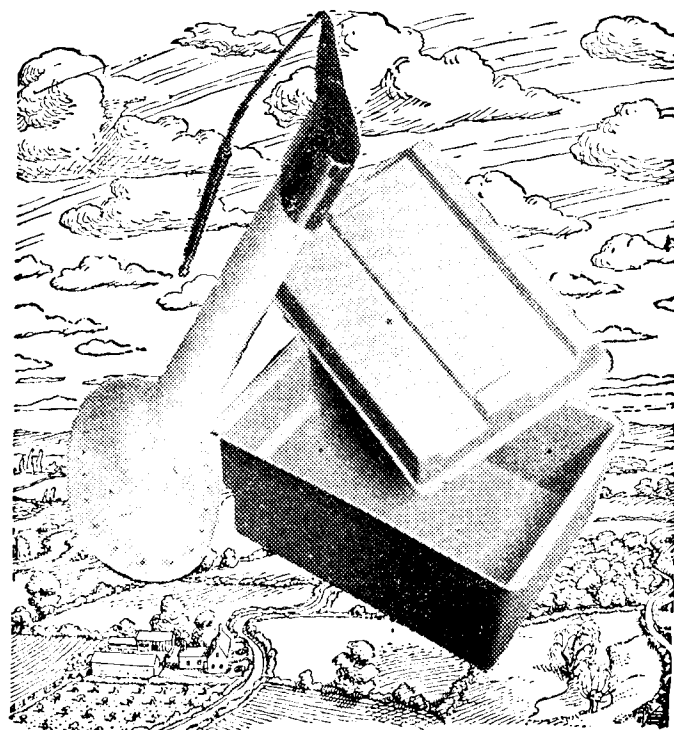
2. National Assistance. The striker himself cannot draw it (or unemployment benefit either), but his dependants are entitled to national assistance. His wife gets nothing for the man on strike, but would probably draw the statutory rate of 31s. for a female "non-householder." For children under 5 she would get 11s. a week; for those aged 5-11, 13s. 6d. a week; and for those aged 11-16, 16s. a week. In addition she gets an allowance for rent—which may be the actual amount of the rent possibly less a deduction for the space occupied by the striker. From the total sum thus calculated any sources of income, such as the

wife's earnings, family allowances, the husband's strike pay, and any tax rebates are deducted in order to arrive at the sum actually paid in national assistance.

3. Rebate of income tax under Pay-As-You-Earn, which can be collected by the striker from the pay office of the Railway Executive. Average weekly earnings on the railways at the end of March, 1954, ranged from £7 10s. for locomotive cleaners to £11 for drivers, but let us take as an example a man who earns £10 a week. He has been paying tax as if his income would continue at that rate, i.e., as if his income for the year would be £520. In the first 40 weeks of the financial year he has earned £400, but if in the 41st week (which is next week) he is on strike and earns nothing his annual income for tax purposes is calculated at the new rate of £400 x 52. He has therefore paid too much tax and a rebate is due. If in the

42nd week he again earns nothing another rebate is due. As the table shows, this would continue at a substantial rate for the single man (who does not enjoy indirectly the benefits of national assistance), but it would quickly arrive at nil for the man who only just comes into the taxable category. The table assumes that a railway strike could hardly continue for more than six weeks (i.e., past the 46th week of the financial year); if it did the single man in our example would still continue to draw between 16s. and 18s. a week.

TAX REBATES DUE TO A STRIKER WHO HAS BEEN EARNING £10 A WEEK.			
Week No.	Single	Married with 2 children	
	£ s.	£ s.	
41	1 12	19	
42	1 11	12	
43	1 10	Nil	
44	16	Nil	
45	18	Nil	
46	17	Nil	



Flying high...

This battery case and aerial mast made from BAKELITE Polyester Resins are typical of the many parts developed for modern aircraft using BAKELITE materials. Products made from BAKELITE Polyester Resins are light and easily machined but extremely strong. This battery case is used on the Bristol Britannia and the aerial mast is used on the Vickers Viscount.

Hundreds of other components—both large and small—are made from the various grades of BAKELITE Resins, Laminated and Moulding Materials. The aircraft industry is just one of the many served by the Bakelite organisation.

Battery Box moulded by British Moulded Plastics Limited for Varley Dry Accumulators Limited. Aerial mast manufactured by Chelton Electronics Limited.

BAKELITE
VYBAK
WARERITE

Regd. Trade Marks

PLASTICS

Producers of Phenolic, Urea, Alkyd & Silicone Moulding Materials • Laminated Sheet, Rod & Tube • Glass Fibre & Asbestos Laminates • Phenolic & Urea Resins

Cements & Adhesives • Polyester Resins • Vybak Rigid & Flexible PVC Sheet • Vybak PVC Moulding & Extrusion Compounds • Warerite Laminated Plastics

BAKELITE LIMITED FIRST AND STILL FOREMOST

12/18 GROSVENOR GARDENS • LONDON • SW1 • Tel: SLOane 0898



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. 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.

And yet what it is and what it may become depends largely upon the scientific research and manufacturing techniques that have converted light into electrical energy, and electrical energy into light.

Present day television would be impossible without the cathode ray tube. A beam of electrons, modulated by received signals, scans a fluorescent screen within the tube, and paints upon it a reproduction of the original scene or picture.

Mullard long-life cathode ray tubes are specially designed to maintain excellent picture quality over a very long period of service. Modern methods of production and rigid quality control permit large scale manufacture of tubes of consistently high performance, even though they are highly intricate and complex devices.

Mullard's contribution to the development of television is, therefore, a significant one. Great manufacturing resources are supported by extensive research and development facilities, and these are at the service of an industry which leads the world in the progress of electronics.



Mullard

MULLARD LIMITED, CENTURY HOUSE, SHAFTESBURY AVENUE, LONDON, W.C.2
Factories at:
Blackburn Fleetwood Gillingham Hove Lytham-St. Anne's Mitcham
Padiham Rawtenstall Waddon Wandsworth Whyteleafe

markets for fatstock should please the big brass of the National Farmers' Union, although not all among the rank and file. But what the package contains for consumers—and since the Co-operatives have had a hand in the statement it should contain something for them—is a mystery. The usual promise that distributive costs will be greatly reduced is only given one concrete illustration—a proposal to build modern abattoirs and utilise their by-products efficiently. Consumers are smugly told that they will not have to find the £9 million a year paid before the war to subsidise British wheat; instead they would be subject to the whims of a commission which could juggle home and imported supplies as it liked and would doubtless in addition present a large bill to the taxpayer.

It is possible, as Labour insists, that the scheme could be worked without a return to rationing. But surely nobody today believes that a state-run monopoly or monopolies for all main foodstuffs will, to quote Labour, "widen consumer choice by the rational use of available supplies"; and before the farmers rise to this well-worn bait they might reflect that it would make their prosperity permanently dependent on political favour.

Coventry and St Custard's

STUDENTS of industrial relations and the psychology of the worker have recently had their attention directed to that phenomenon of the grass-roots, that spontaneous manifestation of solidarity, the sending to Coventry of offenders against the unofficial anti-management code of the shop floor. It is not, of course, entirely new; one can hardly suppose that those heroes of the class struggle who used to drop gunpowder down the chimneys of actual blacklegs preserved a Chesterfieldian politeness towards lesser offenders, nor are manual workers the only people to make life socially unpleasant for non-conformists. The novelty lies in the pertinacity of the boycotters, in the nature of the offences penalised, and in the unmistakable fashionableness of the penalty—now being emulated, in works after works, much as bag-snatching, window-slashing, or the wearing of Edwardian dress with bicycle-chains, is emulated from town to town. One victim has just emerged, with dignity, from twelve months of silent treatment imposed because he followed the instructions of his own union against participating in a strike that had been called by a union to which he did not belong. (Another, in rather similar circumstances, committed suicide.) The latest sufferer has been a foreman who reported, as was his duty, a recalcitrant smoker in a fire-trap; the wrath of his comrades fell not on the man who was endangering their lives and livelihoods but on the traitor who gave him away.

It all seems, allowing for the difference of scale, remarkably familiar. Even so do small boys behave at prep-schools of the more old-fashioned sort. The master is the Enemy, and against that massive and unquestionable truth, that axiom of social existence, no argument about the common good, no demonstration of the practical usefulness of this or that rule or convention, carries an instant's conviction—let alone the slightest power to extenuate the crime of the Sneak. The proper chronicler of this aspect of the workers'

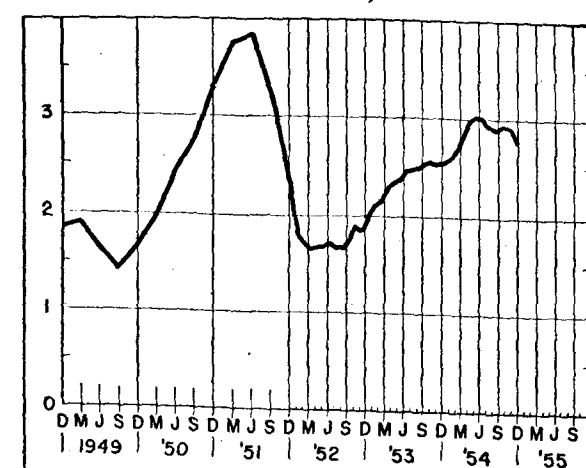
struggle is not in fact a Webb, a Hammond, or a Professor Cole; it is not even an Elton Mayo. It is the author of "Down with Skool" and "How to be Topp," the creator of Nigel Molesworth the Curse of St Custard's. The conclusion may not be encouraging for social democracy; and the leaders of one union—the very able Woodworkers, who last hit the headlines when they turned themselves into cabinet-makers at Scarborough in the autumn—have just recognised that fact, by stamping swiftly on such trouble in their ranks. But one may also ask whether management is quite without responsibility—even now that it has perforce discarded its cane—for a social atmosphere which produces outbreaks on the floor so precisely in the tradition of the nastier sort of eleven-year-old child.

Mr Hammarskjold Arrives

BY the time Mr Hammarskjold returns to his post at the United Nations, few people will have had a better opportunity to feel the pulse of the world. In quick succession he has been in intimate personal conversation with Mr Dulles, Sir Anthony Eden, Mr Nehru, and Mr Chou En-lai, each in their own capitals. And the outcome of his mission—to release the eleven American airmen imprisoned in China for spying—is one that must also closely concern the men in the Kremlin; for, if China's apparently deliberate attempt to provoke American anger and loss of face succeeds, it will almost certainly raise the temperature in the Far East by another degree or so. But can Mr Hammarskjold succeed? As we go to press, his actual arrival in Peking has yielded no clue, except perhaps that, while Mr Chou En-lai was not friendly enough to go to the airfield to meet the Secretary-General, his hospitality has already worn a rather better grace than that meted out in Delhi.

Mr Hammarskjold was wise to arm himself with the views of Sir Anthony Eden and Mr Nehru, both of them men who have had considerable direct dealing with Mr Chou En-lai. But the attitude he met in India was unnecessarily unfair to his mission. Mr Nehru may be excused his cool-

GOLD AND DOLLAR RESERVES
US DOLLARS (THOUSAND MILLION)

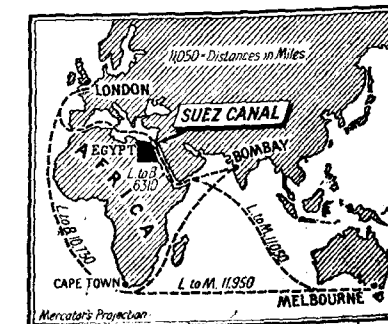


ness towards Mr Hammarskjold in so far as he himself had only just stepped off an aeroplane from Jakarta when the UN Secretary-General arrived. The Indian prime minister, however, reflected as well as led Indian public opinion—as he is so skilled at doing—in asserting that the United Nations has no right to be judge and advocate at the same time; in deducing that this UN bias only goes to show that China ought to be admitted as a member; and in assuming that the eleven airmen were indeed guilty of "espionage," in defiance of the plain fact that they were captured in uniform, and of the vital principle, enshrined in Indian law as in British, that no man may be treated as guilty until he has been convicted in a fair trial. No Indian, other than a Communist, would believe that these airmen received such a trial. The fact is that, by falling for China's tireless propaganda, some Indians have done a considerable disservice not only to the cause of the United Nations, but to their own interests in upholding that cause. Fortunately, it looks as if there has already been some reaction in India itself. There is a new feeling that a brake must be applied before events go too far.

Efficiency at Suez

THE Suez Canal Company runs its charge so smoothly that its working is taken for granted until there occurs the rare accident that happened last weekend. A loaded oil tanker fouled a swing bridge and turned it into what amounted to a steel boom, blocking passage. Ships at the rate of over 40 a day piled up at the Canal ends; the company is greatly to be congratulated on the feat of organisation whereby in only two and a half days it cleared the mess and reopened the right of way. But the incident is a reminder of the dependence of through shipping upon slender threads, many of which now lie in Egypt's hands, and all of which will do so as from 1968.

At present the Canal, although Egyptian property, has two masters, one handling its administration and day to day activity under a 99-year concession granted when it was opened, the other concerned only with the right of free passage under a permanent international treaty signed in 1888. The first—the body that showed its paces



to such effect last week—is the Suez Canal Company, Egyptian by nationality but largely French in management; when its concession expires in 1968 its responsibilities will revert to the Egyptian government, which can then choose whether to run the job with Egyptians or to employ a team such as the present one, but working in the role of a twentieth-century servant, as opposed to a nineteenth-century concessionaire. Nationalist pride will furnish no excuse, in the nineteen seventies, for failure to maintain the Canal's day to day workings at the high standard that de Lesseps' company has set.

From Blockage to Blockade

ACCIDENTAL blockage at Suez is a problem soluble by mere good management. Far less easy to resolve is the question of free passage through the Canal—which is supposedly governed by the international Suez Canal Convention of 1888, but is in fact regulated, in time of world war, by the powers that control the seas at either end and, at all other times, by Egypt's goodwill or illwill. The question is in the news again this week because Israel has once more set the Security Council the conundrum of how to deal with Egypt's discriminatory practices.

The immediate cause of complaint is the *Bat Galim*, which the Israelis despatched canalwards in September as a test case, sending it northbound with a non-contraband cargo. After routine preliminaries about quarantine had taken place according to the normal good manners that prevail at Suez, the Egyptian authorities (needing to be actively anti-Israeli for purposes of home politics) trumped up a story about firing on fishermen and impounded both vessel and crew. They have since dropped the unlikely tale of gunfire (who would fire at the farmer when establishing title to a right of way?) but they have only just released the crew and still hold the vessel. They do so in defiance, according to most opinion, of the 1888 Convention, which prescribes "free use" of the Canal at all times and for all comers.

One source of the trouble is the imprecision of the Convention itself. Its Articles I and XI stipulate that the canal shall never be used for the exercise of blockade, but its Article X allows Egypt latitude to take measures in its own defence or "for the maintenance of public order." On this latter basis, the Egyptians are able to present a case in law for continuing to blockade Israel, though whether they would win it in court has never been tested.

But even if the Egyptians were branded as treaty breakers, what would deter them from continuing on their course of hostility to Israel? Onlookers are forced to the conclusion that the major users of the Canal will take no action, other than making justified but ineffectual speeches such as that of Sir Pierson Dixon at Uno this week. To make their protests effective, they would need to be ready to impose a boycott, to build an alternative canal, or to devise such sanctions as to deny Egypt loans and grants. It is depressing, but realistic, to have to record that all practical courses are so fraught with drawbacks that they are unlikely to be adopted on behalf of Israel.

Comprehending the Comprehensives

SOME of the *idées fixes* of both opponents and advocates of comprehensive schools may be shaken by the results of a survey conducted by Dr Robin Pedley, of the Department of Education at University College, Leicester. This was recently published in the journal *Education*, and is now reprinted with critical essays from four distinguished pens.*

* *Comprehensive Schools Today*. By Robin Pedley, H. C. Dent, Harold Shearman, Eric James, W. P. Alexander. Councils and Education Press.

The fear that comprehensive schools must necessarily be of vast size may be somewhat modified by the fact that none of the fourteen schools in Dr Pedley's survey exceeded 1,500 pupils. Only in very large schools, however, is it possible (as at Kidbrooke) to appoint an administrative assistant to the head; at the other schools the head was in fact simply an administrator. Only the large school, moreover, can provide a variety of sixth-form work at all comparable with what is obtainable at a good grammar school, or avoid using senior teachers for uneconomically small classes. But Dr Pedley's evidence does not bear out the contention that in comprehensive schools bright children are held back by the less able, and in this connection it is significant that selection tests and grading are still used to place the children in sets of comparable ability. This demolishes one of the arguments most commonly used against comprehensive schools, and may reassure those who were alarmed at the London County Council's idea that certain subjects should be taught in classes of "mixed ability." On the other hand, it undermines those who base their support of the comprehensive principle on the allegedly dreadful psychological effect of being rejected for the grammar school. Which is likely to be the more deflating to the child's ego—to be placed at the bottom of Kidbrooke's fifteen-form entry or to go to a school where her distance from the top set is not so easily measurable?

Any judgments based on the survey must be tentative, since only Kidbrooke so far has been specially built in accordance with the pure theory of comprehensive schools. Most of the others were established as a practical, and sensible, response to certain conditions—for example, the scattered populations of Anglesey or the Isle of Man. The evidence as it stands supports the extremists of neither side, but confirms the view that this is a field for experiment, not for doctrinaire policy.

Broadening the Mind

SIR DAVID ECCLES had a word to say about comprehensive schools in his first speech as Minister of Education last week. He told an assembly of grammar school teachers that he would never agree to the "assassination" of the grammar schools. Of the 23 local authorities in England and Wales whose plans include one or more comprehensive schools, only those of the London County Council would involve the absorption of a grammar school into a comprehensive school. Was the Minister warning the LCC that it could expect a repetition of its experiences with Miss Horsburgh when it wanted to absorb Eltham Hill School into Kidbrooke? Or was he tilting at imaginary assailants in the Labour Party—whose official policy of organising all secondary education in comprehensive schools would in fact be as impracticable if they were in power as it is while they are in opposition?

The Minister's chief point, however, concerned the production of scientists. It is good news that he has asked the Burnham Committee to inform him how the local authorities are using their power to pay special allowances to attract science teachers, and to suggest what more should be done. But he is just as concerned about the quality of scientists, and he appealed to his audience to take action to broaden

their minds. Scientists (who justifiably point out that their ignorance of the arts is as nothing to the arts man's ignorance of science) may not quite appreciate Sir David's description of them as

the new men and women, who are putting their hands on the wealth and power but whose manners may at first be awkward and whose need is to share the grace and humanity of the past.

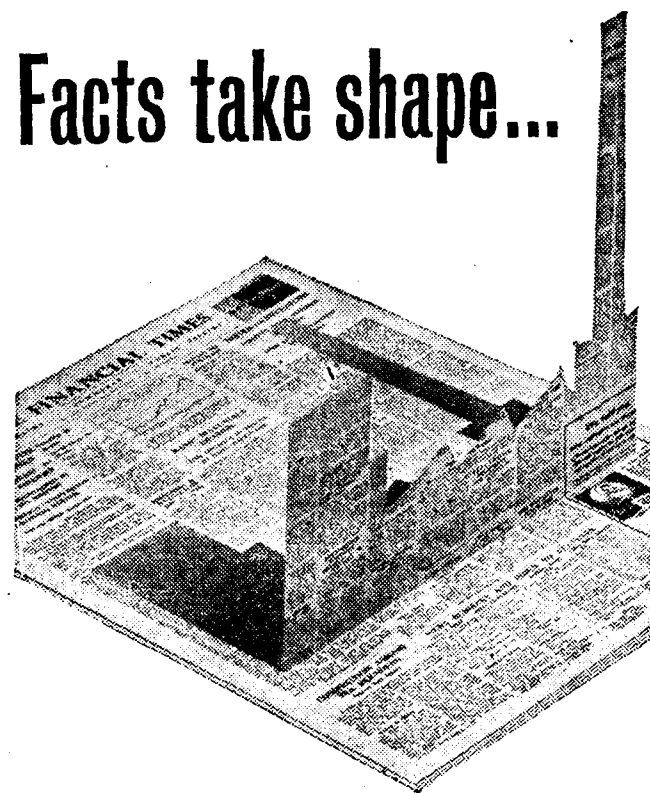
But Sir David was certainly right in saying that it is at the schools that any such minds need to be broadened. There is little to be said for—and much to be said against—an alternative solution that is sometimes proposed: that at the universities and higher technical colleges the already overloaded curriculum of the science student should be further burdened by compulsory lectures in the humanities.

Cabinet Making in Nigeria

As was expected, the Northern People's Congress led by the Sardauna of Sokoto handsomely won the federal elections in Northern Nigeria with 79 out of 92 seats; and now the difficult problem of creating an administration must be faced. In the Federal House, the Northerners have 79 seats; Dr Azikiwe's National Council of Nigeria and the Cameroons 58; Mr Awolowo's Action Group 21; there are 18 independents and six results to come from the Cameroons. Under the constitution hammered out at the London conference in 1953, it had been assumed that a regional party would win a majority in the federal constituencies of each region and would then nominate three ministers to the Central Council of Ministers (except for the Cameroons, which nominates one). But with Dr Azikiwe unexpectedly winning a majority both in the west and in the east, his NCNC can apparently claim the right of nominating six ministers. Thus NCNC would have a majority of ministers with a minority of federal seats. Though the constitution does not prevent this outcome, the Northerners are unlikely to accept it; they profoundly distrust Dr Azikiwe, and they particularly detest the politician who is likely to lead the NCNC sextet of federal ministers. But if they refuse to play, the NCNC cannot govern the country on a minority in the House.

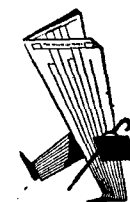
The alternative seems to be for the Northerners and the Action Group to form a coalition; or for the Northerners to get a dozen or more independents to accept their whip. In either event they could claim an overall majority and ask permission to form a government (the phrase is not exact, since the Central Council includes European *ex officio* ministers) in accordance with their control of the House. Dr Azikiwe, relegated to opposition after his notable victory at the polls in the west, would certainly protest; for in his view the will of the people is not expressed in the Sardauna's following at all, since it was put into the House by a system of indirect election. The only other possibility seems to be a caretaker government with ministers representing all the parties, each of which would have to make concessions; such a government would merely hold the country together until the review of the constitution, and the decision on Nigerian independence, which are due in 1956. A peaceable outcome will to no small degree depend on the Governor-General, Sir John

Facts take shape...



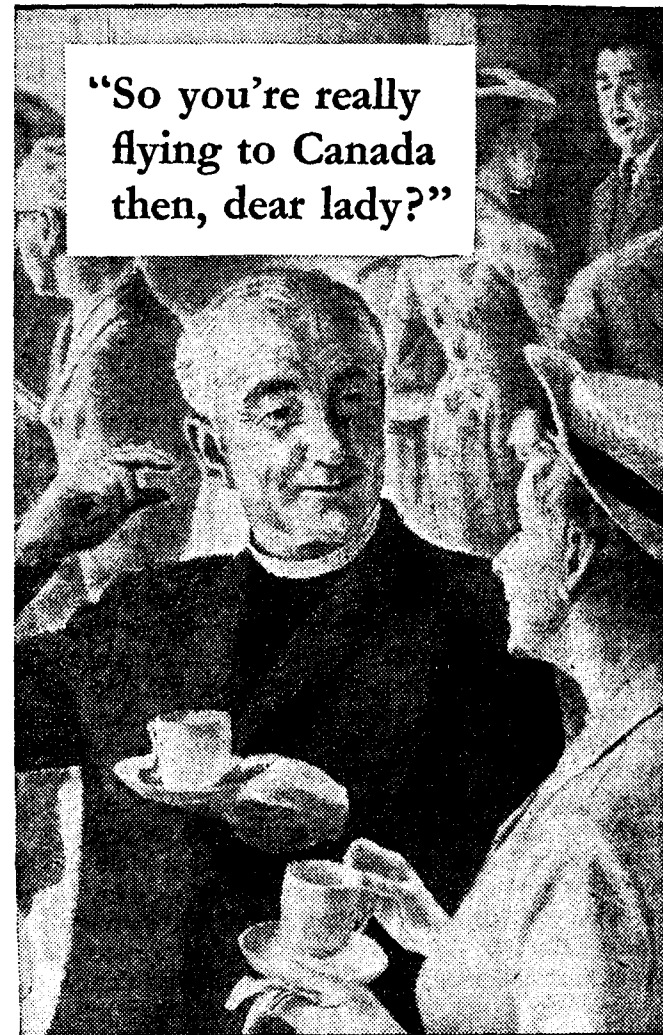
Do you sometimes yawn over the facts and figures of industry? They can be hard going unless you have discovered THE FINANCIAL TIMES as a refreshing daily tonic. This well-respected newspaper—read by directors, engineers and all business men who want to keep ahead—gives industrial news a new look without sacrificing an iota of truth. There is infinite pleasure to be found in the cool clear reporting of THE FINANCIAL TIMES and in its concise articles and features. As you read, facts take shape and form, and puzzling situations become clear. In the space of a morning train journey you can absorb the essence of the day's news from industry and commerce, and appear at your office stimulated and well-informed. Try reading THE FINANCIAL TIMES every day for a week—at the end of that time we believe you will wonder how you ever managed without it.

Men of industry read
THE FINANCIAL TIMES
every day



THE FINANCIAL TIMES • 72 COLEMAN ST • LONDON EC2

"So you're really flying to Canada then, dear lady?"



"Just like the film stars, vicar.
By TCA Super Constellation,
the last word in luxury,
I'm told."



Direct service to Montreal and Toronto
TCA Super Constellations offer the most frequent service from London and Glasgow overnight to Montreal and Toronto, with same-day TCA connections to take you across Canada and to major U.S. cities. Only by TCA can you travel from Britain to Canada in these magnificent Super Constellations in which you have the choice of either luxurious First Class or exceptionally comfortable Tourist accommodation.

TCA Viscount Services within Canada

Early in 1955 TCA are introducing the famous Viscount turbo-prop aircraft on selected inter-city routes. This service will soon be extended to some important U.S. cities as well.

FIRST CLASS
Siesta Seats, Club Lounge for your exclusive use, superb cuisine.
RETURN FARES*
London to Montreal £220.18.0,
London to Toronto £236.19.0.
TOURIST
Spacious cabins, specially-designed seats, complimentary meals.
RETURN FARES*
London to Montreal £149.1.0,
London to Toronto £162.13.0.

BEST TO CANADA

TRANS-CANADA AIR LINES
ONE OF THE WORLD'S GREAT AIR LINES

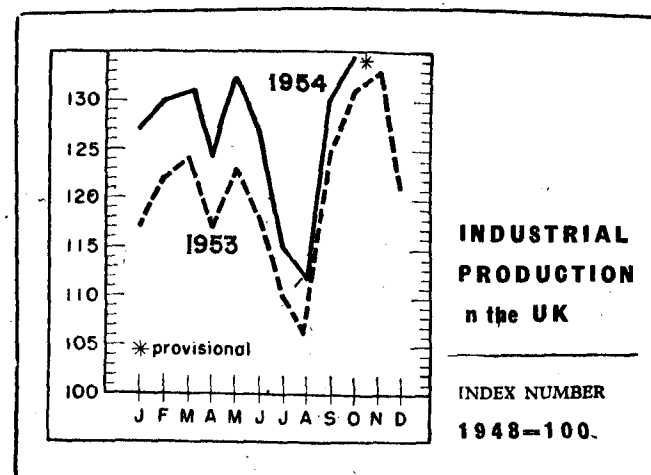
Serving Europe, Canada, U.S.A., Bermuda, the West Indies and Mexico

MacPherson, who has hitherto taken the line that he plays the cards he is dealt by the Nigerians, but who will have to take the initiative to prevent a recurrence of the crisis of 1953. The election results emphasise the abiding importance of his high office, from which he is due to retire in March. His successor will need to be a man of viceregal quality to maintain Nigeria's frail unity.

Towards a European Fund

BOTH the special OEEC ministerial group on convertibility and the OEEC Council will meet in Paris next week under the chairmanship of Mr Butler. The flurry of speculation on the imminence of convertibility which accompanied the last meeting of the group in London in July quickly gave way to a loud official silence broken only by intermittent assurances that the aim had not been forgotten but that the conditions must be "right" before the plunge could be taken. These "right" conditions fall into three categories: first, the purely political ones (it is generally assumed that no major step will be taken until after the next general election); second, those which, taken together, amount to the Americans adopting what is now called a good creditor policy; third, the bundle of interrelated conditions that the OEEC working parties have been discussing since last summer. When the first condition will be met is anybody's guess. As to the second, from what has been revealed of the context of the special economic message that Mr Eisenhower is to send to Congress on Monday, and the mood of a Democrat-controlled Congress, prospects are bright that at least modest action will be taken this spring on the Randall Commission's recommendations on trade policy.

Next week in Paris some progress should be possible on the third set of conditions. The prospect is that agreement will be reached on the principles of a European Fund to take the place of the European Payments Union once the major European currencies have become convertible. The job of spelling out in detail the provisions of a formal agreement can then safely be left to experts. (At each round in the discussions on the new fund, it has become rather less like a truncated EPU and rather more like a



small, but open-handed, IMF.) There would seem little chance of finally settling the question of the trade rules for a transitional period following convertibility of the major European currencies, and the allied question of what organisation is to police these rules. The OEEC talks cannot easily be disentangled from the Gatt discussions which are resuming their inconclusive course this week. Some countries will still be reluctant to reach decisions in one organisation for fear of prejudicing their bargaining position in the other; others will hope that difficult decisions will become easier if they are again put off. Both views had much merit last July, but the time has now come for compromise and decision.

The "Green Pool" Stirs

THE "Green Pool," or Pfimlin plan, which was launched in 1951 as an agricultural counterpart of the Schuman plan, has evolved into a very different thing devoid of supra-national attributes and aspirations and covering a wide geographic area. If the recommendation of the current manifestation of the "Green Pool," the European Conference on the Organisation of Agricultural Markets, is accepted by the OEEC Council next week, this conference group will now be brought within the OEEC orbit in a semi-autonomous fashion somewhat like the Productivity Agency. Quantitative restrictions on intra-European trade in agricultural products are now the largest stumbling block to full liberalisation. If a new agricultural group within the general framework of the OEEC could succeed in liberalising trade in this sector, M. Pfimlin should have no regrets.

Structurally, the membership and active participation of the Spanish in the "Green Pool" conferences presents a new situation for the Council, but one which can probably be settled for the time being without much trouble by associating the Spanish with the work of the new agricultural committee, but side-stepping the question of their full membership in the OEEC. But, given this one foot in the door, the question of full participation by Spain would seem not far over the horizon, if the Spanish show themselves anxious for closer economic co-operation with the rest of Western Europe.

The Balkans of the West

THE assassination of President Jose Antonio Remón of Panama spotlights the explosive political conditions in the Central American republics. The murder was all the more unexpected as Panama, in contrast to its immediate neighbours, has recently enjoyed a period of political calm and increasing financial stability. Under President Remón's guidance, Panama has successfully re-negotiated its agreements with the United States over the rent for the Canal territory. As yet there is no indication that the assassins had revolutionary aims, and the former vice-president, Sr Jose Ramón Guizado, has taken over without opposition.

One can only hope that Panama will remain a steadying factor in the Caribbean, for there are signs of trouble to the north.

Trouble has for some time been brewing between President Figueres of Costa Rica and President Somoza of Nicaragua. Last August, only American pressure prevented a clash at the border. Much of the hostility is due to General Somoza's belief that his neighbour is supporting exiles who are planning to overthrow his "strong-man" regime. Costa Rica has been living in a state of siege, and Nicaragua's recent acquisition of jet planes from Sweden has naturally heightened the tension. The republic of Honduras is also involved, for it is sheltering, much against its own will, a growing band of Costa Ricans evidently intending a coup against Sr Figueres. On its northern border, moreover, Honduras is playing uneasy host to many supporters of Colonel Arbenz, the pro-Communist president of Guatemala who was overthrown with such fracas only six months ago.

In Guatemala itself a trumped-up election and a new regime based on American support have, so far, maintained tranquillity. The United Fruit Company has had restored to it the lands confiscated by Colonel Arbenz; and the latter's discovery, while touring Europe, that he is of Swiss nationality adds a final touch to the present Central American pattern of violence mixed with absurdity. All this might not matter so much to countries on this side of the Atlantic if it did not mean that a vital strategic region and a sizeable part of the dollar market for sterling goods continues to lag behind the realities of world affairs.

Estates Under the Hammer

LONDON, as well as the countryside, is suffering from the break-up of large private estates that are sold to pay death duties. In the last two years a large part of the Portman estate has been split up among some hundred separate owners, and the same fate overhangs the Westminster, Bedford and the other large urban estates. This process of dissolution is already spoiling the amenities of what were once among the most attractive and graceful residential areas in London. A single ground landlord can maintain standards far more effectively and less contentiously than can the town planning authorities; in the absence of such control, parts of the estate become permeated by a miscellany of styles and uses that ruins the unity of the original lay-out.

Part of the trouble is that a fairly substantial shift of capital from urban to rural properties is now in train; agricultural land is subject to a reduced rate of death duties (at present 55 per cent of the rate levied on most other forms of property), and the Country Landowners' Association last year called for an even more generous privilege—which would make the situation in the urban estates worse. One way out of the dilemma would be to grant this death duties concession to big estates generally; but this hand-out—to the dukes who own parts of London—would hardly be practical politics. The alternative of public or municipal ownership, which has been much aired in Labour circles, would be economically unsatisfactory; public management of property on such a scale—

besides tending to be remote, heartless and pedestrian—could easily be swayed by political breezes to the detriment of sound estate management. The best middle course would seem to be to facilitate the promotion of trustee bodies to take over the management of private estates, with the present owners retaining their financial interest, accepting certain obligations about maintenance of standards and limitation of yield, and with some death duties concession applicable only to estates managed in this way.

Not to be Prescribed

RAYNAUD'S phenomenon has nothing to do with French politics. It is a disability of the hand, popularly known as "dead fingers" or "white fingers"; its symptoms are an extreme pallor and numbness. The phenomenon occurs widely among the population at large as a result of exposure to cold, but it can also be caused by the use of certain vibratory tools. The question to be decided by the Industrial Injuries Advisory Council was whether Raynaud's phenomenon should be a prescribed disease under the Industrial Injuries Act.

Under the Act, a person can claim benefit for an injury or for disablement if it has arisen by accident "out of and in course of employment," or if it is due to the effects of one of the diseases prescribed in the regulations. If the disease causing the disability is not prescribed, a claim to benefit will still be allowed if the disease can be shown to be an accident arising out of employment—thus, a day nursery nurse, who caught poliomyelitis from an infected child, was allowed benefit—but it is not so easily established as in the case of a prescribed disease. In a claim brought under the old Workmen's Compensation Acts, the Court of Appeal had decided that Raynaud's phenomenon was the result of a series of tiny blows—the vibrations—each of which was an accident. But doubt was thrown on this principle by subsequent decisions; and after workmen's compensation had been superseded by the industrial injuries scheme, the commissioners decided, on an appeal before them, that incapacity due to Raynaud's phenomenon was the result of a continuous process, not of a series of accidents. Hence the appointment of a committee to decide whether the phenomenon should be a prescribed disease.

In coming to its decision, by a majority, that the phenomenon should not be prescribed, the committee bore in mind the principle that a disease should be prescribed only if it is a real occupational risk and not a risk common to all persons. (Tuberculosis is a common risk, and is a prescribed disease only for certain workers in close contact with the infection.) The majority report also decided that the technical difficulties of diagnosis and assessment of disability were too great for the phenomenon, which is only intermittent, to be prescribed. In any case, the degree of disability is normally small, rarely causes loss of employment or earnings, and would attract a lump sum gratuity rather than regular benefit. But these considerations will not weigh with the trade unions, which naturally prefer that ninety-nine non-justifiable claims should be allowed than that one meritorious claim should be rejected. The last has probably not been heard of Raynaud's phenomenon.

Letters to the Editor

Hospital Finance

SIR—In your short paragraph on the hospital costing returns, you note that the Ministry of Health thinks that the hospital authorities ought to be able, by comparing the costs of their own hospitals with those of similar units, to see where economies can be made. "But," you ask, "what incentive have the hospitals for making economies when they cannot retain the fruits of them and use them for badly needed improvements or expansion?"

It seems to me that your question is unrealistic. I cannot claim to know exactly how the system has been working at every point, but there is certainly nothing in the methods of financial allocation adopted by the Ministry to justify the assumption on which your question is based. The Ministry each year makes what, for all practical purposes, amounts to a block grant to each of the Regional Boards, and the Boards in their turn can, if they wish, make the same kind of grants to Hospital Management Committees. There need be nothing to prevent Hospital Management Committees from using economies achieved under one head for application to other desirable purposes. (Powers of virement can be freely given.) For several years now on the Regional Board of which I am Chairman we have been impressing on our Hospital Management Committees that, since they cannot expect the total allocation for the hospital service to be substantially increased year by year, their best chance for opening ways to develop new improvements is to find economies in running their existing services, and we have given them full assurance that if they can achieve such economies it will be they who will be allowed to benefit from them. It is, of course, true that unspent balances of the yearly allocations cannot be carried forward to succeeding years; but hospital authorities which have efficient control of their financial situation and have plans worked out in advance need not get into the position of ending the year with substantial unspent balances. It is also true that money saved from the "maintenance" allocation cannot be used for capital expenditure, which is a real and, in my view, unnecessary restriction. But this raises a separated and limited issue. It does not affect my main point, which is that, broadly speaking, the assumption underlying your question is not necessarily true and that one of the chief tasks for hospital authorities is so to handle the money which the Ministry gives them as to make it completely untrue.

Your paragraph asks the further question: "What incentive has the Ministry to encourage hospitals to use their beds more fully when it means that the total bill to be presented to the Treasury for the hospital service will be even higher?" This is another unrealistic question. Whatever the lack of incentive may be, the Ministry is in fact constantly urging us to use our existing beds more fully instead of asking for more beds. In the long run, this must mean total economy.

Your paragraph ends "These costing returns are full of interesting information but they have little bearing on the main problem of hospital finance." There are indeed other problems (notably how to get more capital to improve ill-designed buildings and obsolete equipment) but it is a pity to belittle what the hospital authorities themselves can do by extracting lessons from the costing returns. It is true that the value of these has limitations, the principal one being that they only give one bearing on the situation, and can take no account of the quality or quantity of service rendered. (To give a crude illustration, a hospital which takes an average period of 24 days to deal with a certain type of case may well show a lower cost per bed per week than one which turns over similar cases in 12 days). Other types of record must be used in combination with the costing returns, and a great need to-day is to devise some method of assessing "work units" in relation to money spent. In the meanwhile, however, as providing pointers to areas which *prima facie* call for critical investigation the present returns are of real value.—Yours faithfully,
GEORGE SCHUSTER
London, S.W.1

Road Haulage Policy

SIR—In your issue of December 25th you referred in Business Notes to Mr. Quick Smith's interesting paper. If anyone is contemplating amending legislation to authorise British Road Services to retain more vehicles, there is a point of great importance to be borne in mind. The Transport Act, 1953, is a combined road and rail Act, and it concedes unprecedented freedom to the railways as regards rates in return for real competition from roads. The one would never have been agreed without the other. If BRS were to retain a huge trunk service nucleus, there would be far too much risk that in hard times the British Transport Commission would take advantage of its position of virtual monopoly and arrange road and rail rates non-competitively. If this hap-

pened, traders everywhere would rise up and demand the re-constitution of the old Railway Rates Tribunal or its equivalent.—Yours faithfully,

NORMAN KIPPING
Federation of British Industries

Twenty Republics

SIR—Your article of November 27th raises some of the problems I am facing daily as an exporter to the Americas. The clamour for official support is one example. Illusions are bred by recurring reports about negotiations and goodwill missions. The immediate results are inevitably disappointing—perhaps an extra few licences from Argentina.

We ourselves would not at present encourage large shipments to Bolivia, Brazil and Chile. The other six Republics with import controls (Colombia, Ecuador, Mexico, Nicaragua, Paraguay, Uruguay) do not seriously discriminate against us. We could certainly have no complaints against the ten countries (Costa Rica, Cuba, Dominican Republic, Guatemala, Haiti, Honduras, Panama, Peru, Salvador, Venezuela) with free imports. Incidentally, some of these have on the statute book penal duties for countries which buy too little from them; official intervention might bring the dormant clauses to life against us.

Differential exchange rates are not as common as generally believed. They may breed some fraudulent competition, but are fundamentally no different from the currency switches practised by quite respectable European countries. Neither are frozen assets a widespread disease. There were delays in Colombia, Costa Rica and Chile, but Brazil is at the moment the only bad case.

The Twenty Republics are not likely to change their trading methods. Unless we choose to stay out, we should have long ago adapted ourselves to inescapable realities and at least should have done away with handicaps, from which our competitors do not seem to suffer.

Unsuitable literature is an obstacle easiest to remove. A buyer in this country would be surprised to find in his mail a quotation in German with centimetres, litres, kilogrammes and D-marks. We do, however, expect the importer in Caracas to know English and to be initiated in the mysteries of imperial quarts and hundredweights.

Our price conventions mainly suit the manufacturer who maintains an export department, employs agents overseas, sends out travellers and carries credit risks. If he cannot do all that, most associations' rules will prevent him from enlisting the services of a competent export merchant. This form of restraint of trade clearly benefits continental competition and revision is overdue.

With the largest merchant fleet in Europe, we provide totally inadequate services to the Caribbean and none at all to the Central American Pacific Coast. German, Dutch and French lines have regular direct sailings, whilst we rely on time-wasting transshipments in New York or Cristóbal.

The removal of obstructions—some of our own creation—will not in itself bring a flow of orders, but we should at least be competing on something like equal terms.—Yours faithfully,
L. SHIPMAN
London, W.14

Books & Publications

Personalities of the Civil War

THE KING'S PEACE, 1637-1641.

By C. V. Wedgwood.

Collins. 510 pages. 25s.

THE appearance of a new book by an historian of the seventeenth century as accomplished as Miss Wedgwood is very welcome. Opening in 1637, when Charles I took his first step towards the scaffold by forcing the Prayer Book on the Scots, and ending with the Grand Remonstrance, it is the first of several volumes designed to cover the vital and controversial period of the Civil War and the republican experiment. Since Gardiner wrote his majestic, scholarly and ponderous narrative, historians have concentrated upon interpretation. Their disputes over the role and social fortunes of the gentry, the relation of religious sentiment to class structure and the inevitability of the revolution have made the flames of controversy burn as brightly as did the camp-fires of the opposing armies.

Miss Wedgwood has not added fuel to the flames: she has neatly skirted them. She will not impose upon the past theories which contemporaries "would neither recognise nor accept" and which make history "merely the subject of our own analytical ingenuity or our own illusions." She is avowedly more interested in the behaviour of men as individuals than as members of groups or classes; and she rejects the search for underlying causes in favour of a rigorously chronological narrative. Thus she has returned to the method of Gardiner, though she disclaims his moral certainty. Gardiner, a member of the obscure sect of the Irvingites and claiming descent from Cromwell, sympathised with the Puritans and with the architect of revolution, John Pym. Miss Wedgwood admires Strafford and enjoys displaying the incandescent world of the court.

Miss Wedgwood's predilections give colour and vitality to her narrative, and she can evoke personalities with sensitive perception. Gardiner wrote despairingly of the anonymity of thought and character in Scotland: "Argyle and Montrose stand out with distinct characters. The rest are scarcely more than names." But Miss Wedgwood is not defeated: Huntly, Aboyne, Traquair and others come tumbling buoyantly alive from her pages. Johnston of Warriston was for Gardiner only "the shrewdest of lawyers": Miss Wedgwood uses his journal to reveal that dangerous seventeenth century phenomenon, the man who claimed "great liberty, freedom and familiarity with my God." And this power to

recreate personality enlivens and illuminates her treatment of foreign policy, rightly stressed as a major cause of the king's unpopularity. Adhering strictly to chronology, her narrative is deliberately and effectively managed to give an impression of "vigorous and vivid confusion." January, 1641, sees the Commons making an order for the reglazing of their broken windows; the passage of the Triennial Bill; a demand for the law to take its course against a Jesuit; and also that evening when Sir John Suckling attended the marriage feast of Lord Broghill and so came to describe "one of the prettiest brides in English poetry."

Although this method reveals the "immediate pressures and confusions," its drawback, as Miss Wedgwood herself admits, lies in the kaleidoscopic changes of scene. Not only analysis but also the grouping of related facts have to be sacrificed; and the treatment of Scottish issues suffers particularly. Nor is it true that contemporaries were always unaware of the problems that now interest historians. The role of the gentry was not invented by Professor Tawney. Windebank, Secretary of State, spoke of how "that pig of a Henry VIII" had enriched for his own support the gentry who were now Charles I's greatest enemies. In her preoccupation with the court Miss Wedgwood passes too cursorily over those outside it, such as the Earl of Bedford, whose death in 1641 can be held to be one of the accidents that made the Civil War inevitable. The greatest weakness lies in the treatment of economic affairs. There is not enough stress upon the business depression of 1640 nor upon the rise in the price of consumer goods, itself the result of government policy. In explaining the unpopularity of Strafford Miss Wedgwood does not mention his support for a proposed drastic debasement of the coinage and his suggestion that the good coin be reserved for the soldiers' pay; nor his advice to hang some of the City aldermen. She suggests that an efficient Lord Treasurer, perhaps Strafford, might have saved the monarchy, but, though aware of corruption at court, she does not investigate its cancerous spread, which both alarmed contemporaries and interests modern historians.

Those who agree with Dr Johnson that "there is but a shallow stream of thought in history" may be fortified in their belief by this book. But all its readers should enjoy the lively narrative and be grateful for portraits of the court as delightful as those of van Dyck.

SIR—In your article of November 27th I felt that you did less than justice to Peru in dismissing it as "a disappointing market in the past three years," although it "has struggled gallantly to keep its trade doors wide open." I wonder how many of your readers realise that in the last four years there has been no exchange control and virtually no restrictions on imports.

Of course, the market may be thought disappointing compared with the palmy days of 1950, when import restrictions were abolished for soft currencies, including sterling, and when American competition was thus circumscribed and German competition not yet felt. But if the word "disappointing" should be applied to anything, it should be to the performance of the British exporters. The 1954 figures up to date are even worse than the 1953 figures; exports to Peru were rather less than £5½ million for the first ten months.

In Peru, with its free economy and absence of bilateral deals, the discouraging factors which elsewhere may be pleaded in excuse do not apply. I believe that the main cause for the decline in British exports to this market is that exporters do not realise the particularly favourable conditions obtaining here. As a small example of their apparent indifference, this Chamber some time ago sent out 480 letters to United Kingdom firms suggesting associate membership. Acknowledgment of the letters was received from only 117.—Yours faithfully,

S. J. OTTIKER

British Chamber of Commerce in Peru

Victory and Defeat for Dr Adenauer

SIR—What did Mark Twain say about statistics? In your issue of December 4th you say "The Socialists lost heavily in Hesse in comparison with the last Land election, partly owing to the failure of the government's experiment in nationalisation. In Bavaria, they also lost (on the same comparison . . .)"

True, the Socialists did drop in Hesse from 47 seats out of 80 to 44 out of 96, and in Bavaria from 63 to 61. But in votes they declined in Hesse only from 44.4 per cent to 42.6 per cent. (And although their vote declined relatively, it actually increased by 244,000.) The failure of nationalisation evidently affected the opinions of less than one-fiftieth of the electorate. In Bavaria, the Socialist vote actually increased slightly from 28.0 per cent to 28.1 per cent.—Yours faithfully,

London, S.E.26
EDWIN CHAPMAN

Constitutional Monarchy

FAIRER SHARES.

By John Spedan Lewis.

Staples Press. 253 pages. 8s. 6d.

IN "Partnership for All" Mr John Spedan Lewis, founder of the John Lewis Partnership, expounded the principles, and gave the history, of his own organisation. In this volume he draws on his experience to provide a constitutional theory and a set of practical rules for "partnerships" in general. Out-and-out industrial democrats have never liked the John Lewis Partnership, and indeed it is not an industrial democracy. It is a well-governed constitutional monarchy in which the ultimate authority rests firmly with the monarch—the Chief Executive—subject to a range of safeguards against tyranny, inequity and incompetence which differ from the normal conventions of "good" employment mostly in being written down and embodied in a legal settlement.

The political theory of the "partnership" has some affinity with that of Hobbes—the sovereign's power is justified by a general covenant for mutual benefit which concentrates authority in his hands. He exercises this authority inside the framework of a constitution which both sets limits, wide but definite, to his discretion, and provides for representative bodies to advise and to wield delegated powers. Notably, this constitution limits the inequality of gains within the "state" and forbids the sovereign to compromise the "state's" independence by bestowing civic rights (i.e. voting stock) on outsiders. There is no question, however, of the sovereign's office, or of his delegates' offices, being made elective, nor of his will being over-riden, so long as his decisions are constitutional, by any majority vote. Mr Spedan Lewis does not regard the peculiarities of the John Lewis Partnership's constitution as sacrosanct, nor the concentration of power for which it provides as necessarily essential in all times and places; a mature and stable partnership might well, with freedom broadening down from precedent to precedent, succeed in accomplishing the transition from, as it were, 1688 to 1832 or later. But for the time being this is, he opines, the biggest dose of democracy that a competitive commercial concern can safely take.

This is a suggestive, intelligent, and highly practical approach to the sociology and politics of industry; and the experience of co-operative experiment bears out Mr Spedan Lewis's conclusions to the hilt. His detailed observations on internal power relationships, on the rôle of criticism, on the technique of two-way communications, on the criteria of success, are full of good sense and experienced wisdom. If the John Lewis Partnership, despite more than its share of ill luck, is a buoyant and expanding business enjoying a great fund of customer goodwill, it is easy to see why.

It is a thousand pities, however, that

Mr Spedan Lewis should choose to be his own propagandist. That his implied economic theory is naïve does not matter so much; it only leads him to suppose his new deal more of a panacea than it is. That his style is downright bad whether judged by literary or by journalistic standards, being tortuous, clumsy and deoxygenated, is certainly regrettable; but bad style is unfortunately nothing unusual. The real trouble is harder to define; as a sighting shot, one might call it euphemism. The word "partnership" itself denotes something a little closer to the status hitherto so called than the word "democracy," in "people's democracy," bears to the democracy of the West; but not much closer. However impeccable Mr Spedan Lewis's sincerity, it has a bogus ring in the public ear. His addiction to tentative, conditional and vaguely phrased statements has a rather similar effect; "it may be found," "some partners might feel," "decisions will presumably be influenced"—the reader grows increasingly suspicious that these modest suggestions express in reality the cast-iron dogmatism of the successful and authoritarian Old Man, whose subordinates have long since learned to translate "Might it not be better if . . . ?" into "Get going and don't argue." Unfair? Unjustified? Very possibly. But among the jobs which the Chief Executive certainly ought to delegate is that of public relations officer for the cause of partnership in industry.

Postwar Japan

TYPHOON IN TOKYO.

By Harry Emerson Wildes.

Allen and Unwin. 361 pages. 18s.

THOSE who can survive without exhaustion 150,000-word doses of the racy and staccato slickness cultivated by *Time* will be entertained and informed by this survey of Japan from the surrender to the spring of 1954. Mr Wildes, if he has little of importance to say, has much that is interesting to tell. The events he chronicles cover a wide field: land reform; the Emperor; the mechanisms of domestic politics; food supplies; local government; vice; Communism; town planning; the police; recent anti-Americanism; and, as a recurrent theme and one with which his own Occupation experience left him well equipped to deal, the rivalries and frictions within Headquarters out of which Occupation policy fitfully and haphazardly emerged. Each chapter is packed with statistical information which, if sometimes ambiguous or inaccurate, and sometimes speciously precise to the point of absurdity (9,242 people, we are told, took part in 81 Communist riots in February, 1950), is generally apposite and illuminating and not easily available elsewhere.

But from the wealth of factual trees the shape of a wood never emerges. The author seems, on the whole, to prefer the Occupation's later, more conservative, to its earlier reformist phase. But we are never sure; for in

THE ECONOMIST, JANUARY 8, 1955

all the lively narrative of sparring within GHQ, or between GHQ and Washington or the Japanese Government, there is rarely any hint of the basic principles, motives or policy considerations involved. Despite the wide range of his coverage, the important field of education is entirely omitted; the discussion of party politics avoids any consideration of the democratic left; industrial deconcentration appears not at all and trade union development only peripherally in relation to the civil service and the "red menace." The selection of topics is, in fact, largely by "news value" criteria; and since the book rarely leaves front-page level the reader will look in vain for any assessment of the changes that have taken place in the distribution of political and economic power since the war, or of the way in which the experiences of the last decade have affected the outlook of the Japanese peasant or school-teacher or industrial worker.

Nevertheless, a general conclusion is pulled out of the hat in the last chapter. Despite the ineptitude of the higher officials of the Occupation, the "middle brass" and a cooperative Japanese populace have between them achieved, not General MacArthur's "spiritual revolution," but at least a "Renaissance." That Japan is today a less regimented, less authoritarian and in many ways a more healthy society than it was nine years ago few would dispute; but legitimate doubts may be aroused by the author's resounding conclusion that the Occupation experiment offers strong evidence "that honest people of goodwill, working harmoniously, can build a world of peace and fellowship." No one could do more to foster such doubts than Mr Wildes in his preceding thirty chapters.

Watching the Rehearsal

MY MISSION TO SPAIN.

By Claude Bowers.

Gollancz. 453 pages. 21s.

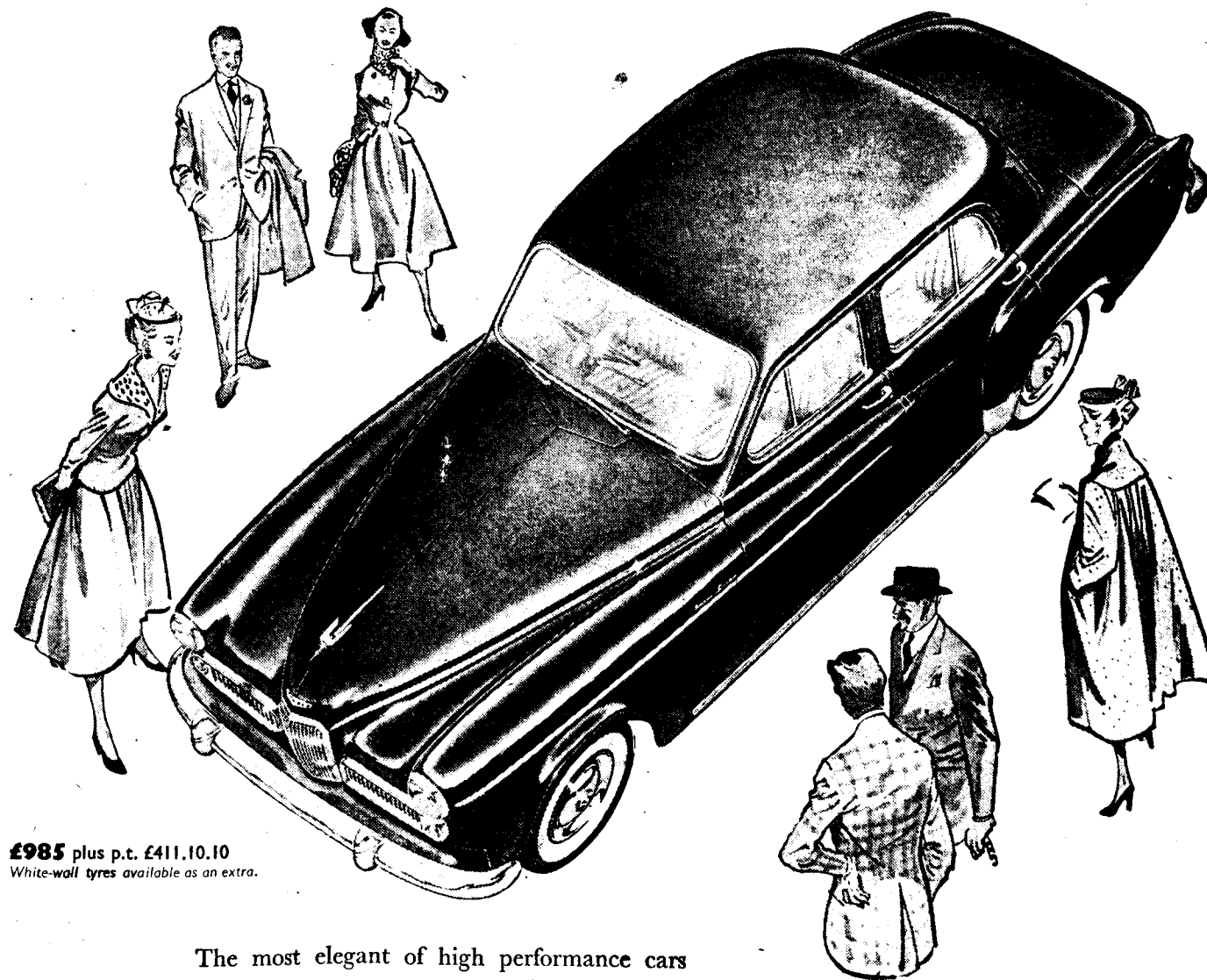
THE Spanish civil war of 1936-39 belongs to history, and history brings with it its own imperatives. Yet there is a certain melancholy interest attaching to this honest, if pedestrian, account of the actual facts of eighteen years ago and more, which were then so much obscured by the clouds of propaganda and self-delusion. For it is now plain as daylight that those were right who maintained that the Spanish bloody assizes, in their international aspect, were "the rehearsal for World War II" (the author's sub-title).

Mr Bowers was United States Ambassador to Spain from June, 1933, to April, 1939. He waited fourteen years before publishing his story—until his retirement from the United States foreign service and out of deference to Britain, whose Government, in the person of Mr Chamberlain, he scourges. This "Jeffersonian democrat" never had any doubt about the purpose of the onslaught against the democratic institutions of Spain, of which Spanish poli-

THE ECONOMIST, JANUARY 8, 1955

FOR HIGH-POWERED LUXURY...

HUMBER Super Snipe



£985 plus p.t. £411.10.10
White-wall tyres available as an extra.

The most elegant of high performance cars

bringing you the last word in motoring luxury. Foam soft seating, rich walnut fittings, innumerable refinements . . . all this and the famous Blue Riband engine giving exciting acceleration, effortless high speeds and a big margin for safety. Craftsman-built from bumper to bumper, the Super Snipe will give years of sustained performance and reliability.



BY APPOINTMENT
TO THE LATE KING GEORGE VI
MOTOR CAR MANUFACTURERS
HUMBER LTD.

A Product of the Rootes Group

HUMBER LIMITED COVENTRY • LONDON SHOWROOMS AND EXPORT DIVISION: ROOTES LTD., DEVONSHIRE HOUSE, PICCADILLY, W.1

ticians of the Right from 1931-36 were the convenient tools; nor does he mince his words about the hollow sham of the Non-Intervention Committee expedient. When he returned to the United States, after the fall of Barcelona, he tells us, President Roosevelt handsomely admitted to him: "We have made a mistake; you have been right all along." Still more revealing is the comment by Mr Cordell Hull in his memoirs:

At the State Department, while recognising that what Bowers had to say about Germany and Italy was true, we had to pursue a broader course, which recognised the grave danger that the civil war in Spain might erupt into a European war.

The tragedy of it all was that through ignorance, malice and a pathological fear of Communism, on which propaganda battered, substantial sections of opinion in Europe and America denied the unassailable facts about Spanish politics, the non-existence of Communism in Spain before the military rebellion, the Italo-German fishing in troubled waters, and so on, and, later, refused to acknowledge the relative insignificance of Russian help to the hapless Republic (Russian war material was sold, not given), which was eventually attested by the League of Nations Military Commission. Here is where Mr Bowers's book might have been a most valuable vehicle of "de-bamboozlement."

Unfortunately, the author, a most unorthodox Ambassador, who really did go and see things for himself up to the civil war (thereafter he was penned by diplomatic expediency in St. Jean-de-Luz), presents his facts in a partisan tone and trivial manner, intermingling pertinent political observations with platitudinous travel-talk. Nor does he draw on his actual despatches, so that the net effect, for European readers at all events, is jejune and sadly unimpressive, indeed at times what the Spaniards call *contrabroadente* (having the opposite effect of that intended).

Laws of Ethiopia

THE ETHIOPIAN EMPIRE, FEDERATION AND LAWS.
By Nathan Marein.
J. Vurheim and Son, Ltd., Rotterdam.
455 pages.

ETHIOPIA, which is rejoicing in a coffee boom and in prosperity, is included in the itinerary of the British trade mission that is to visit north-east Africa early this year. It is therefore opportune that a book has been published which is a guide to its legislation and administrative regulations. It is compiled by Mr Nathan Marein, who, some years ago, published a handbook on the laws and judicial system of Ethiopia. He was an advocate in Palestine, has been in the Ethiopian service since the return of the Emperor in 1941, and is now described as Advocate-General and General Adviser to the Ethiopian Imperial Government. He sets out a full paraphrase

of some of the principal enactments, particularly those concerning the judicial system and the Court procedure, both in Ethiopia and in Eritrea. But in other cases of the fundamental laws, e.g., the constitutions of both countries, he only summarises the table of contents and cites two or three articles. He has aimed at stating what commercial law there is, but not giving the law itself. It is notable that income tax was introduced only in 1944 by a Proclamation of the Emperor. Proclamation is the regular form of legislation.

This new guide to the law contains much fresh material consequent on the enlargement of the Empire. A chapter has been added, for example, concerning maritime laws. This lays down rules such as those about registration and transfer of ships, international conventions, charter-parties, average contribution and territorial waters, etc. The law about administration of justice in Eritrea is a legacy of the British Administration which continued up to the moment of federation. Mr Marein gives an interesting history of the Government during the British occupation; and this last law, for which the Administration was responsible, is designed to preserve the essential principles of the independence of the judiciary. The English rule of precedent is maintained by an article, which is that stating: "a decision of the Supreme Court upon any question of law shall constitute a precedent binding upon all courts in any matter or cause in which the same question may arise."

A valuable appendix to the book contains the report of the United Nations Committee for Eritrea and the text of the Federal Act ratified in September, 1952.

Shorter Notice

POWER TODAY AND TOMORROW
By F. Sherwood Taylor.
Frederick Muller. 192 pages. 15s.

This book is in the tradition of Arthur Mee rather than of Palmer Putnam—but is none the worse for that. Its account of "the application of energy to human needs," that is to say, is concerned with how people apply energy today, rather than with how much of it they apply now and may need to apply in the future. It gives a simple and useful survey of the technical apparatus used in the various fuel industries and in consuming the fuels they supply, seldom entering into questions of cost. Where it does so—for example, in comparisons of various methods of domestic heating—its figures, perhaps inevitably, are too generalised to be useful. But its real value lies in setting out briefly and clearly, for the ordinary consumer of fuel, some of the elaborate and arduous processes that underlie the provision of the heat and power on which industrial civilisation depends.

Books Received

THE STATISTICS OF EDUCATION.
By Doris M. Lee.
Reprinted from the Journal of the Royal Statistical Society: Series A (General), Volume 117. Part III, 1954. 11 pages. 2s.
THE FRUIT ANNUAL, 1954-55.
British-Continental Trade Press. 504 pages. 20s.

LEADERS OF BRITISH INDUSTRY

A study of the careers of more than a thousand public company directors

by

G. H. COPEMAN, Ph.D.

How many of the directors of large British companies are accountants, lawyers, engineers, scientists? How often during their careers did they change their jobs? What sort of education did they have? What proportion started work in a small firm; what proportion in a large firm? At what age did they receive their first board appointments? How many are the sons of business men, professional men, etc.?

Answers are given to these and other questions in the first major study of the careers of directors of large British companies. This book should prove of interest and value to those who have already achieved the responsibilities of leadership. But it should be of even greater value to the younger executives who aspire to leadership, and who wish for guidance from a broad picture of their present directors. Academic readers should also find the book a useful starting point for further studies of leadership.

Price 15/- net
Post free U.K. 15/6

GEE & CO. (PUBLISHERS) LTD.
27-28 Basinghall Street, London, E.C.2

Soviet Imperialism

G. A. TOKAEV

The guiding principles of Soviet military strategy and tactics—described by the Russian aerodynamics scientist who once taught them, and who almost alone among "experts" in the Western World has first-hand knowledge of them. Includes an assessment of the strengths and weaknesses of Soviet forces in action. 6/- (\$1.00)

Australian Government and Politics

J. D. B. MILLER

Isolated from other countries and sparsely populated by a single European racial group with a high standard of living, Australia has developed its own political institutions and machinery of local government. This is the first book to cover them conveniently in a single survey—political history, parliamentary institutions, federal system, public administration, local government and external relations. With maps and graphs. 15/- (\$2.20)

Personality in Handwriting

ERIC SINGER

The author of *Graphology for Everyman* deals in detail with the guiding image—the writer's conception of what he wants to put down on paper, and so a clear indication of his character and thought processes. With chapters on addressed envelopes; doodles; signatures; mistakes and corrections; children's writing; and many handwriting examples. 10/6 (\$1.60)

Dollar prices include postage

GERALD DUCKWORTH & CO., LTD.
3 HENRIETTA ST., LONDON, W.C.2

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.

State of the Union

Washington, D.C.

"GOOD hard honest work that leaves neither time nor breath for any nonsense" might have been in President Eisenhower's mind when he supervised the drafting of the Message on the State of the Union which he delivered to a joint session of Congress on Thursday. As politicians were assembling to organise a Democratic Congress and listen to the programme of a Republican President, there was much talk of forswearing "politics." Senator Lyndon Johnson, the new leader of the Democratic majority in the upper house, dissociated himself from the view, which he attributed to the late Senator Taft, that the duty of the opposition was to oppose. Mr Rayburn, the new Speaker of the House of Representatives, was promising to look upon the President's recommendations with sympathy. But these sentiments sound rather too much like cobblers undertaking not to use their last.

However, with some forty or fifty separate legislative proposals, many of which call for hard work in hammering out details, but few of which provide an excuse for ideological passion, President Eisenhower has done his best to provide boisterous legislators with exercise. This year's presidential programme, presented only in general terms in the message, is cut of the same cloth as last year's. Some old favourites are still there: home rule for the District of Columbia, whose inhabitants paradoxically have no vote; statehood for Hawaii; and a constitutional amendment that would lower the voting age to eighteen. For none of these can the chances be rated as high; Southern Democrats, who possess many of the key positions in the new Congress, have a way of disposing of them as quietly as if they were drowning kittens. The Territory of Hawaii, which is likely to send two Republicans to the Senate, will only get admitted to statehood if the Administration finally decides also to back the admission of Democratic Alaska.

Some of the items on President Eisenhower's list of social legislation should draw broad support. For instance, Senator Holland of Florida, an arch-conservative, is enthusiastic about road building and federal aids to education stand high on the list of Senator McClellan of Arkansas. The reference to the anguish from state and local authorities all over the country who are wrestling with the rise in the school population, it had been thought that President Eisenhower would wait until after the White House conference on education which is to meet next November.

Last year, President Eisenhower found it necessary to

establish the fact that he was against "socialised medicine," but he has asked Congress to have a second look at his plan for curing by kindness the inadequacies of private enterprise in the field of health insurance. This, and various other minor prescriptions from the Administration's medicine chest, seem hardly commensurate with the bald, and by no means exaggerated, statement that there are fundamental inadequacies in the nation's health services. It is difficult to see how the proposed measures "constitute a comprehensive programme holding rich promise for better health for all our people." But perhaps, in the light of the extraordinarily unscrupulous propaganda with which the subject is choked, this is the most that can be aimed at realistically.

Although the liberals in Congress expected slim pickings from the State of the Union Message, some of their favourite causes have not passed unmentioned; the President suggests a rise in the federal minimum wage from seventy-five to ninety cents an hour, some new compensation and safety measures for workers, a not very far-reaching amendment of the Taft-Hartley labour law and the safeguarding of union members on strike. The perennial fight to keep going a modest programme of public housing for families with very low incomes is also to be renewed, and the President will press for the removal of some of the more noxious and internationally embarrassing features of the immigration laws. It is evidently hoped that it will be possible to divert Congressmen from farming areas from renewing the old fight over agricultural subsidies, by putting them to work on new proposals which would bring special help to really small farmers, and to farmers of all kinds who are in trouble on account of floods or drought.

★

Apart from this catalogue of measures rebaked after being left to go stale by Congress last year, the message contained two major legislative proposals about which much is known already—the Randall Commission's proposals on reciprocal trade, and the new manpower scheme for the military forces. It also contained a studied defence of three controversial aspects of the Administration's policy and an appeal to both parties to "avoid paralysis of the will for peace and international security" and to co-operate with the executive branch of the government.

Three matters on which President Eisenhower felt it necessary to explain himself at length were his conciliatory foreign policy, his cut in the size of the Army, and his

attitude towards the proper role of the federal government in developing the country's natural resources. This latter issue is likely to be the major subject of partisan contention in the new Congress. With regard to the first, President Eisenhower took up the phrase used by Senator Knowland when he demanded a complete review of American foreign policy. The President conceded that all present policy could lead to was "merely world stalemate," but he insisted that it is with this stalemate that the American people must learn to live. He pointedly emphasised the merits of working within the United Nations.

Secondly, the President took upon himself the responsibility for that military redeployment at the expense of the Army which is reported to have dismayed General Ridgway and which Democrats on the armed services committees are certain to query with vigour. In anticipation of their scrutiny, an exchange of letters has been released in which Mr Wilson, the Secretary of Defence, is displayed making a delicate inquiry as to whether the august author of the decision would commit himself about it on paper. The President obliges with a letter setting out his reasons more fully than in his speech and throwing his full weight as a five-star general behind his civilian function as commander-in-chief. The President's views will be anxiously debated, but it is hard to see how Congress can gainsay a man of his military experience.

When the Democrats challenge President Eisenhower on natural resources, however, he will be credited with less infallibility. He used his message to set out once again his policy of "partnership" for development between private companies and local, state and federal governments. Despite some electoral setbacks on this issue—notably in the decisive senatorial contest in Oregon—the Administration clearly has no intention of giving way for the sake of a quieter life. Although past Democratic Congresses crippled the development of public power by stopping appropriations, it is in this sphere that speech-day resolutions not to play politics are likely to be most speedily forgotten.

What are the prospects for civilised coexistence between the "two governments" in Washington? There is nothing in the programme outlined by the President that should give Democratic leadership an excuse to refuse the White House a large measure of legislative initiative. It will, of course, revert to the Democrats when they can claim, as over reciprocal trade, to be more pro-Eisenhower than the Republicans. The main test of the quality of this Congress will be how soon it can get down to the laborious task of working out the President's programme, or how much time it will waste over such laboured archaisms as a revised version of Senator Bricker's amendment to abrogate presidential powers in foreign affairs.

Neither Brains nor Trust

MR STASSEN has added to his staff in the Foreign Operations Administration Mr Wolf Ladejinsky, probably the foremost American expert on the vital problem of land reform in Asia. Mr Stassen was able to make this fortunate acquisition because the Department of Agriculture, although Mr Ladejinsky had been serving with distinction as agricultural attaché in Tokyo, had decided that he was a poor security risk and had dismissed him. The resulting uproar, and the quick retreat on the part of the Administration, illustrate once again the vicious stupidity of present security regulations.

Mr Ladejinsky was first chosen for his post in Tokyo by General MacArthur and he was twice cleared by Mr Scott McLeod, the grand inquisitor of the State Department. But Mr Milan Smith, assistant to the Secretary of Agriculture, and Mr John Cassidy, that department's new security officer, thought otherwise. After all, Mr Ladejinsky had only arrived in the United States in 1922 and had relatives in Russia. Moreover, he had been so disloyal

as to visit them in 1939. Finally, in Mr Smith's dossier

"That's the Kind We Want—You Can See Just What He's Not Thinking"



Herblock in the Washington Post

was a letter from a White Russian emigré denouncing Mr Ladejinsky because people born in Russia are always dangerous and Jews born in Russia are positively a menace.

The release of this letter unleashed a storm. Led by Senator Humphrey and Representative Judd of Minnesota, political forces rallied to Mr Ladejinsky's defence. Mr Benson, the Secretary of Agriculture, realised too late that delicate personnel questions must not be left to the zeal of inexperienced young officials. If anything, Mr Ladejinsky emerges as fully vindicated. But the whole affair should never have arisen and for the few cases in which public opinion and organised support have obtained a reversal of administrative injustice, there are many others in which loyal public servants have been dismissed without due process of law. Is it not time that President Eisenhower himself should look more closely at the seven-year-old loyalty programmes under which nearly ten million Americans (who have some connection with "classified" work) are liable to dismissal without notice or appeal?

Bulls Stampeded

THE bulls of Wall Street, racing uphill at a steady clip despite professional warnings, were stampeded on Wednesday by shots from the chief rancher at the Federal Reserve Board. The Board wants to keep the bulls grazing on a plateau and is trying to avoid a continued rush followed by a sudden plunge over the precipice into the

gulch where the bones of 1929 still lie. To check the boom which was beginning to arouse concern, the Federal Reserve Board, on Tuesday night, raised the down payment in cash required for the purchase of shares on margin from 50 to 60 per cent of the purchase price. This alteration in required margins is a favourite weapon with the Board and one which it did not have in 1929: margins were set at 100 per cent during the inflationary period from January, 1946, to January, 1947; they were set at 75 per cent during the Korean war and lowered to 50 per cent in February, 1953. The present adjustment is a slight one precisely because the Board agrees with the Administration's other experts that the recent upward trends have been based on a sound estimate of the country's economic prospects.

Nevertheless, Wall Street reacted badly. Falls of \$3 to \$5 per share were common and at the close the tickers were running thirteen minutes behind the waves of selling. The Dow Jones average of industrial shares fell by almost nine points, and the volume of sales totalled 4,640,000. What happened was that weak speculators, who had been playing a disturbingly large role in the recent rising markets, even in the leading stocks, were shaken out by the rise in margin. This inevitably influenced the whole market. There is now every reason to expect that Wall Street will recover quickly and continue, although a little more slowly, on its optimistic way.

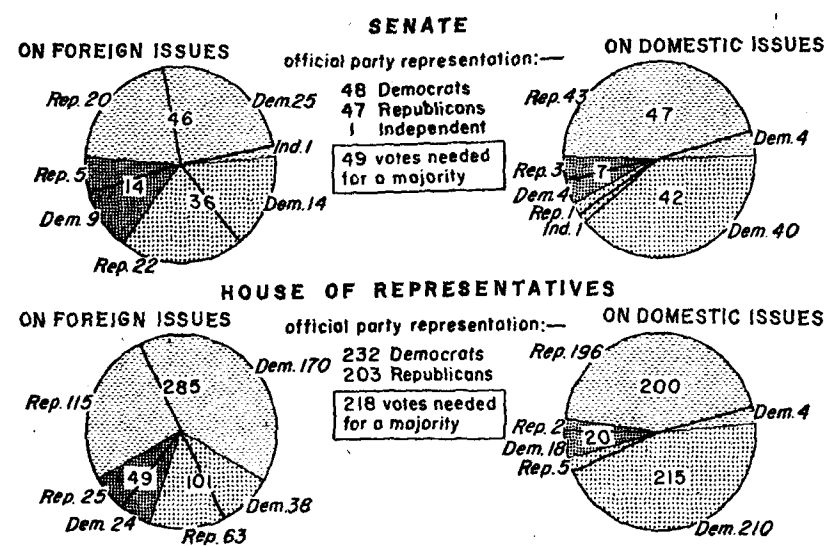
Moving Into Albany

AFTER twelve years of Republican rule, the Governor's mansion at Albany has passed into the hands of its new Democratic tenant, Mr Averell Harriman. Although the Republicans continue to dominate both houses of the New York State Legislature, the two key posts in the state, the governorship and the mayoralty of New York City, are held by Democrats. Governor Dewey, who is retiring into private life for the present, hands over to his successor a state which has made major gains during three terms of Republican rule. Nevertheless, Governor Harriman is facing a number of serious difficulties. Among them are unemployment in the northern districts of the state, economic distress in rural areas, a housing shortage and a difficult budgetary position.

Owing to a rather absurd law, a balanced budget for 1955-56 must be ready for the Legislature by February 1st. But Mr Harriman faces a minimum deficit of more than \$40 million as a result of increases in next year's expenditure bequeathed to him by the outgoing administration, combined with a decrease in tax revenue owing to the recession in 1954. During his campaign, Mr Harriman promised to avoid new taxes, although he qualified his promise by saying that it could only be kept if the economy were expanding. Faced with dour reports from his director of the budget, Governor Harriman is now taking the line that the Republicans have left a heritage of stagnation and that new taxes may be an absolute necessity. Republican leaders in the State Legislature are in a strong tactical position: if they grant Governor

THE PRESIDENT AND THE EIGHTY-FOURTH CONGRESS

Members who are likely to support Mr Eisenhower
Members who are likely to oppose Mr Eisenhower
Members who are uncertain



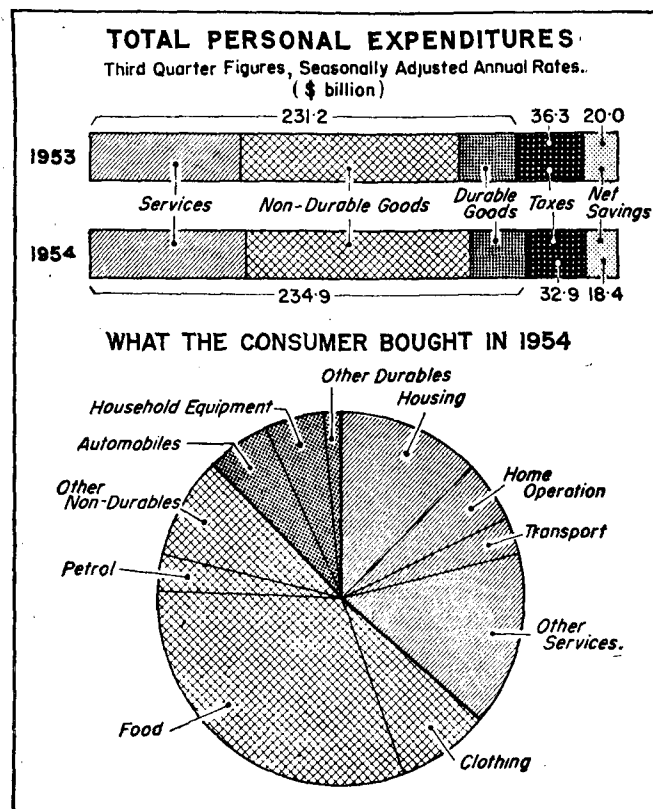
These charts follow forecasts, made in Washington by *Congressional Quarterly*, of probable voting in the new Congress based on the known views on major issues of members, whether Republicans or Democrats. The charts show that it makes little difference, except in the case of foreign affairs in the House of Representatives, when assessing the President's strength in Congress, whether the calculations are based on official party allegiances or, more realistically, on the liberal or conservative sympathies of members. President Eisenhower will have to fight for his majorities in this Congress as he did in the last.

Harriman an increase in taxes, the new administration will get off to an unpopular start. If they turn down the request, Governor Harriman cannot carry out his Fair Deal programme.

In addition to outmanoeuvring the Republican legislators and Mr Jacob Javits, a Republican who has been elected as Attorney General, Governor Harriman will also have to satisfy the professional Democratic politicians who brought him to power. His main debt is to the boss of New York's Democratic old guard, Tammany Hall. Mr Carmine De Sapio, an astute king-maker who will steer the New York delegation to the Democratic national convention in 1956, has been made secretary of state. His onerous duties will include licensing barber shops and presiding over the Cemetery Board, which should leave him time to prepare for the nomination of a presidential candidate. But there are countless smaller debts to be settled and already the Democrats are fighting over the spoils. For Mr Harriman, the very embodiment of striped-trouser diplomacy and high-level statesmanship, the entry into grass-roots politics may be a difficult one.

Economic Man of the Year

THE American consumer was undoubtedly the economic man of 1954. Unless he lived in a place, such as Detroit, where unemployment was severe, he paid more attention to the extra money that tax reductions put into his pocket than to threatened declines in his earnings, and increased his spending steadily. The main increase, on housing, was admittedly forced upon him by the ending of rent controls, but otherwise prices were stable or falling



during the year. Almost the only things the consumer had doubts about buying were automobiles, and in recent weeks he has made up for his earlier restraint in this respect. Taking advantage of the extra shopping day in the week before this Christmas, consumers broke all records for that period; department store sales were up by 16 per cent over the comparable period of last year. And in the Christmas month retail sales—of 156 million pairs of gift stockings, for example—rose sharply enough to push the total for the year nearly up to 1953's high level.

Retail traders, with their shelves satisfactorily empty as a result of the buying spree, are preparing to spend heavily on new stocks in the belief that the recent rise in personal incomes, to an annual rate of \$287.5 billion in November, ensures that consumers will continue to put their confidence into practice over shop counters. Most of the expectations for a prosperous 1955 are based on this belief, which will not be seriously tested until the Easter shopping season opens. Should the test prove unsatisfactory, congressional interest will be stimulated in the current proposals for encouraging consumers to spend more, by further tax reductions and other means. These would supplement the aggressive selling, competitive advertising, new styles and new products which manufacturers and retail traders will find as essential to good business in 1955 as they were in 1954.

Ten-Year Plan for Roads

New York.

PEOPLE as wedded to the motor car and as conscious of the need for good roads as are Americans are naturally attracted by the prospect of more than doubling the present rate of road-building. One of the most popular of the President's recommendations to the new Congress is therefore likely to be his "grand plan" to increase by some \$50 billion the total amount spent during the next ten years on building roads. Details of the plan will be sent to Congress at the end of the month and will be based on the report on the country's highway needs which General Clay is about to present to the President, and on consultations with the State Governors.

There are some 3.3 million miles of roads and streets in the United States. For about 670,000 miles of these the federal government pays half of the bill and the states and municipalities the remainder. The most important section of the roads built with federal aid is the 40,000-mile interstate highway system—just over 1 per cent of the nation's roads but carrying 30 per cent of the traffic. Total expenditure on all new roads and improvements is now running at about \$4 billion a year. Of this the federal government has been contributing \$575 million a year and is authorised to spend \$875 million a year in future; this will include \$175 million for the interstate highway system. The states and municipalities are entirely responsible for the remaining 80 per cent of the nation's roads, except for the toll roads.

Over the next decade, if no further changes were made in present plans, some \$47 billion would be spent on new and improved roads. If the President's proposals are accepted, the total expenditure for the next ten years would come

close to the \$101.4 billion which, it is estimated, is required if the 40,000-mile interstate highway system is to be made adequate for the volume of traffic expected in 1974 and the rest of the nation's roads adequate for only the present volume of traffic. Of the President's additional \$50 billion, at least half would come from federal sources, provided that the states and municipalities guaranteed to fulfil their own long-term road construction plans. It has been suggested that the federal part of the new plan should consist of an extra \$26 billion to be spent on the interstate highway system, with the federal government assuming full financial responsibility for that system; from now on Washington will in any case be paying 60 per cent of its costs but until the 1954 Highway Act the federal contribution was matched fifty-fifty with that of the state concerned. The balance, of some \$28 billion if the target of \$101 billion is to be met by 1974, would have to be found primarily by the states and municipalities.

★

There is great unanimity of purpose between the various groups planning America's future roads, but much disagreement when it comes to choosing the key to the whole programme—the method of financing. The individual states traditionally maintain that the federal petrol tax of 2 cents a gallon should be abolished, leaving all the revenue and the responsibility for new roads in the hands of the states. It is also contended that, whether the petrol and other motor vehicle taxes are collected by the federal government

or the states, or by both, the expected growth in motoring and petrol consumption over the next decade would provide, without any increase in tax rates, an annual increase in tax revenue sufficient to finance the entire expanded programme on a "pay as you go" basis. The federal government, which insists on retaining its present share of the petrol tax revenue, doubts whether the additional revenue would be sufficient to finance the federal share of the expanded programme, at least in the initial stages. An alternative course, increased borrowing, comes up hard against the limits on bonded debt set by state legislatures.

The Clay committee's answer to this dilemma is expected to be that an independent federal highway authority should be created. This authority would sell bonds, on the security of the federal petrol tax revenues, to the public and use the receipts directly for federal highway construction, or indirectly for making loans to the states or for guaranteeing bond issues made by the states on the security of their portion of the petrol tax revenues. This scheme would have the double advantage of evading the risk of politically unpopular budget deficits and of avoiding any addition to the federal debt.

Opponents of any system of earmarking particular revenues for special purposes deplore the loss of budgetary flexibility that would result, they maintain, from the allocation of the federal petrol tax revenues to support the proposed highway authority's bonds. Other groups, amongst which the oil industry is prominent, declare that road users should not be expected to foot the entire bill for new roads—that everyone in the country benefits and that, moreover,

THE NATIONAL CITY BANK OF NEW YORK

Head Office: 55 Wall Street, New York

London Branches
117 Old Broad Street, E.C.2
11 Waterloo Place, S.W.1



71 Branches
in Greater New York
57 Branches Overseas

Statement of Condition as of December 31, 1954

ASSETS		LIABILITIES	
Cash, Gold and Due from Banks	\$1,311,011,894	Deposits	\$5,639,188,380
United States Government Obligations	1,842,996,802	Liability on Acceptances and Bills	\$75,693,233
Obligations of Other Federal Agencies	35,464,846	Less: Own Acceptances in Portfolio	29,344,669
State and Municipal Securities	596,283,109	Due to Foreign Central Banks	46,348,564
Other Securities	60,581,083	(In Foreign Currencies)	18,492,300
Loans and Discounts	2,337,065,556	Reserves for:	
Real Estate Loans and Securities	4,978,328	Unearned Discount and Other Unearned Income	22,472,680
Customers' Liability for Acceptances	43,819,480	Interest, Taxes, Other Accrued Expenses, etc.	38,440,249
Stock in Federal Reserve Bank	15,000,000	Dividend	5,500,000
Ownership of International Banking Corporation	7,000,000	Capital	\$200,000,000
Bank Premises	27,177,771	(10,000,000 Shares—\$20 Par)	
Items in Transit with Branches	38,100,729	Surplus	300,000,000
Other Assets	3,625,188	Undivided Profits	52,662,613
			552,662,613
Total	\$6,323,104,786	Total	\$6,323,104,786

Figures of Overseas Branches are as of December 23, 1954. \$400,361,905 of United States Government Obligations and \$19,082,200 of other assets are pledged to secure Public and Trust Deposits and for other purposes required or permitted by law.

(Member Federal Deposit Insurance Corporation)

Chairman of the Board
HOWARD C. SHEPHERD

President
JAMES S. ROCKEFELLER

Vice-Chairman of the Board
RICHARD S. PERKINS

Affiliate of The National City Bank of New York for separate administration of trust functions.
CITY BANK FARMERS TRUST COMPANY

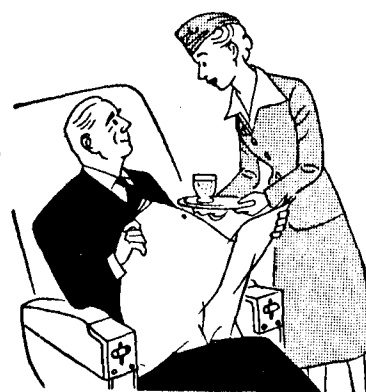
Head Office: 22 William Street, New York
Capital Funds \$32,037,611

"Yes Sir! You can now fly TWA to USA at reduced Thrift Season fares . . ."

TRAVEL AGENT



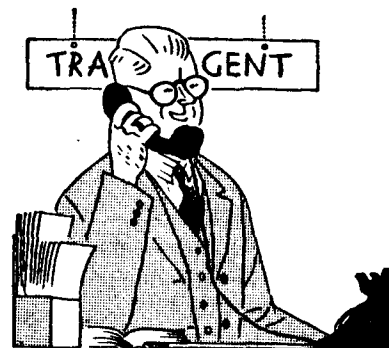
"You enjoy the same superb
TWA service all
the way . . . on the ground . . ."



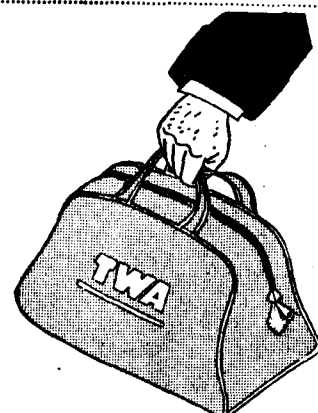
. . . and in the air, with the
same comfort and
individual attention . . .



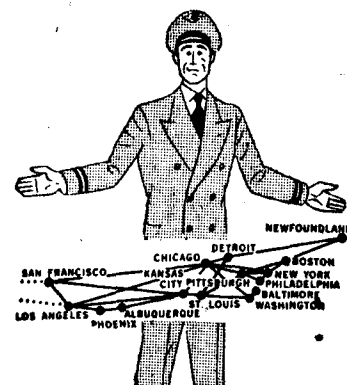
. . . but on your next trip to
America and back
when you fly TWA . . .



. . . you'll be making the
worth-while saving
of £28 . . .



. . . nearly £35 if you fly by
the thrifty TWA
Sky Tourist service . . .



. . . TWA can fly you on to
any one of 60 major cities
inside America, too."

Now is the time to plan your trip to the U.S.A. TWA Thrift Season reduced fares are in operation until the end of March. Reductions apply to all TWA transatlantic services.

London to New York (RETURN FARES)	On Season (APR-OCT)	Thrift Season (NOV-MAR)	Saving
First Class	£257. 5.0	£228.12.0	£28.13.0
Sky Tourist	£186. 9.0	£151.16.0	£34.13.0

To dollar earners—TWA is the only airline flying from Europe which also serves 60 major U.S. cities in the principal markets of America. TWA knows America. Their specialised knowledge can be of assistance to you.

3 MILLION PEOPLE A YEAR

FLY TWA

TRANS WORLD AIRLINES

USA • EUROPE • AFRICA • ASIA

See your Travel Agent or 'phone TWA:
Trans World Airlines,
200 Piccadilly, W.1. TRAfalgar 1234.
TWA Manchester: BLAckfriars 4849.



petrol and oil taxes are paid in many cases where the products are not used on the roads at all. It has also been contended that the public issues of the new authority would merely pre-empt private funds that would otherwise have been available to finance state and local road building. Nevertheless the principle of earmarking petrol tax revenues for road expenditures may now be adopted by the US Treasury as it has already been by most of the states.

★

The other important disagreement concerns the part to be played in the expanded highway programme by the toll roads. This method of financing road construction—the issuing of bonds by an independent authority on the sole security of the anticipated revenue from tolls—has won spectacular support since the war. When those under construction and authorised are completed, there will be over 3,000 miles of toll roads, costing \$3½ billion, in the United States. Many of the existing toll roads, or turnpikes, such as the famous "Jersey Pike," are in areas of the highest traffic density, and have been profitable beyond all expectation. The Department of Commerce has estimated that another 10,000 miles of toll roads, costing some \$10 billion, would pay for themselves in toll revenues; but this estimate may have to be revised in the light of the President's road plan.

It was at one time suggested that the proposed federal highway authority might help the toll roads to secure lower interest rates by guaranteeing their bonds. But the state highway authorities complain that the toll roads are not efficiently integrated into the state and federal road systems. They also contend that the public receives more road to the dollar from state construction than from the toll roads. The cost to the motorist of a toll of, say, 1 cent a mile is the equivalent of an extra petrol tax of 15 cents a gallon—200 per cent more than the combined federal and average state petrol tax. Because of opposition from the state highway officials the toll road authorities are likely to be left to fend for themselves as best they can—a prospect which, in the light of their past successes and present ambitious plans, will hardly alarm them.

Slipped Discs

THE long-playing gramophone disc and the high-fidelity record player have become important features in American life. In many homes where bookshelves are few, record albums fill cabinets and many people who would in no other respect be thought of as "high-brow" are ardent enthusiasts for pre-Bach chamber music or twelve-tone orchestration. The transmission and amplification of music has become a technical obsession with countless Americans and classical works are being heard in a range and clarity that was undreamt-of before the appearance of the long-playing disc in 1948. Last week's surprise decision by the Radio Corporation of America to cut the price of its records by as much as 40 per cent is expected to stimulate even further the whole "sound industry." Already there are some 25 million American homes with record players, many of them equipped for

three speeds. In the next five years it is expected that this figure will be increased by a further 20 million.

In this great movement towards good music the local record dealers have played a major part. They have acted as discount houses and have, in the past, staged fierce price wars, cutting list prices by 50 per cent or giving large disc bonuses. Mr Sam Goody, New York's most famous dealer, handles \$3 million worth of records a year, usually at discounts of 30 per cent. It is his theory that the purchase of discs and recording equipment is habit-forming and that customers who are encouraged by low prices at the start will soon become addicts. The growth of a "high-fidelity jargon" and of many specialised magazines confirms his view.

Whether the other major record producers, Columbia Records Inc., Capitol Records Inc. and Decca Records Inc., will follow the example of RCA remains to be seen. Their first reaction, and that of the smaller dealers, has been one of stunned displeasure, but it seems more than probable that discs will be slipping all along the line.

SHORTER NOTES

The right of the judiciary to bar the press and the public from the courts "in the interests of good morals" or to prevent the reporting of a trial "steeped in filth" has been denied by New York's Court of Appeals. The high court's decision that the constitutional guarantee of a public trial, even in cases of an obscene or indecent nature, must be observed has provided Mr Jelke, who had been previously convicted of compulsory prostitution, with the opportunity of a new, and a public, trial.

★

The special benefits for men serving in the Korean War will not be available to men joining the services after the end of this month, as the result of a presidential proclamation. Educational and other allowances under the Veterans' Readjustment Assistance Act are among the most important of the benefits affected.

★

The federal government has won another round in its attempts to render the Communist party ineffective by court action. The US Court of Appeals, by a two-to-one decision, has upheld the Subversive Activities Control Board's ruling of last year requiring the party to register as a Soviet-dominated subversive organisation under the McCarran Internal Security Act of 1950. However, the party is expected to appeal to the Supreme Court.

★

Photographers will soon be able to get their coloured films developed and printed anywhere they want. The Department of Justice has charged the Eastman Kodak Company with monopolising colour film processing and the company, while denying any violation of the anti-trust laws, has agreed to sell Kodachrome and Kodacolor film without including processing charges in the price. During the next seven years the company will also give up any colour film processing facilities it may own in excess of 50 per cent of the total capacity in the country.

The World Overseas

France on the Morning After

FROM OUR SPECIAL CORRESPONDENT

WHEN last week, after a hard-won battle, a tired M. Mendès-France was going out of the Chamber through the lobbies, a by-stander remarked: "He has just signed his own death warrant; it is merely a suspended sentence." He was thus expressing, in a crude and exaggerated fashion, the pessimistic estimates of the government's prospects now prevailing in Paris. It is argued that by fighting tooth and nail for ratification of the Paris agreements M. Mendès-France did nothing to improve his own chances of survival. Many of his friends are hurt, his enemies are unreconciled. The former have lost enthusiasm, the latter are waiting to trip the premier on the slippery path that leads through North Africa, Indo-China and domestic economic problems. Now that the memorable ratification debate is over, they have less reason to pull their punches. Judging by the usual standards of parliamentary arithmetic, or merely by the present mood, the days of M. Mendès-France's government are numbered.

This is, however, only half of the story. The dragged-out ratification debate has also provided the government with a breather, with a short respite to consolidate and prepare a counter-offensive. When one talked to the friends and associates of M. Mendès-France earlier in December they sounded like Jeremiahs lamenting in refrain: "If he could only last till January 15th." Now this is guaranteed. The Assembly has dispersed and when it meets will be busy electing its officers. M. Mendès-France has thus about two weeks in front of him. His journey to Rome and next week's visit to Dr Adenauer will leave little time for rest and home affairs, but the key question is how long it will take the Assembly to get rid of its hangover from the European debate.

The fifteenth of the month is considered the decisive date because a government reshuffle should then take place and M. Mendès-France has promised to relinquish the Quai d'Orsay (M. Edgar Faure is expected to succeed him) and devote himself more to economic problems. The man whose original mission was to put new life into his country's stagnating economy has been almost exclusively busy with foreign affairs since he came to power. Now he is supposed to proclaim a broad economic programme. The nature and boldness of this programme will have a vital influence on his future career, whether he actually falls from power because of it or not. Had he fallen beforehand or should he fail to produce a plan both bold and concrete, his opponents would have a fairly easy task in dismissing all the "saviour" talk as bluff.

This does not mean that boldness will pay immediate dividends. The treatment begun under the previous government has produced superficial signs of recovery and the climate is not, therefore, particularly propitious for radical innovations. The government is pleased with the progress achieved up to now in agriculture, but has serious misgivings about prospects for industry. The effects of the slight relaxation of import controls should begin to be felt very soon, particularly in the textile industry. This breeze from abroad was destined to help in the task of reconversion, but the funds necessary to pay for the anaesthetic and the operation are clearly not yet available. The tiniest breeze will be hailed immediately as a storm and those affected will join in the wailing chorus together with the beet lobbies, wine growers and other vested interests. M. Mendès-France in fact inspires more panic in these circles than his actions hitherto would justify.

His enemies are mustering their forces, while M. Mendès-France cannot rely on much support in the Chamber. In reshuffling his cabinet he has little room for manoeuvre. Even the Papal blessing is unlikely to insure him much backing from the Christian Democrats. The Socialists still feel happier outside the government. The Gaullists most friendly to the prime minister were strongly opposed to unconditional ratification of the Paris agreements. Finally, many of his Radical colleagues are only waiting for the moment to join hands with his bitterest opponents.

The alignments on the home front cannot be without effect on the French government's strategy in foreign policy. The conservatives, MRP and other members of the opposition made it quite plain that they tolerate this government on sufferance, from a "European" angle, and will bring it down at the earliest opportunity. If he is to stand a chance of getting a bold economic programme through the Assembly—assuming that this is his intention—M. Mendès-France will have to regain the support of leftist Gaullists and will also need the support of all the Socialists. But these are the very people whom he had to assure throughout the debate that unconditional ratification does not spell the doom of East-West talks, but on the contrary provides the only chance of their success. To regain the confidence of people who were his earliest supporters, such as the Gaullists MM. Palewski and Soustelle, the French premier will have not only to press Washington and London for four-power talks, but to show some tangible results.

This will be the most important, though not the most immediate, task for the Quai d'Orsay. First, on January

17th, the French will press their allies to accept their version of the arms' pool agency. This was the second pledge of M. Mendès-France to the deputies and here he will be backed by most of them; by the former supporters of EDC who see in the agency the nucleus of the European idea and by the opponents of German rearmament who see in it a possible way of controlling a rearmed Germany. When bargaining with Mr Dulles or Sir Anthony Eden, M. Mendès-France has still one trump card up his sleeve. The ratification process is not yet over and he is indispensable to carry it through.

For ten days M. Mendès-France has shown himself a past master at parallel bars. He has swung skilfully between rationalism and the European idea, between "Atlantic faith" and the need to talk with the Russians soon. The exercise was not quite faultless, although he finally emerged from it unscathed. But the test is not yet over. He will now have to continue this strenuous exercise with his eyes fixed on the home scene. At the end of the historic ten-day debate a commentator remarked cynically: "He'd better think of the future and stage his exit." The electoral bill that the government has just tabled proposing to restore the prewar system of one-member constituencies (*le scrutin d'arrondissement*) is a sign that M. Mendès-France, relying on public support rather than on party machinery, does think of to-morrow.

Greenland Comes of Age

FROM OUR SCANDINAVIAN CORRESPONDENT

THIS Christmas 42,000 letters from British children addressed to "Santa Claus, Greenland," reached the Danish National Tourist Association. Replies, over Santa's signature, pointed out that "my home Greenland is—as you know—a part of Denmark." For in June, 1953, Denmark adopted a new constitution whereby, *inter alia*, the former non-self-governing territory of Greenland became (together with the Faroe Islands) an integral part of the Danish kingdom; 850,000 square miles were added to the 18,000 square miles of the mother country, so that today, technically, Denmark occupies an area nine times as great as the United Kingdom. Two Greenlanders (and two Faroese) sit in the Danish *Folketing*. The 13-man Greenland National Council, over which a Danish governor presides, has considerable local powers. Last autumn Denmark's representative at the United Nations announced that, in view of Greenland's new status, no further reports would be submitted to the Committee on information from non-self-governing territories; and in November the General Assembly passed a resolution welcoming Greenland's constitutional advancement.

The 23,000 Greenlanders, mainly of mixed Eskimo and Scandinavian blood, live in scattered communities along the narrow habitable coastal fringe of their vast and desolate country. Most of the 185 settlements—linked only by sea—are in the south-west, where a branch of the Gulf Stream provides a relatively temperate climate and ice-free harbours. Eighty-five per cent of Greenland lies beneath the ice-cap, 2,300 inhabitants, has a dial telephone system, a daily news-

paper, a radio station and a training college. Julianehaab and Egedesminde have 3,500 and 2,700 inhabitants respectively.

Greenland's political coming-of-age crowns a series of events which between them put the country on the map. During the war, both Allies and Germans set up meteorological stations in the "weather-factory of Europe." Air bases, too, were established. In 1951, the United States and Denmark concluded a treaty which gave the Americans the use, rent-free, of bases at Thule, Søndre Strømfjord and Narssarsuaq.

They established a radar network, and built supply depots and runways for jet-fighters and strategic bombers. Last November the Scandinavian Airlines System began regular commercial flights between Europe and the Pacific via Greenland.

Another event early in this century, which passed unnoticed by the outside world, revolutionised Greenland's development. For no discoverable reason the sea off Greenland's west coast began to grow warmer. Hitherto, the entire economy

had rested on hunting seal, which provided meat for food, skins for clothing and tents, blubber for light and heat, and bone for implements and utensils. The seal now retreated northwards, while cod in increasing numbers appeared. Codfishing, the new means of livelihood, demands co-operative effort, and different tools and techniques. The fisherman must sell his catch to buy the necessities of life. Greenlanders were thus obliged gradually to exchange a natural for a money economy. The Royal Greenland Trade Department, exercising a benevolent monopoly, both markets Greenland's products and controls the volume and price of imports.

Inside four decades a Stone Age culture gave place to twentieth-century technological civilisation. Concentration in larger and fewer settlements has been actively encouraged. Fish freezing and drying plants have been set up. The graceful *kayak* and *umiak* have given way to a fleet of 600 motor-boats. The shipyard at Holsteinsborg undertakes 700 repair jobs annually, and builds boats and cutters. In 1948 the world's largest shrimp and prawn beds were discovered off Disko Bay. New canneries at Christianshaab and Narssaq handle 300 tons of raw shrimps annually.

Although fifty per cent of all Greenlanders are fishermen and hunters, other sources of wealth exist. The mines at Ivigtut produce 50,000 tons of cryolite—an essential ingredient of aluminium—each year. But the mines, which are the only commercial source of cryolite and have been for long the mainstay of Greenland's economy, will one



day be worked out. There are deposits of copper, zinc, iron, wolframite, graphite and uranium, although it has not yet proved economic to work them. Twenty-five million kroner have been invested—over-optimistically, some say—in the lead mines at Mesters Vig. Oil has been struck in the west. The continued retreat of the ice-cap may eventually permit large-scale exploitation of Greenland's mineral wealth. The state-owned coal mines at Qutdligssat yield 9,000 tons of low-grade coal annually. Around Julianehaab sheepfarming prospers.

Under the Greenland Department's enlightened stewardship social and cultural progress has matched economic development. Much of the budget goes on hospitals and schools. Teaching is largely bilingual; and Greenland boasts that illiteracy has vanished. The Greenlanders, however, are peculiarly susceptible to European ailments, and tuberculosis still accounts for 39.2 per cent of deaths. Alcoholism, work-shyness and a passion for hunting remain a brake on prosperity. Greenlanders are exempt from direct taxation, but recently they astonished observers when—impatient at the pace of advance—they reversed the cry of the American colonies, demanding “no representation without taxation.” For a people with such civic sense, there is surely a promising future.

Movement on the Mekong

THE peoples of Indo-China may be tempted to relax in the fresh breeze of fiscal freedom now blowing down the broad Mekong river. That old symbol of colonial dependence, the Pau agreement of December 1950, has been torn up, bringing to an end the economic and customs union of the three Associated States with France. The bad old Indo-China piastre, inflated, discredited and the tool of black marketeers, becomes an unhappy heading in the history of the recent past, and in its place three shiny new piastres appear, one each for Vietnam, Laos and Cambodia.

But that is the picture in its brightest colours. The leaders of the three states will need to shield their eyes to avoid the dazzle of ambitions fulfilled after years of longing and four months of tough negotiations in Paris. The reality may then look slightly less appealing. Freedom from the shackles of the franc may turn sour if it means no more than a greater dependence on the dollar. Parity between the three currencies is a sane notion, but will it still be possible in the cloudy future if, say, the Laotian piastre has to lean too heavily on the Vietnamese one in order to maintain itself at an artificially high rate?

There is, however, a constructive ring about the part of the new agreement which deals with freedom of navigation on the Mekong river and with access to the port of Saigon. With a modicum of reason on either side, this may even remove the perennial Cambodian complaint that the Vietnamese take too much of the profit from Cambodian rice shipped through Saigon. It will be gratifying to Vietnamese pride, also, to receive American aid direct through the new National Bank instead of through France. Dollars, after all, are handier than the equivalent in francs.

Training for Soviet Service

ONE of the arguments used in the current drive to prune the Soviet civil service is that highly qualified people are badly needed throughout the economy. There is a particularly large demand for engineers and agronomists. It may seem paradoxical that this cry for experts grows louder now that the Soviet Union is at last mass producing its *intelligentsia* and the army of graduates is growing at an unprecedented pace. But the demand for skill in a highly expanding economy is insatiable. The extraordinary expansion of modern industry could not, and obviously cannot, be maintained without both raising the general level of education and increasing the supply of graduates.

The curve of admissions to establishments of higher education has been rising very steeply in recent years. In Tsarist Russia, on the eve of the war, there were about 112,000 students. After the ravages of revolution and civil war it was at first difficult to expand the higher branches of education, and by 1928—on the eve of the planned era—the number of students had only reached some 170,000. In the following quarter of a century, however, this figure was swollen about tenfold, and it is claimed that some 1,700,000 people now attend Soviet universities and other higher institutes (though those studying by correspondence are also included in the figure). This year 230,000 students graduated and 400,000 newcomers were enrolled.

The total number of graduates, taking into account war-time losses, may be estimated at 2.7 million or about 1.3 per cent of the population. The bulk are the product of the Soviet regime and indeed some 60 per cent finished their studies after the last war. Another very interesting feature is the very high percentage of women—about two-fifths of the total. The distribution of graduates according to their speciality can only be established in broad groupings and rather rough terms. Technicians, engineers, physicists and chemists account for about 6-700,000. Teachers follow close behind, and there are 300,000 doctors in Russia.

Experts for Export

These figures are certainly impressive and they explain why Russia, which once was so dependent on foreign skill, can now in turn export specialists to the satellites and particularly to China. Obviously there is no surplus of technicians and experts are still scarce, but a few thousands more or less have only a marginal importance. Indeed, American analysts are now worried lest Soviet Russia should outstrip the United States in the mass output of highly skilled technicians. But the Russians themselves attack their system of higher education as inadequate.

Criticisms are twofold. The system is attacked both for not producing enough people and for not producing them in the right proportions. The former criticism is, above all, the result of the insatiable demand. At first it was only possible to cover the whole country with 4-year schools (for children from 7 to 11 years); 7-year schools then spread throughout the country, but only two years ago did the system extend to the whole child population. It is claimed, however, that next year 10-year education will be compulsory in all big towns; by 1960 it should become

A. V. ROE CANADA LIMITED

MEMBER OF THE HAWKER SIDDELEY GROUP

announces the formation of

AVRO AIRCRAFT LIMITED

ORENDA ENGINES LIMITED

and the acquisition of

CANADIAN STEEL IMPROVEMENT LIMITED

A. V. Roe Canada Limited, leading Commonwealth member of Britain's Hawker Siddeley Group, this week enters its tenth year of operation and announces a major move in its steady advance as Canada's largest aviation enterprise... on January 2nd, 1955, A. V. Roe Canada Ltd. will become the parent company of a three-company group through the incorporation of its Aircraft Division as AVRO AIRCRAFT LIMITED, its Gas Turbine Division as ORENDA ENGINES LIMITED and through the acquisition of CANADIAN

STEEL IMPROVEMENT LIMITED. Thus, A. V. Roe Canada Ltd., a subsidiary of Hawker Siddeley Group becomes a parallel Group Canadian operation with headquarters at Malton, near Toronto. Each company will be operationally independent of the other... will have the greatest possible scope for industrial growth... will develop its own products and customers, whilst enjoying the benefits of the management and financial strength of the Group as a whole.

AVRO AIRCRAFT LIMITED

On its emergence as a separate corporate entity, Avro Aircraft rededicates itself to the maintenance of its pre-eminence in Canada through its past and current design and production achievements and through the promise of greater things to come. In fulfilling its role, the new company will direct the efforts of some 10,000 skilled designers, engineers, technicians and production workers in maintaining the flow of CF-100 all-weather fighters... in helping the R.C.A.F. “keep ‘em flying” through trained service representatives in the field, and modern repair and overhaul facilities at Malton... and most important, by ensuring through constant and unremitting research, design and development by its engineering staff, that the aeronautical needs of the future are successfully met. With management and policy unchanged, Avro Aircraft will continue to discharge its high responsibility as one of the main industrial arms of the R.C.A.F. and through present and future projects build and reinforce Canada's air defence.

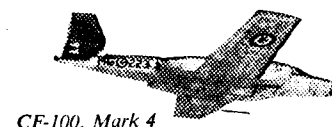
CANADIAN STEEL IMPROVEMENT LIMITED

Established in 1951 to supply jet engine blades—probably the most exacting shape ever forged in Canada—Canadian Steel Improvement Limited occupies a unique place in Canadian industry. Since its formation, C.S.I. has produced millions of jet engine blades and other precision forgings for the aircraft industry and at the same time has expanded into other fields until today it offers a complete forging service of the highest standard for the fabrication of components in steel, high temperature alloys, aluminium, titanium, and other non-ferrous alloys. C.S.I.'s work force of 400 includes expert metallurgists, die designers and skilled craftsmen and, in step with Canadian industrial growth, will have additional facilities available next year. These will include an increased range of forging equipment to undertake the largest forgings in the aircraft industry, thereby bringing C.S.I. closer to its goal of a complete forging and casting service.

ORENDA ENGINES LIMITED

Orenda Engines begins its corporate life with an established record of engineering and production achievement, with management and policies unchanged and with the same goal... leadership in the field of aerial propulsion. From Orenda's design, development and production departments came the first all-Canadian jet engine to power the CF-100 and F-86 Sabres V and VI. Through constant development, the various series of the Orenda, now at 11 and 14, have increased in power and reliability. In addition to the present extensive design, engineering and experimental offices and laboratories at Malton and a full scale test plant at Nobel, Ontario, expanded research facilities are now under construction to deal with the increasingly complex requirements of the future. The 6,000 people in the Orenda family are dedicated to designing, manufacturing, maintaining and servicing modern jet engines and other forms of aero power and to the building of a sound aircraft industry for the defence and development of Canada.

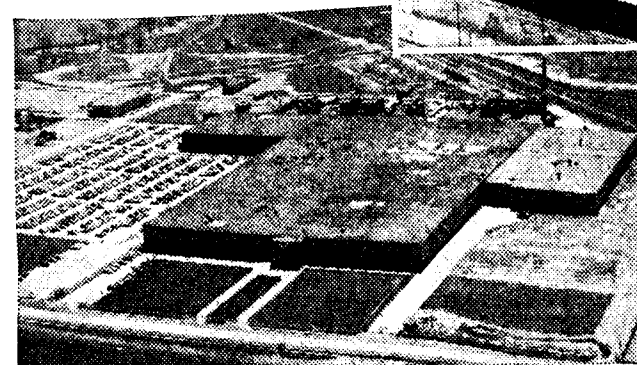
C.S.I.'s current production facilities in Etobicoke will be tripled in 1955 to meet forging and casting demands.



CF-100, Mark 4



Orenda-Series II



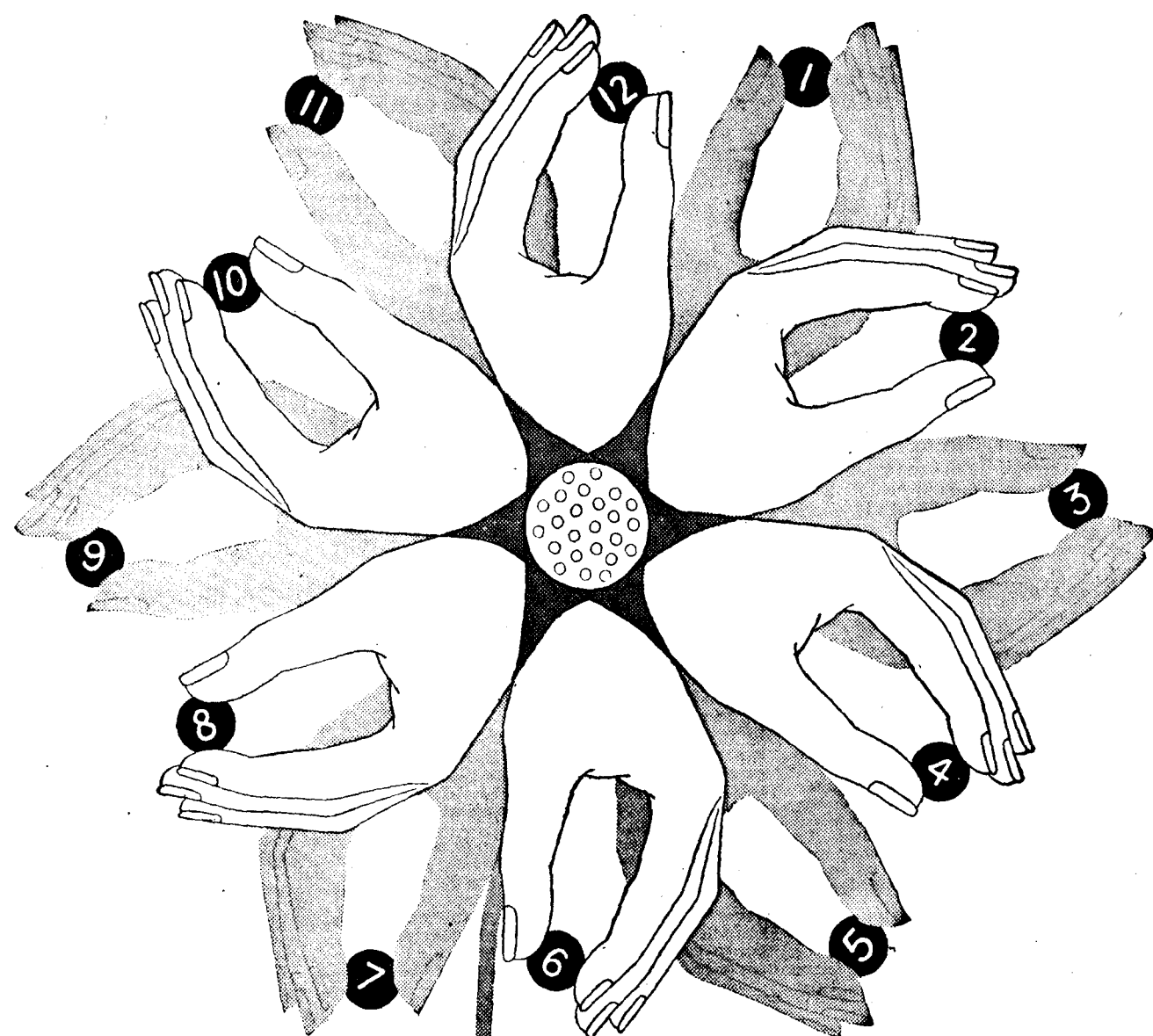
Orenda Engines' 30-acre plant, power house and test cells produce Orendas for CF-100's and Sabre V's and VI's.



Avro Aircraft's multi-plant operation at Malton produces Mark 4, CF-100's for the R.C.A.F.

A. V. ROE CANADA LIMITED
MALTON, ONTARIO

“DEDICATED TO CANADA'S JETPOWERED LEADERSHIP IN THE AIR”



Resourcefulness

Originality must always lie in an ability to blossom forth. If you look at the Crompton Parkinson organisation you will find that we have done exactly that thing. From the small bud that was Colonel Crompton's original Company 75 years ago have sprung today twelve outstanding petals—each a department that is

in bloom . . .

representative of the important things in electrical equipment and installation.

Like all blooms, the Crompton bloom will vary in form with the years, but it will continue to win the top prizes in the electricity show. It is an essential part in the world's industrial garden.

It is something that should be button-holed whenever you are considering how to use electrical power to its best advantage.

When it comes to electrical equipment . . .

you've got to hand it to

Crompton Parkinson
LIMITED



- | | | |
|---------------------------------|------------------------|-----------------------|
| 1 ELECTRIC MOTORS OF ALL KINDS. | 7 INSTRUMENTS. | 8 LAMPS. |
| 2 ALTERNATORS. | 3 GENERATORS. | 9 LIGHTING EQUIPMENT. |
| 4 SWITCHGEAR. | 5 B.E.T. TRANSFORMERS. | 6 CABLES. |
| 11 STUD WELDING EQUIPMENT. | 12 TRACTION EQUIPMENT. | |

CROMPTON PARKINSON LTD., CROMPTON HOUSE, ALDWYCH, LONDON, W.C.2. TEL: CHANCERY 3333

universal. The completion of ten years at school qualifies one for higher education, but even now there is not enough room in universities for all those who are knocking at the door; this year more than half could not be admitted.

The wrong proportions of graduates are the result of the changing structure of the economy. In the first phase doctors and teachers were needed above all. Now the shortage of industrial and agricultural specialists is most acute. Although it will not be possible to find room for all those with "matric," the number of establishments of higher education—now 900—will have to be increased; it has been estimated that over 1.5 million should graduate during the next five-year plan or substantially more than during the whole prewar period. In this expansion emphasis will have to be put on schools for engineers and agronomists. One measure designed to kill two birds with one stone has already been devised; boys completing their ten-year course will be directed to technical schools for practical training not quite up to university standard.

This should reinforce the tendency towards specialisation. On the other hand, at the university level it is now intended to broaden and diversify the programme. Narrow specialisation was an economic necessity; but Stalin's successors apparently consider that Russia can and must go beyond it for its highest cadres. Views on the standard of Soviet colleges vary greatly, though it is generally agreed that much progress has been made with technical education. In the Soviet Union, as elsewhere, there are big differences between the great universities—particularly Moscow—and the provincial colleges.

Soviet universities have also suffered from the handicaps of Stalinism. Though the "élite" was always allowed a better glance at the truth than the "masses," it was also hedged in by totems and taboos. Art students in particular had much rubbish thrown into their curricula, but science students, too, were handicapped by Stalinist narrow-mindedness. Thus, it was recently admitted that the study of Einstein's theories had been neglected because of official disapproval of the philosophical implications of his work; the admission, however, was coupled with an attack on this state of affairs.

What will be the effect of this "liberalisation" now that an ever-growing mass of people get the chance of higher education? The position of this qualified intelligentsia presents yet another paradox: it is both the mainstay of the regime and the most likely material for discontent. These managers are the favourite children of the regime and are naturally keen to stick to their privileges. But they dream not only of greater security but of more freedom, too. Its manner of dealing with these contradictory forces will have an important influence on the political shape of the regime.

COMMODITY REPORTS

Special and regular reports on the supply and demand position and on the price and market prospects for most commodities can be prepared for individual clients by our Commodities Department. Scope, length, frequency and cost are determined by clients' needs.

Further information from:

The Economist Intelligence Unit
22 Ryder Street, London, S.W.1.
WHitehall 1511, Extension 12.

NOTES FROM AUSTRALIA

(The following notes have been written by our special correspondent recently in Australia)

Bankers at Odds

A LIVELY argument has broken out among the bankers in Sydney. Rumblings against the policy of the Commonwealth Bank have been known before, but rarely so forcibly expressed as they were by Sir Colin Sinclair in his recent address to the shareholders of the Bank of New South Wales. Sir Colin showed no disposition to accept unchallenged the policy laid down by the central bank, and the banking trends of the past nine months explain the forthright character of his remarks. In March last year, the total deposits of the eight main trading banks stood at £A1,526 million; by October they had fallen to £A1,459 million. But advances rose during the same period from £736 million to £864 million, with the result that by October the liquid assets of the trading banks had shrunk to 19 per cent of total deposits, compared with more than 26 per cent in March; the liquidity ratio of the private trading banks (excluding, that is, the Commonwealth Trading Bank, which is under the closer control of the central bank) fell below 17 per cent in October.

Thus the banking system has been financing a rising volume of advances during a period in which deposits have been falling (though October showed some increase). The banks criticise the Commonwealth Bank's policy on two grounds. First, they declare, it is asking too much of them to maintain a 25 per cent liquidity ratio; in any event they have disregarded the Commonwealth Bank's advice, tendered last August, to work broadly to that figure. Secondly, the banks point out that the equivalent of 21 per cent of their deposits is locked up in the special accounts kept by the Commonwealth Bank. "It appears," declared Sir Colin Sinclair, "only too evident that the central bank bases its theories on an experience which may not be entirely appropriate to dynamic conditions." But given the manifest expansion of credit that has taken place in Australia during 1954, and the equally manifest expectation that Australia's balance of payments deficit will exert a progressive deflationary force on the banking system, the task of central bank control is bound to be one of considerable delicacy. It has proclaimed its general objective: "to ensure that the banking system has sufficient, but not more than sufficient, funds to meet the needs of a steadily expanding economy." These are hardly the words of ardent deflationists.

★ ★ ★

Uranium in the North

RUM JUNGLE is one of the world's romantic names. What has been done there in two years is a romance in its own right. In fact, twenty and a half months elapsed from the moment when Territory Enterprises Proprietary Ltd. (an offshoot of Zinc Corporation) were given the signal to start before the first batch of uranium oxide emerged from the concentrator. Rum Jungle is 13 degrees south of the Equator, hot and humid; it is 70 miles from Darwin, which itself is 2,000 miles from any Australian city; and it is the only mine anywhere in the tropics exclusively staffed by white workers. There are about 400 of them, housed and

fed at the nearby township of Batchelor with a good deal less hardship than sometimes has to be endured in Australia's city hotels. The amenities are highly civilised; the kitchens and mess glisten with stainless steel; there are two churches and a school with sixty children; a swimming pool and hospital. The hardships of mining can, it seems, be overrated.

Uranium comes under the heading of imperative necessity, rather than economic argument. It may be that the by-products will in the end prove to be at least as important as the mustard-like powder that begins the march towards atomic fission. On the Rand, uranium is the by-product of gold-mining; in the Northern Territory, the copper, lead, zinc and cobalt found in association with uranium may eventually provide a full economic return for what must inevitably be a high capital investment. A hundred miles to the south-east, along the Alligator River, is a further area of active exploring interest, in part of which North Australian Uranium Corporation is being partnered by Rio Tinto.

These companies, and a dozen others, are at work in a belt stretching south-east from Darwin for two hundred miles—a tiny corner of the Northern Territory and a speck completely lost in Australia's total vastness. The costs are high. At Rum Jungle, ordinary grades of labour can earn £21 by working 48 hours a week, and they pay only £2 15s. for their quarters and food. The Commonwealth Government provides generous tax concessions to the companies. But uranium may be only the trigger to future development. Basing itself on postwar research work, the Department of Territories sees the possibility of doubling the pastoral capacity of the Territory and eventually, perhaps, of putting two million acres under rice. There can be no mistake about the courage of such hopes; the Territory contains no more than 17,000 people, of whom more than half live in Darwin. Men and millions will be needed.

* * *

Newcastle Outstripped

AUSTRALIA produces the cheapest steel in the world, but that fact has not saved Broken Hill Proprietary from a good deal of public criticism because steel is short. The more extreme critics declare that BHP has not kept pace with the natural expansion of demand for steel products; and it may be true that the company has underestimated the growth of the steel using industries. No doubt, too, it is more appreciative than it was of the need to explain its intentions and programmes to the Australian public. In steel, development is bound to proceed by jumps; and a further jump forward is now being undertaken at Port Kembla, about 50 miles south of Sydney, where the company is installing a hot strip mill, with an ultimate capacity approaching a million tons a year.

Except in abnormal conditions, Australia's ability to export steel is virtually ruled out by the cost of freight. Steel plans, therefore, must be based on future projections of domestic demand. The completed section of the new mill is turning out plates sufficient to meet the home demand, and it cannot be very consoling to those who have brought it into production that recently 35,000 tons of plates were stacked and awaiting shipping, which is scarce and costly. The full potentialities of the new mill will not be realised until extensions to the existing steel plant (raising ingot pro-

duction from 1.2 million tons to 1.6 million tons) and a second iron and steel works with a new harbour are completed—when the total capacity at Port Kembla should reach 2½ million ingot tons.

The general policy of the BHP company is to leave finishing processes to other companies. There is already one exception at Port Kembla—a spun iron pipe works—and there are proposals for a tinplate works which might be ready perhaps by 1957. Close to the plant are the galvanised sheet works of John Lysaght (Australia), where a continuous pickling and rolling plant is being installed to take hot strip from the BHP mill in the middle of this year; on the other side of the plant, Commonwealth Rolling Mills are completing a cold rolling mill for deep drawn sheet to be used for car bodies which should reach out for 100,000 tons of output a year. These major plants, now well advanced towards completion, have pushed Port Kembla ahead of Newcastle, the steel town to the north. They also mean that projected steel developments in South Australia have had to be delayed; but no doubt Whyalla's turn will come.

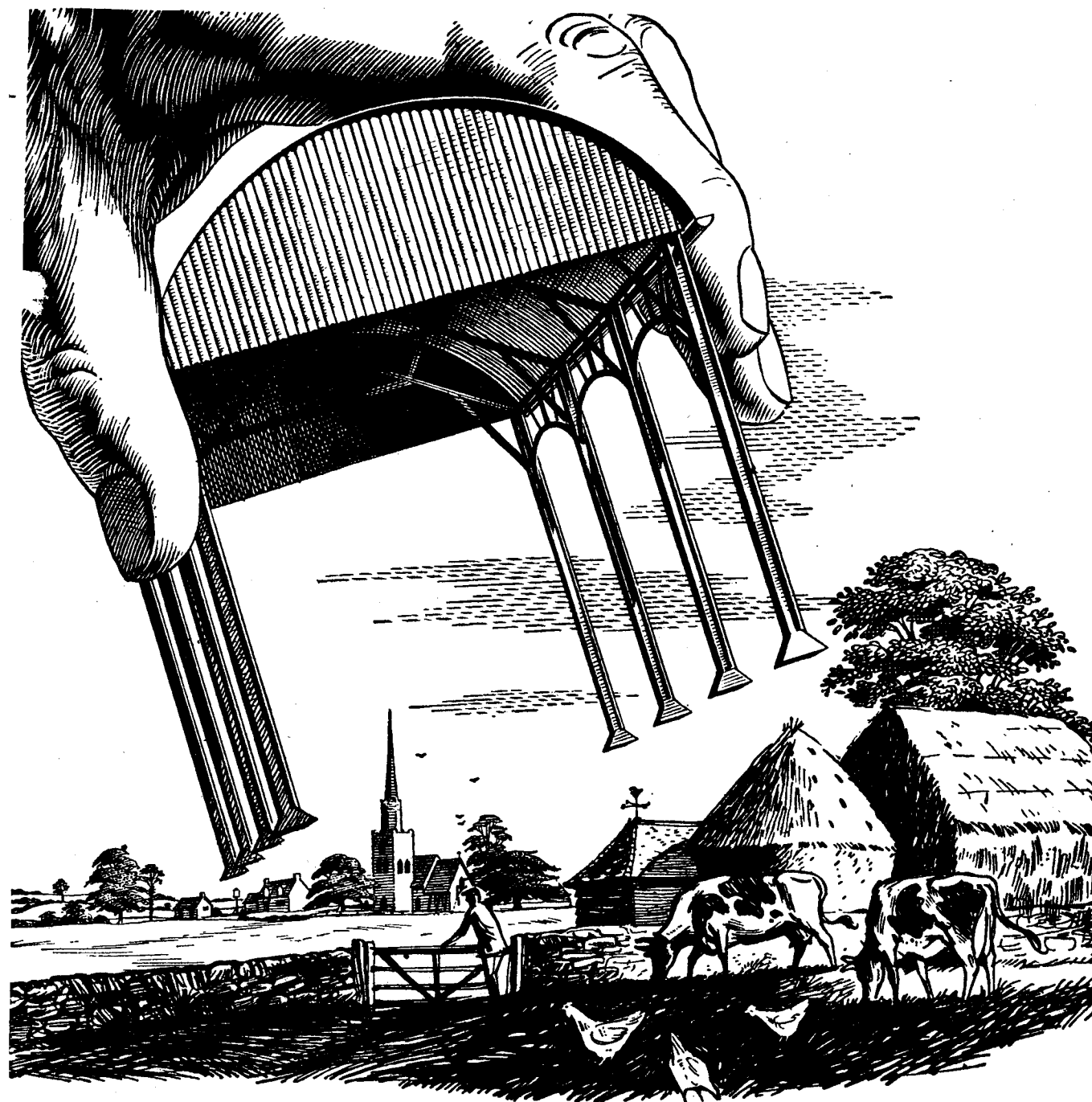
* * *

£65,000 for Contented Cows

AT Camden, about 60 miles west of Sydney, motor coaches unload their passengers to see a slightly surrealist installation called a "Rotolactor." There is only one other similar machine in the world, in the United States; this is an all-Australian creation, which began working in 1952 after £65,000 had been spent on it. Members of the Macarthur-Onslow family, who installed the machine on their Camden Park Estate, do not claim that it is yet working at a profit. But that is a matter of capacity and throughput; the aim is to milk 2,500 cows twice daily at the Rotolactor, and at present the numbers are well below that level.

The name explains the principle, but it cannot convey much sense of the ingenious design of the plant. The cows walk from the paddock up a ramp into the circular building, getting a wash on the way. Inside its glass walls is a circular platform, which makes one rotation in ten minutes. This platform has fifty milking bails, and as the cows make their gentle revolution they are milked and fed automatically, and contentedly walk down a spiral ramp under the platform and out again into the paddock. Stainless steel abounds, and the milk is chilled to 35 degrees in a couple of minutes. Outside, the cows are given a green feed, cut and carried to the feeding racks; this and the concentrates provide the whole of their food, for they are not grazed. The concentrates are made at another estate to the west, and consist principally of dried lucerne yielding 18 per cent protein. If British milk producers are tempted to make the same experiment, they should bear in mind that the beneficent climate makes it possible to operate the Templewood drier throughout the 24 hours of the day for nine months of the year.

All the cows are, of course, de-horned, and all are bred by artificial insemination. The present aim is to increase their numbers and improve their yield per lactation by introducing Friesian blood. A venture of this kind involves large capital resources and much patience. At Camden there seems no lack of either, and a project that must have begun as something of a rich man's hobby may eventually prove a most satisfactory business proposition.



What's in a barn

Or a milk churn. A tractor, or a harvester. In all of them you'll find steel sheet. And that should not be surprising. For more things than you may realise are made of steel sheet or by steel sheet.

Who makes this steel sheet? In Britain one firm is prominent — John Summers. This firm makes steel

sheet by the mile. The works at Shotton have doubled in size since 1939—and go on growing. Production will soon exceed a million ingot tons annually.

John Summers is 100 years old. It is a firm with a fine family tradition; and with a future that is bright and full of opportunity.

John Summers & Sons Ltd.

THE STEEL SHEET MAKERS
SHOTTON, CHESTER



to
designers
for
industry

Industrial Designers and Managers of Design Departments may like to know that in the B.I.P. Group there is a department that can be considered complementary to their own organisation. In the development of a new product or the modernisation of a well-tried one, the thought may arise at some stage "Can plastics help us here?" This is the point at which it is a good idea to consult our Product and Mould Design Service. Staffed with technicians and draughtsmen who are specialists in all sides of plastics and plastics moulding, it is in a strong position to help in a practical and unbiased way.



The most comprehensive service in plastics

BEETLE UREA AND MELAMINE MOULDING POWDERS · BEETLE POLYESTER RESINS · BEETLE RESINS FOR THE PAPER, PAINT, TEXTILE, WOODWORKING AND FOUNDRY INDUSTRIES · MOULDING TOOLS AND PRESSES
BRITISH INDUSTRIAL PLASTICS LTD., 1 Argyll Street, London, W.1

THE BUSINESS WORLD

Towards Flexible Money

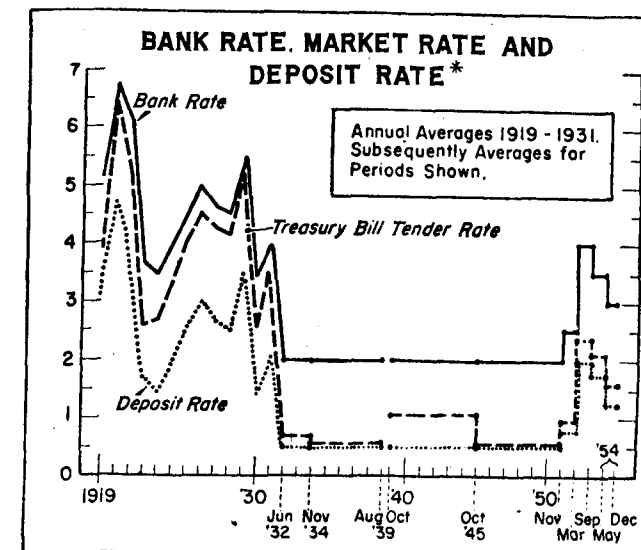
DURING the past few weeks the process begun in 1951 of restoring the monetary regulators that are vital for the health of a free economy has entered a new and significant phase. The effectiveness of the regulators depends not only upon the degree of skill and judgment shown by the monetary authorities themselves, but also upon the sensitiveness and freedom of the monetary and banking mechanism. By far the most important part of that mechanism is the money market. This is the central point upon which cash deficiencies or surpluses arising anywhere within the banking system are quickly concentrated, and towards which, therefore, the authorities' own operations in supplying or withdrawing marginal amounts of cash are directed. In particular, it is through this mechanism for short-term credits that the major regulator, Bank rate, exerts its effect, since Bank rate is the rate charged by the Bank of England to members of the money market when it lends to them (for not less than seven days) as lender of last resort. If the money market is free and flexible, it will faithfully reflect the sum of all the credit influences playing upon the economy, and will respond quickly and sensitively to any actions upon it by the authorities. A free market mechanism will set corrective

forces in motion automatically, because money rates will rise, and a restraining influence will ripple outwards in ever-widening circles.

At first glance, the experience of the past few weeks implies that the monetary apparatus has indeed been functioning in this sensitive and flexible way. The key "market" rate is the allotment rate for Treasury bills offered at the weekly tenders, and this rate has risen on six of the seven Fridays since mid-November, carrying it from nearly 1 19/32 per cent to about 1 7/8 per cent. This rise has been provoked by the sustained weakness of sterling, by the growing indications that the economy is at full stretch and by the consequent fears that the monetary authorities may apply the brake of a higher Bank rate. The money market, responding in the

classical fashion for the first time since prewar days (if not for the first time since 1931), has already applied the subsidiary brake of a rising discount rate.

The assertion that flexible money has shown marked signs of revival does not, however, rest only on this rise in bill rates. Nor is that rise proof that a sufficient flexibility already exists, but the manner in which it has occurred and the tendencies springing from it show that the move towards flexibility has gathered much strength



* "Market rate" is rate for three months' fine bank bills for the years 1919-21, and thereafter is the weekly average allotment rate for Treasury bills offered at the tenders. "Deposit rate" is London Deposit Rate for the prewar period and Banker's Deposit rate (applicable, as a maximum, to all deposit accounts) for the postwar period.

in recent months. Throughout the three years that have passed since the authorities made their first cautious increase in the long-stabilised Bank rate, the biggest obstacle to the full revival of sensitive monetary regulators has been the rigid techniques and habits of thinking that grew up in the commercial banking system during the years when the Bank rate instrument was set aside and the monetary authorities virtually abdicated from their traditional role as controller of the volume of money. Their policy then of pegging money rates at arbitrarily low levels and of releasing whatever volume of central bank credit was needed to support the pegs, crystallised into rigid shape rate agreements that already existed among the commercial banks and market and stimulated the development of new arrangements of the same kind. Some of these arrangements, notably that governing the rates at which the banks bought Treasury bills from the market, were dropped after the first rise in Bank rate, and some others became more flexible some time ago. But some arbitrary or unnatural relationships between the different categories of rates remain.

★

Especially since the reduction of Bank rate to 3 per cent last May, the banks have been paying increasing attention to the question of what relationships are "appropriate" between the principal money rates—the Treasury bill rate, the rates charged by the banks for short loans to the market and allowed by them on ordinary deposit accounts—and the relationship of each of these rates to Bank rate. These discussions have not been prompted by the desire to promote flexibility as such, but rather by a recognition that the particular pattern of rates established when monetary policy was inert could scarcely be expected to be appropriate, or even sustainable, under conditions of positive policy and a variable Bank rate. The natural approach to this question was to consider how present techniques and patterns differ from when flexible money prevailed.

Three major differences at once become apparent. In the first place, the margin between the Treasury bill rate and Bank rate is very much wider than it used to be. Secondly, the minimum rates at which the clearing banks, by agreement among themselves, will lend to the money market are likewise much further below Bank rate than was traditional; and in most cases the agreed rates, though technically minimum rates, are applied automatically to a high proportion of the money lent, so that only a fraction is subject to variable rates according to conditions in the market. Thirdly, the rate allowed by the banks on customers' deposit balances is closer to Bank rate than in the nineteen-twenties (the last phase of flexible money), and is identical with the lowest of the short loan minima (the rate for short money secured by Treasury bills).

These differences have recently been examined in

detail in a series of articles in *The Banker**; their extent can be readily indicated by some averages abstracted from those articles. Until the recent rise in the Treasury bill rate, its average margin below Bank rate was nearly $1\frac{1}{2}$ per cent, actually a wider margin than obtained when rates were pegged at abnormally low rates, and one three times as wide as the average for each of the periods 1923-31 and 1898-1913. In those former periods of flexible money, the margin was generally much less than $\frac{1}{2}$ per cent, except at times of trade depression or when rates were falling; and on several occasions the average through a six-months' period was no more than $\frac{3}{16}$ per cent. Now, even after the recent rise in the Treasury bill rate, the margin is still fully $1\frac{1}{8}$ per cent. Similarly, the spread between Bank rate and the clearing banks' minimum short loan rate (for loans against Treasury bills) is now $1\frac{3}{4}$ per cent, whereas the traditional spread—dating from the inception of the agreed minimum in 1921—was 1 per cent. On the other hand, whereas in the period 1921-31 the London Deposit Rate was 2 per cent below Bank rate, now the deposit rate (applicable, as a maximum, to all deposit balances) is $1\frac{1}{4}$ per cent below it. For the first time under conditions of a variable Bank rate, the bankers find themselves without any margin between the minimum rate they charge for short loans to the market and the maximum rate they allow on deposit accounts. It is this circumstance, in particular, that has led the bankers to explore the possibility of moving towards a new structure of rates.

★

When considering what changes are desirable, it would certainly be wrong to assume that they should necessarily attempt simply to reproduce the patterns of the past; but there is no doubt that they ought to move in that direction. In principle, each of the major divergences reflects a survival of habits and relationships arbitrarily established to meet quite special needs that are no longer present. The equality of the short-loan minimum and the deposit rate first occurred during the highly abnormal conditions of prewar cheap money; it did not obtain during the war, and is a survival of the *force majeure* of ultra-cheap money. Similarly, the abnormally wide spread between these two rates (and the Treasury bill rate) on the one hand and Bank rate on the other is partly a survival from postwar inflation and partly a reflection of the anxiety of the authorities to avoid any unduly abrupt rise in the cost of Treasury borrowings when they first moved towards flexibility. All but one of the special techniques introduced for this purpose have, however, now been abandoned. The one remaining technical justification for a wider margin between Bank rate and other rates now is that the Bank's lendings "at last resort" are charged at Bank rate, whereas

* "What Pattern for Money Rates?" and "Flexible Money and Full Employment," in the issues of September, October and November, 1954.

formerly they were charged at $\frac{1}{2}$ per cent over Bank rate. But this difference does not justify such wide margins as now obtain.

If the money mechanism is to be flexible, sensitive and efficient, there must be no technical impediment to the rise in market rates towards Bank rate, and normally they should stand much closer to it than they do now. At present, the habit of the clearing banks of fixing their short-loan minimum far below Bank rate, and then of lending the greater part of their short money more or less automatically at this agreed rate, keeps other rates also far below Bank rate. And when, as in these past few weeks, the Treasury bill rate rises noticeably above its equilibrium relationship to the banks' basic short-loan rate, technical anomalies and stresses are immediately set up. Moreover, if rates normally remain far out of touch with Bank rate and are primarily influenced by the agreed minima of the banks, the power of the authorities to make fine adjustments may be impaired. Indeed, during most of these past three years of transition, official market operations to supply credit deficiencies have given no independent lead on rates (except by a change in Bank

rate), and have therefore tended to consolidate a rate pattern that is moulded largely upon the rate agreements of the banks.

It is much to be hoped that the changes in the banks' practice, when they come, will deliberately provide for greater flexibility and will not consist only of adjustments in the relationship of the agreed rates. To produce a market rate-system normally operating closer to Bank rate, it is necessary that a spread should be opened up again between the deposit rate and the short money rate, and it is important that a substantial proportion of the short money should enter a genuinely competitive market. If a more mobile short-loan market imposes stresses upon deposit account balances, the banks should consider whether greater flexibility cannot be permitted for the deposit rate too. So far as can be seen at present, both the drift of opinion and the tendencies in the market are in this general direction. But full flexibility is still far away. Even if all the changes mooted in recent discussions were to mature, there would still remain one difficult issue—the future of the system of "syndicated" tenders for Treasury bills.

The Wheat Argument

ARGUMENT about the International Wheat Agreement will soon shift to wider ground. The present agreement expires on July 31, 1956, and before the end of 1955 all interested governments, members of the agreement and others, will be invited to negotiate its renewal. To set the stage for those negotiations, the International Wheat Council has published a full survey* containing both a re-statement of the faith for the enlightened, and an appeal to the wayward to see the light. That appeal does not rest solely on the dangers of the present massive surplus of wheat; the council has wisely gone back to first principles.

Wheat is an unstable commodity. Its history is full of sharp fluctuations in production, prices and trade. Fluctuations in output have been caused mainly by good or bad weather, and by the farmers' fairly rapid response to high prices coupled with tardy response to low prices. Normally, large crops brought low prices, but low prices did not quickly bring small crops. Nor do low prices stimulate demand to any appreciable extent. The main consuming countries do not eat more bread when wheat is cheap. The Asian countries will consume more if wheat is cheaper than rice—as it is today—and more wheat will be fed to animals, but those outlets are limited. Hence a surplus of wheat is not quickly self-correcting.

* The World Wheat Situation and the International Wheat Agreement. The International Wheat Council, 32, Queen Anne's Gate, London, S.W.1.

Since wheat is a major world crop, and a major item in world trade, the council argues that stability is in the common interest of both the exporting and the importing countries. That is its case—a strong one—for bringing a measure of stability into the world wheat trade. The council cannot resist pressing its argument home by pointing out that the present surplus of wheat is even larger than that of 1929, and recalling the collapse in prices and the depression that followed in the 1930s. But there the council is on weaker ground, for in fairness it has to recognise that the world and the wheat trade have changed so much that the spectre of the 'thirties is not looming today. The wheat market is no longer crowded with farmers hungry for a sale at almost any price. In the four major exporting countries—Canada, the United States, Argentina and Australia—their place has been taken by official agencies that fix their own prices and are able to carry large stocks. The balance of power in the market has swung in the producers' favour, and is maintained by governments that are determined to support their own wheat producers.

Those forms of support are extended internationally by the wheat agreement; in particular by the undertaking of the importing members to buy minimum quantities if called upon to do so when the price is at the IWA minimum, now \$1.55 a bushel for No. 1 Manitoba wheat. Could that undertaking prevent a collapse in price? The council doubts whether it can—under the present agreement. In the first agreement

the guaranteed quantities represented more than half the total world trade in wheat. In the present agreement, mainly because Britain is not a member, the proportion has dropped to less than half, and the IWA minimum is therefore a less effective prop for world wheat prices.

After setting aside the potential guaranteed outlet for wheat under the agreement, the council finds that the remaining supply in all exporting countries this season amounts to about 30 million tons, twice as much as the potential demand outside the agreement. "All-out competition for the non-IWA market," the council states, "would obviously put great pressure on wheat prices outside the agreement, and could hardly fail to force the non-IWA price below, and perhaps far below, the IWA minimum. . . ." That is true, though not everyone will share the council's sympathy for the plight of the monopoly exporter who has to hold up his price. And is all-out competition among exporters likely? It did not develop in 1954, when there was a record surplus.

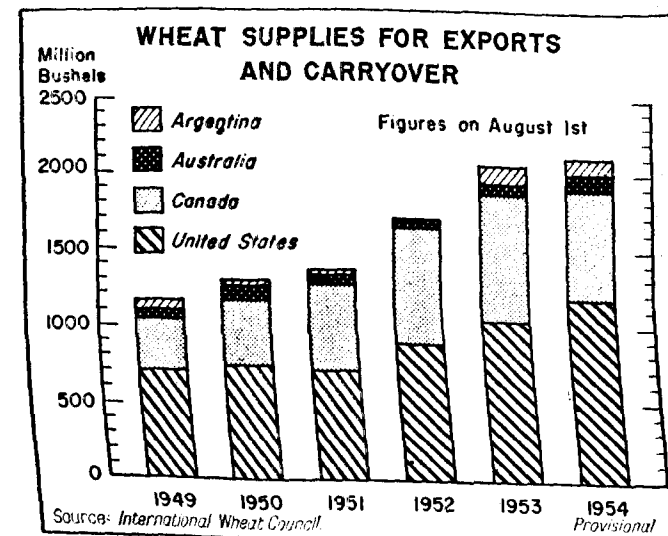
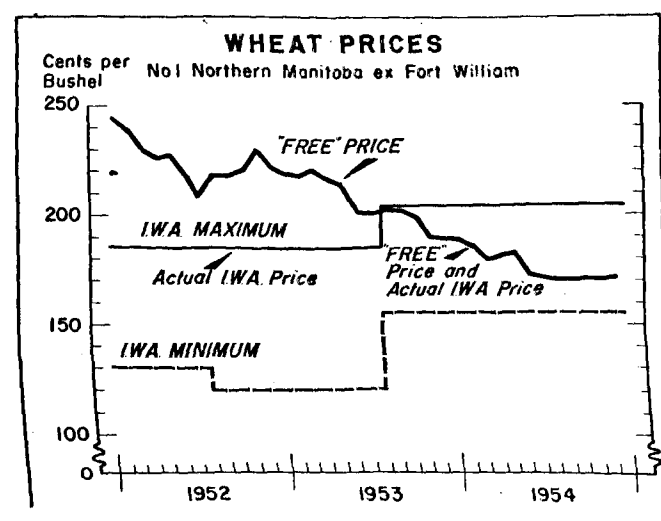
★

Is there, then, any need for a wheat agreement? If the case for price stability is conceded, the answer must be Yes. One reason is Nature. Largely owing to bad weather, this season's crops were significantly smaller than in 1953-54; as a result, the carry-over into next season will at least be no larger than before. Had Nature not intervened, no one can be certain that the exporting countries would not have panicked. Another reason is that stability cuts both ways. The function of the agreement is not only to provide the exporters with the assurance of sales at the floor price; it is also to provide the importers with the assurance of supplies at the maximum price, now \$2.05 a bushel. That protection may be unnecessary now, but it could again be valuable if there were another bout of poor harvests.

To some importers, the disadvantage of an agreement covering a larger share of world trade may seem to be that it would strengthen the ability of the exporters not

only to hold the price at the minimum, but to hold it well above the minimum. Even in this season, prices of hard wheats have not reached the minimum, and it may be doubted whether they would have fallen as far as they did if Britain had been a member of the agreement. The fear that prices might tend to "stick" in the upper part of the range may increase the pressure from importers for a lower maximum price.

There seems little need for any radical changes in the agreement, but if its principles are not to be mocked in practice, its members must recognise that their responsibilities do not stop at the agreement. International co-operation, as the council states, was assumed to extend to domestic wheat policies too, though it tactfully forbears to press that point. The United States is now trying to bring production down to more reasonable levels, but the attempt has come late in the day. The high American support price, which has encouraged wheat production in America and the rest of the world, bears much of the blame for the present world surplus. Even Canada, which is apt to feel somewhat holier than the United States, might consider whether it is sufficient to exercise only a remote control over acreage through its initial payments to the farmer. And it is high time that the importing countries studied whether it is in their real—as opposed to their political—interests to encourage a high level of wheat production at guaranteed prices as high, and frequently much higher, than the American support price. The events of the past year may have improved the agreement's prospects of survival. The exporters have had a fright, and may be more willing to compromise on price to obtain the renewal of the agreement; the United States, for example, is less likely now to look on a high ceiling price mainly as a means of minimising the subsidy it pays on its exports of wheat. And as the council recalls, the refusal of Britain to join the present agreement was wholly a matter of the ceiling price; Britain expressed its support of the agreement in principle, and there is no evidence that its attitude has since changed.



Business Notes

Markets Unworried

MARKETS ended 1954 in an advance. The *Financial Times* industrial index finished at 184.0, a higher point than it had touched before but not since. It happened that the lowest point of the year was January 1st (how high the index then looked at 131.1) and that the highest point was December 31st (how cheap industrials looked to some after they had shown that they could rise just over 40 per cent in a year). Prices marched on again as 1955 opened, gently at first under the threat of a railway strike, but when the new account began on Wednesday and fresh hopes of a railway settlement sprang up, the movement gathered momentum. The industrial index leaped forward to 186.6 on Wednesday as though investors were counting

	Price Jan. 1, 1954*	Price Dec. 31, 1954	Percentage* change
2½% Consols	64½	66	+ 2.3
Transport 3% 1978-88	84½	87½	+ 3.6
Savings 3% 1965-75	89½	94	+ 5.0
I.C.I.	54/-	42/-	+ 55.6
Unilever	58/6	80/6xd	+ 72.0
Brit. Petroleum	8 7/8	4 1/2	+ 144.4
Shell	4 3/4	5 3/4xd	+ 45.9
English Electric	39/9	55/-	+ 38.4
Hawker Siddeley	48/-xd	45/9xd	+ 90.6
Rolls-Royce	69/4½	78/9	+ 70.3
British Motor	6/6	10/6	+ 61.5
Turner & Newall	70/9xd	103/6xd	+ 46.3
Vickers	48/1½	39/6	+ 64.2
<i>Financial Times</i> ind. index	131.1	184.0	+ 40.4
United Steel	24/10½	29/-	+ 16.6
Br. Amer. Tobacco	41/9	47/-	+ 12.6
Meux Brewery	45/-	46/3	+ 2.8
Tetley (Joshua)	52/6	39/4½	+ 12.5
London Tin	5/3	6/9½	+ 29.8
London Asiatic Rubber	2/-	2/6½	+ 28.1
Union Corporation	28/6	33/9	+ 18.4
Guest Keen	51/6	66/6	+ 29.1

* Prices at beginning of 1954 not adjusted for any subsequent scrip issue; percentage changes have been so adjusted.

another 40 per cent rise in 1955 as already in their grasp. The offer of Colville's equity was postponed a week—not because the Iron and Steel Holding and Realisation Agency distrusted the market, but simply lest a rail strike interfered with mails. The gilt-edged market that had been lagging behind industrials at last joined heartily in Wednesday's advance.

It is worth remembering the reason why the gilt-edged market has indulged but frugally in the general festivity of markets: it had a little to do with trouble on the railways, but much more with the lingering suspicion that there is but more than a trace of inflation in the system and that it will sooner or later need to be washed out. Wall Street dis-

covered this abruptly on Wednesday when margins were raised by the Federal Reserve Board from 50 per cent to 60 per cent Wall Street fell sharply, yet London pursued its blithe course, with neither gilt-edged nor equities affected in any material degree, apart from an hour or two of alarm. The industrial index at the close of Thursday's business showed a further rise at 187.3. It says much for the confidence of the markets that a week of considerable tension that could have been capable of damaging effects on prices has had no effect at all.

Defence Lag Aids the Chancellor

IF modern budgets were tailored simply to the pattern of the Exchequer's own finances, taxpayers now—as an article on page 88 points out—would be entitled to cherish high hopes for next April. There is no doubt that the outturn of the 1954 budget will be much more favourable than the Chancellor envisaged. He estimated that for the full year 1954-55 his "above-line" account would be only just in balance—with a surplus of £10 million compared with the surplus of £94 million actually achieved in 1953-54. Yet in the first nine months of this year the above-line account, instead of deteriorating, has actually improved by no less than £191 million; the deficit outstanding at December 31st last was £355 million, compared with £546 million at end-1953.

By far the greater part of this big gain has been attributable to a shortfall in expenditure; in the full year total ordinary expenditure was expected to rise by £248 million, whereas in the first nine months it has fallen by £17 million. There is no doubt that this unexpected behaviour of expenditure has been due very largely to the lag in defence expenditures—a lag that may reflect to some extent mere delays in payments and also some real economies due to changes in programmes, but is more probably mainly due to the failure of production to keep pace with expectations. The shortfall is the more remarkable, however, in that it is computed after bringing in smaller amounts of "counterpart" defence aid this year than last, this difference being of the order of £40 million.

Buoyant Revenue

PART of this lag in defence expenditure will doubtless be made good in the next few months, but it seems evident that any such catching-up of arrears will not be large enough to transform the general appearance of the

accounts. Tax revenue plainly reflects the buoyancy of the economy, for total ordinary revenue already shows a gain of £173 million on the corresponding period of 1953-54, compared with the budgeted gain for the full year of £165 million. The year's estimate for total revenue should thus be substantially exceeded, for the big increase shown by end-December was achieved despite the fact that at least 60 per cent of the year's yield from income-tax remains to be collected. The budget also envisaged an increase of £109 million in miscellaneous receipts, because of large expected sales of stocks by the Ministry of Food; but so far this item shows a rise of only £37 million. Although both the pace of liquidation and the prices realised have probably been less favourable than expected, it seems probable that the Exchequer will receive further credits from this source before the year-end. Meanwhile, receipts

EXCHEQUER OUTTURN AND ESTIMATES
(£ million)

	Nine months to Dec. 31, 1954		Estimates for full year 1954-55	
	Actual	Change on 1953-54*	Budget Estimate	Expected change on 1953-54
Inland Revenue:				
Income Tax.....	675.5	+ 31.7	1,800.0	+ 69.0
Sur-tax.....	50.1	+ 0.1	132.0	+ 0.4
Death Duties.....	137.0	+ 15.2	164.4	+ 0.1
Stamps.....	55.6	+ 14.0	55.0	+ 1.6
Profits Tax and Excess Profits Tax.....	130.8	+ 14.0	172.0	+ 16.4
Excess Profits Levy.....	62.0	+ 14.0	60.0	+ 5.8
Special Contribution and other Inland Rev. Duties.....	0.8	...	1.0	+ 0.4
Total Inland Revenue.....	1,111.8	+ 61.0	2,384.4	+ 44.3
Customs and Excise:				
Customs.....	842.7	+ 45.0	1,062.5	+ 20.1
Excise.....	571.1	+ 22.3	719.0	+ 3.0
Total Customs and Excise...	1,413.8	+ 67.3	1,781.5	+ 17.1
Motor Vehicles Duties....	20.6	+ 2.1	7.70	+ 3.9
P.O. (net receipts).....	1.2	+ 1.2	...	...
Broadcast Receiving Licences.....	15.0	+ 4.1	21.0	+ 4.6
Receipts from Sundry Loans.....	20.8	+ 0.5	24.0	+ 14.0
Miscellaneous Receipts....	132.4	+ 36.8	245.0	+ 108.9
Total Ordinary Revenue...	2,715.6	+ 173.0	4,532.9	+ 164.8
Total Ord. Expenditure....	3,070.9	+ 17.3	4,522.4	+ 247.9
"Above-line" Surplus or Deficit.....	-355.3	+ 190.3	+ 10.5	+ 83.1
Net "below-line" expenditure.....	290.5	+ 7.7	407.0	+ 16.0
Overall Deficit.....	645.8	+ 182.3	-386.5	+ 99.1

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

from stamps and EPL have already surpassed the year's estimate, and the revenue from death duties and customs and excise is flowing strongly.

Expenditure below the line has risen by £8 million, despite the fact that loans to local authorities are again falling short of estimate, and, at £212 million, are £28

million less than in the similar period of 1953-54. The increase in total below-line expenditure arises from a change in the method of financing the capital expenditures of the Post Office. Until the middle of last year these capital requirements were being met by the investment of Savings Bank funds in special annuities, whereas now they are being provided by advances from the Exchequer itself. These advances, therefore, figure as a new item of below-line expenditure; at end-December last the amount outstanding was £27.4 million. The upshot is that the overall deficit now stands at £646 million compared with £829 million at end-1953; for the full year it was expected to rise by almost £100 million to £397 million.

Bank Dividends—Round Two

THE opening of the bank dividend season has, after all, provided both surprises and excitement for bank shareholders. By October last all the principal English banks had followed the lead set by the National Provincial Bank two years ago by conceding modest increases in their long-established rates of dividend. The Westminster and Midland Banks, which twelve months ago still seemed determined to cling to their traditional rates, came into line during the course of the year, and both indicated what their final payments for 1954 were expected to be—both granting an increase of 2 per cent, to rates equivalent to 18 and 20 per cent respectively. After this round of increases, it was generally taken for granted that a new equilibrium point had been reached. But on Tuesday, Barclays Bank started a second round, and was followed on Wednesday by the National Provincial. Martins Bank has maintained its payment at the increased 1953 level, but one of the discount houses, the National, has made a substantial increase (paying 12 per cent, compared with a rate equivalent to 7½ per cent for earlier years). Alexanders Discount has maintained its distribution, but has in effect consolidated the cash bonus paid last year into the new basic dividend.

Barclays' second increase proves to be larger than the first: this was from 14 to 16 per cent, a rate that became equivalent to 10 per cent after the capital reorganisation. Now the distribution is raised to 12 per cent by a "special dividend" of 2 per cent, so that the total increase over the two years is equivalent to rather more than one-third. Moreover, this latest increase applies to the whole capital apart from staff stock (since the former "A" and "B" stocks were merged last year). The directors indicate that they hope to maintain this special payment until they feel able to recommend a further capitalisation of reserves. The National Provincial's increase is a straightforward lifting of the final payment to 9½ per cent, making the year's payment 18 per cent, or 1 per cent more than that for 1953 and 3 per cent more than the stabilised rate maintained until 1952. These unexpected announcements naturally provoked some sharp rises in the bank share market; but investors should bear in mind that in this matter of a second round there is room for considerable divergence of view as between the several banks.



"Yes, he said I needn't take on extra staff after all..."

"YOU KNOW when our orders were going up and up? Our accountant told me we might have to take on more staff. So we decided to call in the Burroughs man. It couldn't do any harm and his advice was free... As it is, I'm more than glad. He went into the details with our accountant, then showed us how we could mechanize our accounting at low cost—and save a lot of overtime. He certainly knew his job..."

The Burroughs man is always at your disposal without cost. He is an experienced adviser on all accounting and

record-keeping systems, and well qualified to work with your accountant and auditor.

He has a complete knowledge of mechanized accounting. But he won't propose changing your accounting methods just to suit certain machines. Rather, after a full analysis of your problem, he will make proposals for a rapid, economical and workable solution.

If he does recommend a new system, he will prepare a detailed plan for it and help you get it working smoothly. He will make sure you continue to get full benefit from any Burroughs machine you install.

Whatever your business, large or small—if you have an accounting problem, the Burroughs man can help you solve it. Burroughs make the world's widest range of Adding, Calculating, Accounting, Billing and Statistical Machines and Microfilm Equipment.

Call in the Burroughs man as soon as you like—you're committed to nothing and his advice is free. You'll find the number of your nearest Burroughs office in your local telephone book. Burroughs Adding Machine Ltd., Avon House, 356-366 Oxford Street, London, W.1.

FOR EXPERT ADVICE ON BUSINESS SYSTEMS

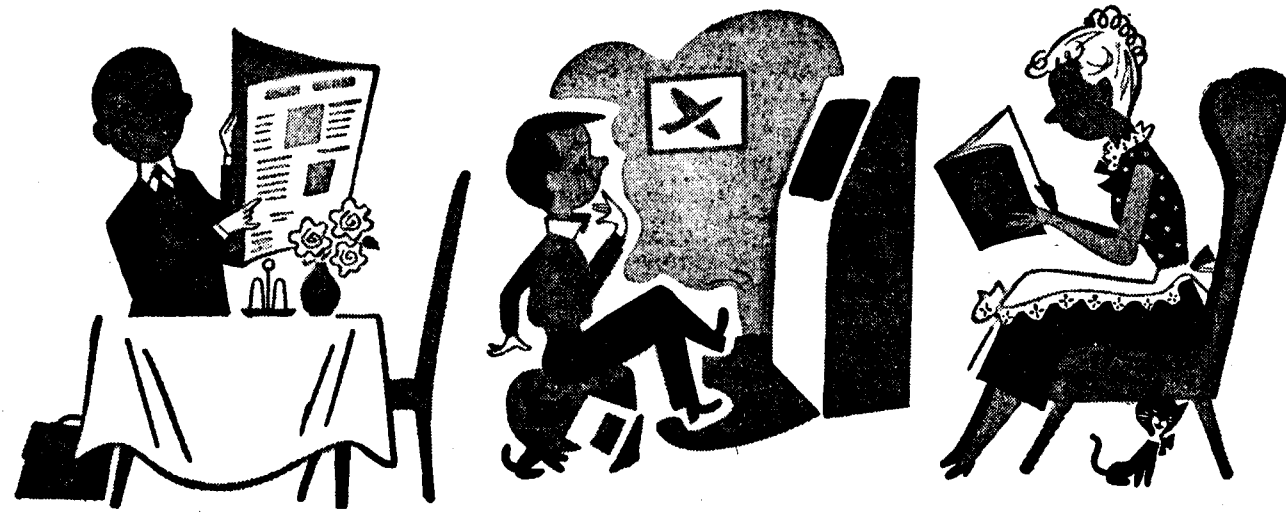


One Burroughs man solved this problem. The Phonotas Co. Ltd. (weekly telephone cleaning and sterilizing service) have 80,000 separate accounts, and until recently, in London and in provincial offices, figures were copied by hand. As this led to errors and delays, they called in this Burroughs man, Mr. J. G. Winterbottom (left). He showed Phonotas how, with just two typewriter-accounting machines and two abbreviated-description accounting machines, they could halve their accounting time, and obtain up-to-date figures—all without extra staff.

CALL IN THE

Burroughs
MAN

Suggest a need



* * * * * and * * * * *



Clinch a sale

**POSTERS COMPLETE THE CAMPAIGN
WITH REPETITION IN COLOUR**

Inquest on Coal

COAL output in 1954 turns out to have been rather lower than was guessed in these columns last week—223½ million tons against 225 million. Final figures are not yet available; but provisional totals published by the Ministry of Fuel and Power and estimates made this week by the National Coal Board indicate that deep-mined output was only about 1½ million tons higher than in 1953, while opencast coal production was down by nearly 1½ million tons. On this showing, total output rose hardly at all last year, and coal stocks will have been drawn upon very heavily in the last fortnight of 1954.

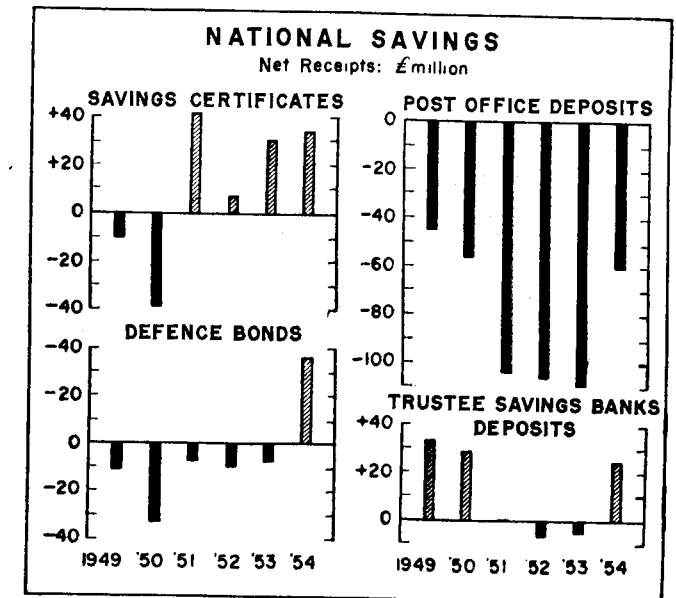
Sir Hubert Houldsworth this week pointed out that productivity—of men and machinery—was a record last year, but that manpower, on the average, was 5,700 lower, cancelling out almost all the gain. It was less an explanation of 1954 than a warning for 1955. At present, the mines have at least 12,000 fewer men than they could use effectively; and the National Coal Board believes that in times of full employment throughout industry it will do well to maintain its labour force, let alone increase this. The emphasis, in 1955, is upon extending the use of power-loaders to get the same output or more without extra men. Sir Hubert was not prepared to guess at the chances of output in 1955, and he emphasised that this would be related to the industry's capacity, not to the growth of inland demand. This pre-supposes a fairly substantial margin of imports, unless exports are cut more heavily than those responsible—in the Ministry of Fuel and Power, not in the Coal Board—have yet indicated.

Savings and Banking

THERE is one bank that pays 2½ per cent on all the money that the customer puts in, charges him nothing for keeping his account and will issue him a batch of crossed warrants to pay the butcher and the baker (provided the amounts are over £1) without a charge for the service or even a twopenny stamp on the warrant. It is the Post Office Savings Bank. Other banks have so far endured the competition without a murmur. How far the public is taking advantage of such unrivalled services is obscure. There is some evidence that the Post Office is being used more freely as a bank for current transactions, but it is less effective as a vehicle for the collection of more permanent savings. The emphasis is on bank and not on savings.

So it happens that in 1954 when national savings took a sharp turn for the better, the Post Office Savings Bank was left lagging behind. The other three channels that make up the so-called "national savings"—savings certificates, defence bonds and the trustee savings banks, all collected substantial additions to net savings; certificates added a net £34 million, defence bonds £36 million, and the trustee banks £24 million. The Post Office showed a net withdrawal of £60 million, albeit an improvement over the 1953 drawal of £109½ million. There are naturally sufficient reasons to explain the trend. Heavy withdrawals from the

Post Office must owe something to the inquest into interest payments over £15, making it a less attractive refuge for the rich man's money, and something to the counter-attractions of other forms of investment. Even the higher limits on holdings of savings certificates and defence bonds to which some savings may have been switched have probably cost the Post Office some of its deposits. Moreover, the flow of encashments has been drying up, in part.



As a whole, that part of the nation's savings that is called "national savings" certainly did much better last year. Receipts less encashments were a *plus* figure for the first time since 1948 and the total remaining invested rose by £91 million to £6,051 million, whereas in the previous three years there had been a decline in that total. Lord Mackintosh of Halifax, chairman of the National Savings Movement, was amply justified in his claim that last year's figures were "good news for the nation."

The Output Margin Narrows

MOST people who make any specific use of the official index of industrial production have to arrive at some guess about the final annual average by about the end of the year; thereafter, as the provisional figures come steadily in, two months in arrears, the indices of total production serve mainly to correct their guesses. The figure for October, 135 (1948=100), published last week with the customary estimate of what the figure for November may be and some revisions for earlier months, probably will not alter most of the guesses much. It confirms that the margin of increase over output in 1953 was still narrowing; in October this was down to about 3 per cent for industry as a whole and less than 4 per cent for manufacturing, and indications for November (136-137) suggest that the increase then may have been even less.

Nine months' figures of 1954 are now available for most of the main industrial groups covered by the index. These show that the big groups that had been most successful in

the first half of the year, vehicles, chemicals, paper and printing, were still contributing most of the boom during the third quarter of the year ; some of the smaller groups, such as non-ferrous metal manufactures, were also sharply up on a year before. Only glass manufacture and the

EXPANSION IN SELECTED INDUSTRIES

Industrial Group	Per cent increase over same period a year before		
	1954 1st qtr.	2nd qtr.	3rd qtr.
Mining and quarrying	1.1	1.8	1.0
Manufacturing	7.9	8.4	6.0
<i>Of which :—</i>			
Chemicals, etc.	10.2	13.3	9.7
Metals : ferrous	3.0	5.6	4.7
non-ferrous	15.6	24.4	23.3
Engineering, shipbuilding and electrical	6.1	7.1	5.9
Vehicles	14.5	11.9	12.3
Textiles	5.7	4.1	1.9
Clothing	1.1	Nil	0.9
Food, drink and tobacco ..	3.1	0.8	0.9
Paper and printing :	26.0	17.0	12.5
Gas, electricity and water .	7.8	6.6	7.0
All Industries	6.9	7.0	5.3

“leather, leather goods and fur” industries were lower in the third quarter than a year before; but textiles and clothing showed practically no increase. The consumer took most of the product of the 1954 boom, but he was buying hard goods, not soft.

Optimism from the Shipyards

IN terms of final output, the shipyards have a success story to tell of 1954. Mr J. W. Elliott, president of the Shipbuilders' Conference, is already able to report that the industry completed 1½ million gross tons of new merchant ships during the year. This was the largest total since the war (the next best having been in 1951) and an increase of about a fifth over 1953. The industry is probably to be congratulated—though it is not easy to know just how much. Completions are obviously not an adequate measure of shipbuilding activity, because of the long and varying periods that ships take to build; they give no indication of the volume and rate of work in progress in the shipyards as a whole. In the first ten months of last year, according to Admiralty returns, the tonnage laid down in British yards was about 15 per cent lower than the tonnage completed, so that over the year total tonnage under construction declined. The Central Statistical Office, it may be said, constructs a more elaborate index of shipbuilding output by estimating the man-hours worked in the yards and the relative value of them, in compiling its general index of production; but it does not publish this separately. It is not possible, therefore, to guess at the illness that really adequate supplies of steel plate may have given the industry last year.

In terms of orders, too, Mr Elliott sounded encouraged. The industry booked only 600,000 tons of new orders for ships during 1954, and orders for 300,000 tons already on the books were cancelled. But half of the new orders did come in the last three months of the year, and the autumn recovery in freight rates may well be making more ship-owners think once again about replacements. British yards have still 4½ million gross tons of ships on order, which would take more than two years to work off if all yards were equally busy. This is a long way down from 7 million tons, which represented the length of the order book in mid-1952: but Mr Elliott feels that:

The working down of the order book to a level nearer normal will in due course help British yards to meet Continental competition based upon earlier deliveries.

It is true that too much gloom has often been generated by the reduction of this order book from a level representing almost intolerable delays for the customer, and that shorter delivery periods may persuade the yards to reconsider their adamant refusal to quote fixed prices. But some of Britain's lost customers have recently been attracted away by prices that are a good deal lower than Britain's, quite apart from the irritations of Britain's escalator clauses.

Hire Purchase Boom

THERE was never any doubt that 1954 would prove a bonanza year for the hire purchase trades. The figures just issued by HP Information give an indication of how good it really was in the few trades in which comprehensive statistics are prepared. In the past two years the number of new cars sold by hire purchase has risen from 14,048 to 52,794 and of used cars from 90,587 to 253,961. Applying a little guesswork to the number of new car registrations in this country last year, it can be estimated that hire purchase held about 14 per cent of the new car market compared with 9.1 per cent in 1953.

NUMBER OF HP CONTRACTS

	1952	1953	1954
Cars—New	14,048	26,486	52,794
Used	90,587	167,638	253,463
Commercial Vehicles—New	8,808	13,524	21,541
Used	18,337	26,234	35,294
Motor Cycles and Side Cars—New	46,185	32,205	46,597
Used	55,415	102,713	127,425
Tractors—New	3,837	4,467	4,684
Used	3,500	4,526	4,214
Farm Equipment—New	4,659	5,004	4,776
Used	...	...	927
Aircraft and Engines—New	nil	nil	4
Used	2	13	29
Caravans—New	4,623	7,216	8,507
Used	1,980	1,560	4,478
Industrial Machinery—New	4,683	4,913	4,056
Used	683	496	878

Source : HP Information.

Unfortunately the field of comprehensive figures is narrow but the more sketchy evidence that comes from other sources points the same way. The Radio and Television Retailers Association has now started the publication of a monthly

The forgery that saved lives★

Normally, we should have been horrified to learn that the Rolex trade mark had been forged on inferior wrist-watches, which were then sold for fabulous sums.

In this case, we were flattered! Because, by committing this fraud, a man had helped to save many lives in the dark and perilous days of the war.

In 1942, Mr. Edward Porter (then Private Porter) was captured and incarcerated in a P.O.W. camp. Food was practically nonexistent, clothing scant and medical supplies scarce. Only by selling their few treasured possessions to the guards, could the prisoners obtain money to buy, "through the wire," such food and medicines as friendly natives could provide.

It was soon discovered that the object most prized of all by the guards was a Rolex watch. Porter, whose skill with makeshift tools had become a byword, was asked by his fellow prisoners to "transform" their lesser known watches into Rolex watches. After carefully considering the extenuating circumstances, he agreed.

"I therefore set to work," he writes, "engraving the 'Rolex' trademark on watches of similar design, and inscribing 'Rolex' on the watch dials with indian ink, using a mapping pen."

So ignorant were the prison guards, that this simple ruse succeeded, and the money thus obtained helped save the lives of many of the stricken prisoners.

We are proud to have been of service in such an unusual fashion. But this was made possible only by the world-wide reputation of the Rolex trade mark, built up by many, many years of manufacturing the world's finest waterproof and self-winding wrist-watches.

And now, Rolex will be proud to be of service to you—to keep time for you, precisely, by night and by day, through the many years to come.

★ This is a true story, taken from a letter written by Mr. Edward W. Porter to the Rolex Watch Company. The original letter can be inspected at the offices of the Rolex Watch Company, 18 rue du Marché, Geneva.



"I therefore set to work, engraving the 'Rolex' trade mark..."



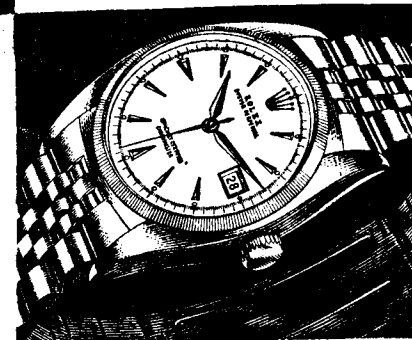
The Rolex Red Seal signifies that the watch to which it is attached has been awarded an Official Timing Certificate by a Swiss Government Testing Station, with the proud title of chronometer.



The smooth-running, silent, self-winding "rotor" keeps the Rolex Oyster Perpetual fully wound automatically, provided the watch is worn for at least six hours a day. This constantly even tension on the mainspring makes for still greater accuracy.

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.



THE ROLEX OYSTER PERPETUAL—truly a monarch among watches. The astonishingly accurate movement, perfectly protected by the Oyster case, is given added precision by the self-winding mechanism. The tension on the mainspring is much more even, overwinding is impossible.

THE ROLEX OYSTER PERPETUAL DATEJUST,
finest of a long line of masterpieces. This
watch is waterproofed by the famous Oyster
case, self-wound by the unique Rolex Perpetual
self-winding "rotor," and it shows the date
clearly and automatically, in a neat window
cut in the dial.


ROLEX

*A landmark in the history of
Time measurement*

ROLEX Chronometer —
Official Timepiece of Panagra Airlines

THE ROLEX WATCH COMPANY LIMITED (*H. Wilsdorf, Governing Director*), GENEVA, SWITZERLAND and 1 GREEN ST., MAYFAIR, LONDON, W.1, and THE AMERICAN ROLEX WATCH CORPORATION, 580 FIFTH AVENUE, NEW YORK

estimate of the proportion of that market held by hire purchase. It is based on an imperfect sample and it runs only up to October but it shows a rise of hire purchase in

HIP SHARE OF RADIO MARKET

	1953	1954
	per cent	per cent
RADIO : —		
September	52.60	37.28
October	52.89	38.99
TELEVISION : —		
September	66.65	51.29
October	65.99	51.35

Source : Radio and Television Retailers' Association.

television from roughly half to fully two thirds of the market compared with a year earlier and in radio from under 40 per cent to over half.

The Gold Reserve

BRITISH gold and dollar holdings fell by \$163 million in December, but the fall was more than accounted for by the payment in that month of \$181 million on the US and Canadian 1946 credits. To arrive at the true balance of dollar payments of the sterling area during the month allowance must be made on the credit side for \$8 million received as Defence aid from America, and for the \$3 million inflow from the European Payments Union in settlement of Britain's November surplus. On the debit side, \$8 million went out to Canada for the quarterly instalment on the Canadian interest free loan, and \$2 million went to EPU creditors under the bilateral settlements. The residual figure is a surplus of \$17 million, in dollars gained over the exchange and in gold secured through purchases in the market. That residual surplus for December compares with a deficit of \$30 million in November and a surplus of \$11 million in October. In December, 1953, the true dollar surplus amounted to \$114 million. The modest surplus last month is in part explained by the extension of the seasonal pressure against sterling due to larger and later purchases of dollar cereals than usual, which have run into the period when sterling is normally strong. During December sterling was also still under the influence of disappointment at the evaporation of convertibility hopes: it took the form of running down sterling balances in the course of normal trade rather than of outright withdrawals over the exchanges.

During the whole of 1954 the gold and dollar reserve rose by \$244 million to \$2,762 million. In the same period the United Kingdom repaid dollar debt to a total of \$304 million, consisting of \$112 million to the International Monetary Fund, \$99 million to the EPU, \$24 million on the Canadian interest free loan and \$69 million, the principal on the US and Canadian lines of credit repaid last month. During 1954 the dollar capital account of the United Kingdom improved by \$548 million plus a substantial amount newly invested in the United States and Canada partly in new ventures and partly through security buying.

It will be hard for 1955 to provide a comparable achievement—though the recent strength of the sterling commodities together with the likelihood of some building up of inventories in the United States bear their message of hope.

TREND OF DOLLAR BALANCE
(\$ 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			
1954						
Jan.	+ 10	— 4	+ 14	+ 15	+ 25	2,543
Feb.	+ 9	+ 7	+ 2	+ 31	+ 40	2,583
Mar.	+ 88	+ 2	+ 86	+ 14	+ 102	2,685
April	+ 126	+ 7	+ 119	+ 9	+ 135	2,820
May	+ 159	+ 39	+ 120	+ 6	+ 165	2,985
June	+ 29	+ 15	+ 14	+ 3	+ 32	3,017
July	+ 80	+ 4	+ 76	+ 15	— 4†	3,013
Aug.	+ 6	+ 11	— 5	+ 11	— 95‡	2,918
Sept.	— 26	— 12	— 14	+ 9	— 17	2,901
Oct.	+ 18	+ 8	+ 10	+ 17	+ 35	2,936
Nov.	— 25	+ 7	— 32	+ 14	— 11	2,925
Dec.	+ 17	+ 3	+ 14	+ 8	— 163*	2,762

* After taking account of the payments in December for the service of United States and Canadian lines of credit, the United States lend lease loan and the ERP loan (\$181 mn.), Canadian interest free loan (\$8 million) and bilateral settlements with EPU members (\$2 million).

† After taking account of payments totalling \$99 million in mid-July direct to creditor countries in EPU in initial settlement of part of the U.K.'s overdraft with the Union.

‡ After payment of \$112 to IMF for "repurchase" of sterling.
§ EPU settlements in any month depend on the surplus or deficit with Europe in the previous month.

The portent for 1955 is less encouraging. The UK had a deficit of £7 million with the EPU in December and half of this will fall to be settled in gold in January. There was also a deficit—amounting to £3 million only—in December, 1953.

Dearer Aluminium

THE increase of 1d. a lb. in prices of most aluminium products, following a rise of £7 a ton in the ingot price, is unlikely to discourage demand in established uses. Consumption recovered strongly last year and will no doubt remain buoyant as long as activity in the transport, construction and packaging industries is maintained at the present high rate. Deliveries of virgin ingots to fabricators rose by 42,000 tons to 181,000 tons in the first ten months of 1954, and output of products has shown a corresponding increase; output of aluminium sheet and strip, the largest group of products, rose by 13,000 tons to 100,000 tons in the same period, while output of foil was 2,700 tons higher at 14,000 tons. This expansion has been well within the industry's capacity and delivery dates for most products are now only slightly longer than a year ago. But production is still below the high levels of 1951/52, for some marginal users of that time switched back to tinplate and other steel products when the shortage of steel ended. Tinplate is now short

again and some consumers are showing more interest in aluminium container sheet.

The increase of 1d. a lb in prices of products is equal to £9 6s. 8d. a ton, £2 6s. 8d. a ton more than the increase in the ingot price. It is the custom of the fabricators to revise their prices in stages of ½d. Had they increased the price by ½d. that would have given them only £4 13s. 4d. a ton and involved a loss. It should be possible to pass most, if not all, of the increase on to export prices, for competition in foreign markets is now less keen than a year ago. British exports to most foreign markets rose last year, although the total was lower than in 1953 because shipments to the United States fell steeply from an exceptionally high figure. The rise of £7 to £163 a ton in prices of ingots reflects mainly the increased costs of the huge expansion programme by Aluminum Company of Canada, and partly the appreciation of the Canadian dollar against the pound. Aluminum Company of Canada supplies about four-fifths of Britain's requirements of ingots, and therefore makes the market price in this country. The last increase—of £6 a ton—was made a year ago. When private trading in aluminium was resumed in July, 1953, the company undertook not to charge more than the British government would have charged as a public trader, and the latest increase meets that undertaking. It would be unrealistic to expect that undertaking to continue until the government's options to take up Canadian metal expire in 1970; it will probably be allowed to lapse at the end of this year, when the Government's firm contracts with the Canadian company end. No material change in price policy would follow; for much of the growth of the demand for aluminium depends on the producers maintaining a conservative policy.

Life Insurance Bounds Ahead

AGAIN the life assurance offices broke all records in 1954. That is clear from the figures of 57 offices in the table below. They are a generous sample covering over 90 per cent of the home and overseas business of the British offices

ORDINARY LIFE NET NEW BUSINESS
(£ million)

Office	1952	1953	1954	Office	1952	1953	1954	Office	1952	1953	1954
Alliance	7.9	8.5	10.0*	Legal & General	72.3	81.5	100.2	Royal	12.0	13.7	17.3
Atlas	6.3	5.0	7.0	Life Assn. of Scotland	2.0	2.2	3.0	Royal Exchange	6.1	7.4	8.9
Beacon	3.9	5.4	7.0	L'pl. & Lond. & Globe	7.4	8.2	9.2	Royal London	7.2	6.9	8.7
Britannic	8.2	7.0	7.3	L'pl. Victoria	7.1	5.5	5.7	Scottish Amicable ...	9.9	9.1	10.1
Caledonian	3.0	3.0	3.5*	London Assurance...	6.0	5.6	7.4*	Scottish Equitable ..	4.0	4.5	4.7*
Canada Life†	5.3	7.2	8.3*	London Life	2.8	3.5	4.0*	Scottish Life	4.4	5.1	6.9*
Clerical, Med. & Gen.	6.6	7.2	7.5*	Manufacturers' Life†	6.4	9.2	10.5	Scottish Mutual	2.5	3.1	3.7
Colonial Mutual†	8.6	9.8	10.3*	Marine & General ...	2.1	2.4	2.6	Scottish Provident ..	7.7	8.6	9.5
Commercial Union ..	17.3	17.4	20.3	Mercantile & General	10.4	12.6	15.8*	Scottish Union	5.1	5.4	6.3*
Confederation Life† ..	3.8	3.7	4.3	Midland Employers' ..	1.2	1.3	1.6	Scottish Widows'	15.5	15.1	16.8*
Co-operative	16.6	21.8	25.0	National & Colonial .	0.7	1.5	1.6*	Sentinel	0.2	0.8	1.0*
Crusader	2.0	2.6	4.3*	National Mutual	1.8	1.9	2.2	Standard	34.0	35.6	39.6
Eagle Star	54.3	56.5	56.0*	National Provident...	5.0	4.8	6.9*	Sun Life	43.0	39.1	44.4
Equitable	4.6	4.1	5.2	N. Brit. & Mercantile	13.7	10.3	11.4*	U.K. Provident	7.3	7.5	9.0
Equity & Law	6.7	8.4	11.5	Norwich Union	47.4	53.2	60.0	University Life	1.0	1.0	1.0
Friends' Prov.	14.8	17.3	22.0	Phoenix	6.5	6.7	7.3	Wesleyan & General.	3.5	3.9	4.5
General Life	4.0	4.5	7.2	Prov. Assn. of London	9.2	9.0	10.8*	Yorkshire	16.4	16.4	20.2*
Gresham Life	10.0	11.0	12.4*	Prov. Mutual	5.3	5.4	6.9				
Guardian	9.0	8.7	10.6	Prudential	112.0	127.3	142.0*				
Law Union	4.7	5.4	6.4	Refuge	13.5	12.6	15.0				

* Approximation. † UK business only.

and the British business of the Commonwealth offices. Their total of £883.8 million for new sums assured points to a final total of around £925 million for the whole industry compared with £815 million in 1953. With only one exception all the offices that have so far announced figures show increases. These point to a rate of expansion of around 16 per cent in 1954 compared with 6 per cent in 1953 and 17 per cent in 1952.

The Millard Tucker Report may lie in the pigeon hole, but new pension business—from the incomplete data so far available—seems to have gone on growing; it has certainly been greater than in 1953 when pensions of about £43 million a year were assured under group schemes. New individual sums assured were also probably greater than in the previous year, and substantial business was again done in "top hat" policies and in those issued under the Married Women's Property Act. New industrial life business (which totalled £279 million in 1953) also seems to have increased, though again more slowly than new ordinary business.

All the indications suggest that policyholders will not do badly. Life offices have enjoyed a substantial capital appreciation in 1954—perhaps 6 per cent on the average, with a higher figure for those with a more than average stake in equities. This naturally has been coupled with a downward pressure on the yield from invested funds, partly relieved for those offices with a large stake in equities by higher dividends. The substantial increases in bonuses on participating policies that have so far been announced suggest that those that are to follow in the coming weeks will reflect the current prosperity of the insurance industry.

More Troubles in Copper

AFTER fluctuating sharply at a high level, copper prices in London touched a new peak of £307 a ton for cash metal this week. The persistent shortage of nearby supplies and the prospect of a continued shortage of metal in the early months of this year have been accentuated by the strike of African labour on the Rhodesian copperbelt, and reports

of a dock strike in Chile. Technical consequences of the new contract for copper have also played a part. Under this contract, which came into force for three months' metal last October, and for cash this week, copper is only good delivery on the market if it is in an official warehouse. Formerly the seller had the option of delivering ex-warehouse, ex-ship, ex-quay, or ex-refiners' works. Therefore the supply of prompt metal in which the market can operate has been reduced, for the holder of metal afloat, or on the Continent, or ex-refiners' works cannot sell until that metal has been put into warehouse, and nowadays he can usually avoid the cost of that operation by selling direct to the consumer.

This is the opposite of what was intended. By removing sellers' option of delivery the new contract was intended to encourage consumers to make greater use of the market and to promote stability of price. But the case for the new contract cannot be judged on the events of one week alone; it is simply unfortunate that it has come into force for cash metal at a time of acute shortage. That risk was foreseen, and had to be taken. And consumers should also remember that the contract does assure them of delivery on the prompt date, instead of up to three weeks after the "prompt" date. The contract cannot be expected to function satisfactorily until there is surplus metal available to the market, and that may not happen for some months. The Rhodesian producers probably fear that high prices will discourage consumption, and that may be the main reason for the discussions on introducing a scheme for stabilising prices. Before any such schemes are tried, however, the producers might well consider selling more metal through the market. It may be argued that this would merely transfer a theoretically equal supply and demand from direct channels to the market, and hence that this would not make any difference to prices. But it is the volume of turnover that matters; a larger turnover would almost certainly diminish fluctuations in price. An opportunity to sell more metal on the market will come in the middle of the year, when the long-term contracts with consumers will be due for renewal.

New Issues in 1954

BRITISH industry went to market for fresh capital on an increased scale last year. The Chancellor's capital allowances stimulated fixed investment and the boom on the Stock Exchange provided fine opportunities for appeals to investors. Outside the sphere of government borrowing last year was one of the busiest periods on record for the new issue market. Borrowings by the government (in *The Economist* table on page 143 they include the net receipts and repayments of National Savings Certificates and Defence Bonds) declined from £767 million to £550 million. That decline was responsible for the fall in all borrowings from £975 million to £904 million, which masks the great activity of industry as a borrower. It should also be remembered that £55 million worth of steel shares were sold by the government to the public and that that is the same in broad effect as a government issue of £55 million.

New issues for cash to the public or to shareholders

by companies, however, went up sharply from £136.6 million to £275.7 million. Over half of this total was raised on equities, but there was also a marked resurgence in debenture and preference issues. With interest rates lower, some companies were finding it cheaper to raise long-term money on fixed interest stocks. New money flowed strongly into the engineering and motor industries; elsewhere in industry the most notable increase came in the miscellaneous group, which includes the two big issues by Imperial Tobacco and Imperial Chemical Industries. More new capital was also directed towards the mining companies. Here, the money financed the last stages of development of the gold and uranium mines in the Orange Free State, and further extensions by the Rhodesian copper producers.

Higher Prices of Paper and Pulp

WOOD pulp, newsprint and other types of paper have risen in price. Most grades of paper other than newsprint have been increased by some 3 to 8 per cent; this is the first general advance in prices for twelve months, and it is claimed that it does not fully cover the rise in costs of production and raw materials during that period. That was a period in which the output of the paper-making industry was running high, and profits have also been high. But with the continued buoyancy of demand for paper an increase in prices was probably inevitable. The industry appears anxious to preserve stability in prices, and the new prices are generally firm minimum quotations for six months instead of the customary three. That promise of stability is founded partly on a similar stability in prices of wood pulp.

Prices of chemical grades of wood pulp from Scandinavia, whence most of Britain's pulp comes, have been raised by up to £2 a ton for shipment in the first quarter, and the big paper-makers have been able to buy at the same prices in the second quarter. That is the first change in chemical pulp prices for six months, and it brings bleached sulphite pulp, which is used in the manufacture of fine grades of

HELP FOR BUSINESSMEN

Available by subscription:

BUSINESS ABROAD—Three-monthly reports on business conditions in 70 countries.

CAPITAL REPLACEMENT COSTS—Quarterly indices for nearly twenty major types of capital equipment issued regularly; others on request.

BRITISH WHOLESALE PRICES—Weekly wholesale prices of over 300 commodities issued monthly.

MOTOR BUSINESS—A research bulletin service on the problems of the motor and allied industries.

HARD FIBRES—A quarterly bulletin for the sisal, manila and allied industries.

Further details from:

The Economist Intelligence Unit
22 Ryder Street, London, S.W.1.
Whitehall 1511, Extension 135.

THANK YOU, MRS. WILSON, FOR NEXT YEAR'S AIRLINERS



Keeping Britain ahead in the air by building new airliners is a big job — and calls for a lot of skilled people. But — when you're thanking them all — *please don't forget Mrs. Wilson.* Mrs. Wilson — and nearly 2 million passengers like her — flew BEA last year. Her ticket helps (for example) to put more Viscounts and more Elizabethans in the air. It also helps BEA to send development engineers to advise on the building of the airliners of the future. It's people like Mrs. Wilson who make Britain's civil air supremacy possible.

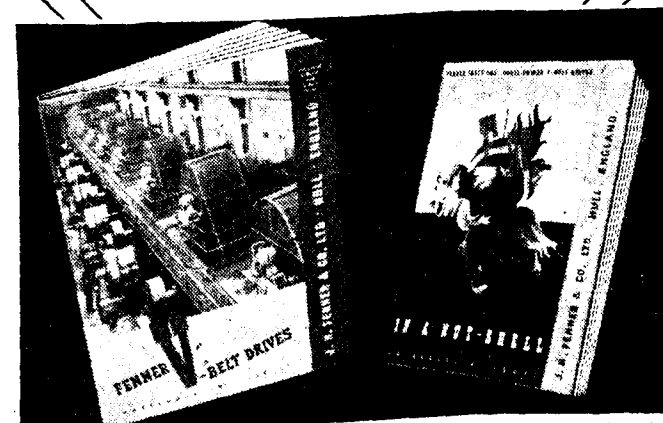


fly **BEA**

fly **British** IN EUROPE'S FINEST AIR FLEET

BRITISH EUROPEAN AIRWAYS

Two new Fenner catalogues!



THE NEW V-Belt Drive Catalogue
No 120/14

THE NEW Fractional Horse Power
Catalogue No. 130/14

Fenner
POWER TRANSMISSION

POST FREE Against a request on your
Company letterhead
J. H. FENNER & CO LTD
HULL ENGLAND

THE FAMOUS 'MOSSBROS' Mackintosh

In all sizes:—Men £10.10.0.,
Women £9.17.6., Children £4.19.6.
Also a wide range of
gaberdine raincoats.



**MOSS
BROS**
OF COVENT GARDEN

THE COMPLETE MAN'S STORE

Junction of
Garrick & Bedford Streets, W.C.2
Temple Bar 4477
AND BRANCHES



... and a prosperous New Year for you, too

It is just before midnight on December 31. In a few moments the most important year of their lives will begin. Their first year of married life. And as the bells ring it in, they'll be wishing for a wonderful and prosperous New Year. If their wish is granted it can mean a prosperous New Year for you, too.

Why?

Because they are representative of millions of young people who are looking ahead. With a new home to furnish they have long discussions on what to buy. Like most of their generation they are exceedingly discerning, but they can be persuaded by skilful advertising. Even if your products are beyond their price range today, you can give them the ambition to buy them in the future.

By approaching the problems of our time realistically and presenting the news in a vital, up-to-the-minute style, the Daily Mirror appeals outstandingly to the vigorous, keen-to-get-on younger generation. With the biggest daily net sale on earth (it exceeds 4,600,000) it offers you the most powerful mass market coverage in the history of daily newspapers at the lowest square inch per thousand rate of all national dailies. Daily Mirror readers are young readers. Your customers today... next month... next year.



THE NEW BUILDING TECHNIQUE . . .

PRESTRESSED CONCRETE

reduces costs
and saves time



BISON floors, beams and precast
frame structures are made by the
largest constructional prestressed
concrete manufacturers in the world

CONCRETE LIMITED

LONDON Green Lane, Hounslow, Middlesex, Hounslow 2323
LEEDS Scourton, Leeds, 10, Leeds 75421
LICHFIELD Dovehouse Fields, Lichfield, Staffs, Lichfield 2404
FALKIRK Etna Road, Falkirk, Falkirk 1585
EDINBURGH Sighthill Industrial Estate, Edinburgh, Craiglockhart 1729
LONDON OFFICE: 16 Northumberland Avenue, London, WC2 Whitehall 5504
MANCHESTER OFFICE: 40 King Street West, Manchester 3 Blackfriars 5676

FIRE FIEND FEARS RAPID, RELIABLE NU-SWIFT!

Unseen by you, the Fire Fiend searches everywhere for easy prey. Are you well equipped to fight back if he picks on you for his next victim?

Nu-Swift Ltd., 25 Piccadilly London W.1. REG 5724
In Every Ship of the Royal Navy

paper, to £59 a ton cif east coast ports. Mechanical pulp, the basis of newsprint, has been raised by 25s. to £28 15s. a dry ton cif, the first change for two years, and manufacturers have contracted for supplies at that price for the whole of 1955. The equalised price of home-produced and imported newsprint has been raised by 30s. to £54 10s. a ton. Imports of wood pulp for paper making will be slightly larger in the first half of this year. The value of licences amounts to £41.1 million cif, compared with £38.8 million in the second half of last year, an increase which more than offsets the rise in prices. The import quotas for paper (excluding newsprint) and board have also been raised by £2.5 million to £17.5 million fob.

A Long Bow at Kansanshi

It may seem strange that a rich group like Anglo American Corporation of South Africa, with big projects on its hands, should chase the will o' the wisp of profitability in the old Kansanshi mine. The property never became a producer of copper, for the reserves so far proven are small and difficult to mine and treat; the owners, the Rhodesia-Katanga Company, stopped work there in 1938. Another obstacle is that Kansanshi lies well to the north-west of the Rhodesian copperbelt, so that any ore extracted would attract heavy transport charges to a smelter. Last month Anglo American and its associates announced that they would take up their options to purchase the mine and the surrounding surface and prospecting rights, and Anglo American's report, as the consulting engineers, was published this week. That report makes it clear that the £300,000 recently spent on exploration of the mine has yielded no tangible return. But if prospectors were guided only by the ascertainable facts, some now flourishing mines would never have come into production.

Commodity Prices in 1954

The general level of commodity world prices, as measured by *The Economist* commodity price indicator, rose 7 per cent during 1954, from 93.7 to 100.0 (1952=100). Price movements of the seventeen individual commodities which make up the indicator are shown below.

END-1954 COMPARED WITH END-1953

	Increases %		Decreases %
Tea	+74	Cocoa	-2
Rubber	+63	Sugar	-3
Copper	+20	Gasoline	-3
Lead	+14	Wheat	-8
Zinc	+10	Wool	-9
Cotton	+7	Copra	-18
Tin	+5	Sisal	-26
Coffee	+4		
Jute	+4		
Maize	+1		

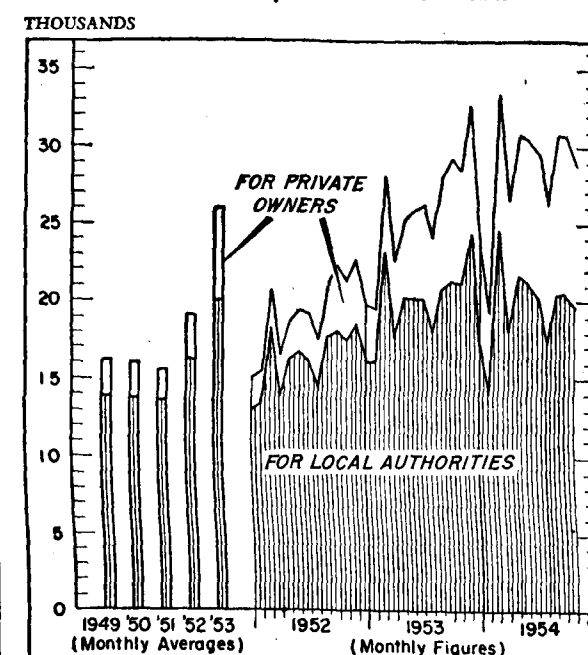
Anglo-American consider that "it should be possible" to find enough ore at a mill grade of 3.5 per cent copper to cover new capital expenditure and working costs, and still leave sufficient profit to finance further exploration and development of methods of treating certain ores. Naturally this "should not be regarded, at least in its first stages, as mining for a profit." The mine will be equipped to mine and concentrate 12,000 tons of ore a month, at a cost of about £1 million. The money will be raised by Anglo American and its associates under the terms of the agreement made when they formed the Kansanshi Copper Mining Company to undertake the exploration. By taking up their options Anglo American, Tanganyika Holdings, Roan Antelope and Mufulira will purchase the mine and the surface rights outright from Rhodesia-Katanga; that company will receive £250,000 in cash and 250,000 £1 shares in Kansanshi from the deal. The exercise of the options will leave Kansanshi with £118,750 in new money. A further £781,250 will be raised by an issue of Kansanshi £1 shares at par to the partners. Thus £900,000 will be raised, leaving a balance of £100,000 to be found later. After the announcement that the options would be taken up, the £1 shares of Rhodesia-Katanga rose by 1s. 6d. to 15s., and they now stand at about 17s. 3d.

Good Year for Diamonds

THANKS to a sharp rise in sales of industrial diamonds in the last quarter of 1954, the total value of diamonds sold through the Central Selling Organisation last year amounted to £62.1 million, an increase of £1 million over the previous year. The exhaustion of surplus stocks of gem

HOUSING PROGRESS

Permanent Houses Completed in Great Britain



stones was reflected in a further fall in sales of £370,000 to £10,866,000 in the fourth quarter, but sales of industrial diamonds recovered by £2 million to reach £5.2 million.

DIAMOND SALES BY THE CENTRAL ORGANISATION (£ million)

	Gem	Industrial	Total
1954, 1st quarter.....	11.8	4.9	16.7
" 2nd "	11.7	3.3	15.0
" 3rd "	11.2	3.1	14.4
" 4th "	10.9	5.2	16.1

The earlier forecast of a slight fall in total sales last year has been proved wrong; the results are in fact the third highest ever, exceeded only by the record sales of £69.7 million in 1952 and of £65.1 million in 1951.

SHORTER NOTES

A big increase to a new high record is recorded in bank clearings for 1954 and reflects the quickening pace of industrial and financial activity. The total passing through the London Clearing House in 1954 was £144,288 million, a rise of 16.6 per cent, much more than can be explained by the fact that 1954 had one extra working day. The Town Clearing at £112,923 million was up by 19.7 per cent and the General Clearing at £31,365 by 6.7 per cent. The total of provincial clearings at £2,346 million showed an increase of 9.3 per cent. The biggest increases being 16.2 per cent in Liverpool, which doubtless reflects the opening of the grain and cotton markets, and in Birming-

ham, where clearings rose 13.9 per cent, as activity in the motor and engineering trades expanded.

The annual report of the Issuing Houses Association discloses that that body has decided against circulating a memorandum endeavouring to define the rights of preference shareholders. The terms of recent issues, it is claimed, show that both issuing houses and companies are aware of the difficulties caused by recent House of Lords judgments.

The token import scheme for imports of goods from the United States and Canada is to continue in 1955 at the same level as in 1954, that is at 30 per cent by value of the average exports to the United Kingdom in the period 1936-38. The scheme allows the import of limited quantities of manufactured goods in which there is a traditional trade that is restricted because of the dollar shortage.

Year-end pressure in the money market was exceptionally severe, and discount houses were obliged to borrow from the Bank of England on the largest scale since 1929. The Bank return this week therefore shows a sharp rise in "discounts and advances," from £8.9 to £65.8 million.

Mr Graham Page, MP for Crosby, succeeded before Christmas in introducing his Bill to reduce the need for endorsement of cheques. The second reading debate on the Bill is expected to take place on February 18th.

Company Notes

LANCASHIRE STEEL. A month ago the statement from Stewarts and Lloyds proved that Sir John Morison in selling back the steel equities to the public framed the profit estimates in the prospectuses as cautious minima. The preliminary statement from Lancashire Steel now proves that he and the Iron and Steel Realisation Agency framed the dividend estimates with the same thought. To be cautious in a prospectus is to err on the right side, and now investors, seeing how they are working out in practice, may feel that they have been left more to go for than had been apparent in the documents themselves. The latest evidence of conservatism in dividend estimates came with the announcement that Lancashire Steel was to pay an ordinary dividend of 9 per cent, instead of 8 per cent forecast.

• dividend was backed up by a state-showing gross profits almost un-
t, although the prospectus had
for a decline. Indeed, Lanca-

shire Steel's profits rose slightly—from £2,111,996 to £2,170,150—as did the net income of the group—from £1,036,996 to £1,050,150. The £1 ordinary stock units of Lancashire Steel have been the laggards in the recent rise in steel equity prices. These results gave them a very smart fillip. They jumped 1s. 9d. to 25s., to offer a yield of 7.2 per cent. The lesson will not be lost on those who will soon have to consider the merits of the offer from Colvilles—an offer that has now been postponed a week.

TOBACCO SECURITIES TRUST. Tobacco Securities Trust Company is an investment trust holding a portfolio, four-fifths of which is invested in the tobacco industry. On the London market tobacco equities have lagged well behind other industrial shares. On the average their value has risen by no more than 6 per cent, compared with an average increase of 40 per cent in the

leading blue chips. On the assumption that this discrepancy is too wide and may be corrected one day, 1954 was a good year to buy these equities for future growth. And that certainly seems to have been the policy adopted by Tobacco Securities Trust. Its consolidated balance sheet shows that the book value of its investments quoted in British stock exchanges has risen from £3,418,597 to £4,104,169 and the book value of those quoted abroad from £397,168 to £449,288. In all, the total book value of quoted securities has risen from £3,815,765 to £4,553,457 and their market value from £10,055,757 to £11,197,884.

Though 1954 may have been a good year for buying tobacco shares, it was not such a good year from the point of view of income. A few tobacco dividends—notably that from British-American Tobacco—were raised, but in general most dividends were left unchanged. The rise in the trust's investment income in the year to October 31st from £667,252 to £832,742 seems to be a natural result of the growth of the portfolio. It must also owe something to those few dividends that were increased and it may owe a little to the change in

the standard rate of tax in 1953. Its 1952-53 accounts would include dividends on which the rate of 9s. 6d. in the £ was paid while dividends in the latest account would all have been those on which a rate of 9s. in the £ was paid. Whatever the explanation, the slight increase in the consolidated net profit from £493,624 to £520,770 enabled the directors to raise the ordinary dividend from 18½ per cent to 19 per cent. At the current price of 50s. xd. the £1 ordinary shares yield on this dividend 7.6 per cent, just about—as it should be—the average yield for tobacco equities.

CARRERAS. One of the tobacco companies that has paid the same dividend year and year out is Carreras. The directors are continuing that policy. For the year to October 31st they have left the ordinary dividend unchanged at 17½ per cent. This time they have good reason for the decision, since the group's net profit has fallen from £1,033,334 to £820,848. The tax provision deducted before striking this net balance has also declined—from £1,422,432 to £1,164,174. Hence, profits before tax appear to have fallen by about 19 per cent—from £2,455,000 to £1,985,000.

That result can only be described as disappointing in a year in which cigarette and tobacco sales were expanding slightly. The tobacco trade is now more competitive—witness the introduction of new brands of cigarettes—and it would be interesting to know whether Carreras has lost ground to its rivals. But any surmises in that direction are better left alone until the chairman, Sir Edward Baron, makes his statement. The trading results, however, had little effect in Throgmorton Street. The 2s. 6d. "B" ordinary shares had fallen 1½d. to 5s. 3d. before the preliminary results and they remained steady after the announcement. At that price

the shares yield 8½ per cent, a little above the average for tobacco securities which themselves yield a good deal more than most other industrial equities.

JAMES A. JOBLING. The minority interest in the largest of Thomas Tilling's subsidiaries has changed hands. A 40 per cent holding in James A. Jobling, the makers of Pyrex glassware, has been sold by Pilkington Brothers of St Helens to Corning Glass Works of New York. The price is not disclosed. Nor was the sum that Thomas Tilling paid Pilkington Brothers for the 60 per cent majority holding in 1950, though in that year Thomas Tilling's investment in subsidiaries rose by £1.5 million to £3.1 million. The earlier transaction was the most important single step in the transition of Thomas Tilling from a transport company to an industrial investment group. Now Thomas Tilling is not extending its interest in the Pyrex field, though it is still extending in other directions, for example, by the purchase of a two-thirds interest in the Walton Hosiery Company.

The glass deal has two unusual features. First, an important American glass manufacturer makes a substantial private investment in a British glass company without acquiring control. The "know how" of the Corning Company (which also retains close relations with Pilkington Brothers) will be of technical value to the Jobling company. Secondly, Pilkington Brothers, one of the largest private businesses in the country, increases its strength by concentrating its resources on a narrower front. The manufacture of Pyrex was outside the field of Pilkington's main activities, all the remainder of which are concentrated on the production of sectional glass. Finance was not the main object of the sale, but finance has in fact been concentrated on the remainder of Pilkington's activities.

CAPITAL ISSUES IN 1954 (Excluding Conversions)

Year	Old Basis*		New Basis†		Year	Old Basis*		New Basis†	
	1953	1954	1953	1954		1953	1954	1953	1954
Total Borrowing (£ million)					Analysis of Issue Applications (£ thousand)				
Br. Govt.†	767.1	550.1	814.6	585.9	Br. Govt.†	767,105	550,144	814,588	585,934
Br. Corp. (a)	41.3	42.8	41.3	43.8	Br. Corp. (a)	41,293	42,765	41,293	43,760
Br. Co.s...	110.0	243.5	149.4	303.3	Dom. & Col.	30,536	35,188	41,560	35,623
Br. Total...	918.4	836.4	1,005.3	933.0	Govt.	Nil	Nil	24,250	Nil
Empire	57.2	62.5	74.6	62.9	For. Govt. ...	9,722	16,779	9,722	20,740
Foreign	Nil	4.9	24.2	4.9	Bank & Ins.	20,132	Nil	20,132	Nil
Total	975.6	903.8	1,104.1	1,000.8	Oil	10,758	20,937	16,999	30,552
Indices	264	245	309	280	Eng'ing, etc.	10,847	9,168	13,592	17,814
Debs.	49.8	94.7	61.6	106.7	Electrical ...	1,802	2,118	2,465	8,538
Pref.	10.0	32.6	17.8	45.7	Textiles	8,327	22,230	12,247	24,106
Ord.	76.8	148.4	103.1	183.2	Motors, etc.	3,613	5,712	6,518	5,254
Total	136.6	275.7	182.5	335.6	Breweries ...	1,770	Nil	2,488	1,943
					Shipping	7,664	25,028	12,794	25,028
					Mines	62,017	175,756	85,499	208,545
					Others				
					Total	975,586	903,825	1,104,147	1,000,837

* 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. § Includes British and foreign companies. (a) Includes loans to town and county authorities and to public boards.

LONDON STOCK EXCHANGE

Next Account begins: January 19th
Next Contango Day: January 19th
Next Settlement Day: January 11th

The stock markets remained firm and active until the market opened on Thursday. Equity prices had climbed steadily, carrying the *Financial Times* ordinary share index up to a new peak of 186.6 by the close on Wednesday. Heavy losses on Wall Street overnight, however, set prices back on Thursday morning when losses occurred in leading industrials. They recovered, however, later in the day. Gilt-edged prices advanced quite strongly this week. Sentiment in the market had been strengthened by the gold and dollar figures and by the reduction in the United States Treasury bill rate. Banking shares were given a strong fillip by the better bank dividends, as were one or two of the discount house shares. Insurance shares remained generally firm. The foreign market was quiet with German issues reacting slightly at the end of the long account.

Just after the week-end industrial equities hesitated slightly as a few profits were taken at the end of the three weeks account. But prices, following the lead of the store shares, soon rallied. On the last day of the old account it was these shares and the building material issues that were prominent; textile and paper shares were rather weak. But on the first day of the new account all the leading shares, with the exception of breweries, shared in the advance. That advance was checked on Thursday morning when most of the blue-chips lost ground but they quickly staged a rally and on Thursday the *Financial Times* Industrial Index reached a new peak of 187.3. Losses were reported in dollar stocks.

The oil market was very active at first and at the close of the first day of the new account prices, with the exception of British Petroleum, closed at the top. They, too, weakened when the market opened on Thursday. Throughout this period tea shares were strong, but rubber shares reacted on Thursday morning on the weakness in the price of the commodity. Kaffirs moved irregularly in a quiet market but copper shares were strong on the rise in the price of the metal.

FINANCIAL TIMES INDICES

1954	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Dec. 29...	182.8	115.83	3.81	4.63
" 30...	183.5	115.82	3.81	4.61
" 31...	184.0	115.65	3.81	4.60
1955				
Jan. 3...	184.2	115.63	3.81	4.59
" 4...	185.2	115.74	3.80	4.57
" 5...	186.6	115.93	3.77	4.53
1954, High (Dec. 31)	184.0	118.10	Total bargains	
" Low (Jan. 1)	131.1	111.78	Dec. 29	8,265
1953, High (Nov. 4)	131.5	112.55	" 30	11,032
" Low (May 20)	113.9	105.68	" 31	12,035
			1955	
			Jan. 3	14,435
			" 4	12,638
			" 5	12,912

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954		BRITISH FUNDS AND GUARANTEED STOCKS	Price, Dec. 29, 1954	Price, Jan. 5, 1955	Net Yield, Jan. 5, 1955	Gross Yield, Jan. 5, 1955	Prices, 1954		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Dec. 29, 1954	Price, Jan. 5, 1955	Yield, Jan. 5, 1955
High	Low						High	Low					
100 1/2	99 1/2	Exchequer 2 1/2% 1955	100 1/2	100 0/10	£ s. d.	£ s. d.	38/3	20/8 1/2	15 c	STEEL & ENGINEERING	36/6	36/6	4 15 11 1/2
100 1/2	99 1/2	Do. As'td. Exchequer 1960	99	98 1/2	1 4 9	2 4 6	12/4	8/9	15 c	B.S.A. £1	10/-	10/6	7 0 11
100 1/2	99 1/2	Do. As'td. Funding '66-68	99 1/2	99 1/2	1 15 2	3 3 2	24/7 1/2	23/3	15 c	Cammell Laird 5/-	24/-	24/6	5 13 1/2
100 1/2	99 1/2	Exchequer 2 1/2% '63-64	99 1/2	99 1/2	1 9 8	2 12 9 1/2	73/6	49/9	10 b	Dorman Long £1	66/6	67/-	4 9 1/2
105 1/2	101 1/2	Exchequer 3% 1960	104 1/2	104 1/2	0 18 4	2 6 9	45/6	34/6	12 1/2 c	Guest Keen N'fold £1	44/-	44/3	5 13 1/2
105 1/2	99 1/2	Exchequer 3% '62-63	102 1/2	102 1/2	1 6 1	2 12 11 1/2	30/1 1/2	24/10 1/2	10 c	Stewarts & Lloyds £1	29/6	30/-	4 18 1/2
101 1/2	99 1/2	Serial Funding 2 1/2% 1957	100	100	1 2 7	2 3 11	29/6	22/-	4 a	Summers (John) £1	29/6	29/4	6 16 1/2
101 1/2	100 1/2	Serial Funding 3% 1955	100 1/2	100 0/10	0 9 2	2 0 7	41/10 1/2	23/9	15 c	United Steel £1	39/6	39/6	3 15 11 1/2
101 1/2	100 1/2	War Bonds 2 1/2% '54-56	100 1/2	100 1/2	0 19 1	2 7 1 1/2	32/-	21/4	15 c	Vickers £1	39/6	39/6	3 15 11 1/2
101 1/2	100 1/2	Funding 2 1/2% '52-57	100 1/2	100 1/2	1 5 8	2 11 0 1/2	32/4	24/9	15 c	Bradford Dyers £1	30/3	29/9	6 14 5 1/2
102 1/2	100 1/2	War Loan 3% '55-59	100 1/2	100 1/2	1 8 10	2 17 0 1/2	32/4	24/9	12 b	Brit. Celanese £1	28/3	28/6	6 6 4 1/2
100 1/2	95 1/2	Savings Bonds 3% '55-65	99 1/2	99 1/2	1 13 7	3 1 9 1/2	31/4 1/2	24/8	10 b	Coats (J. & P.) £1	28/-	27/6	5 9 1 1/2
101 1/2	97 1/2	Funding 2 1/2% '56-61	96 1/2	96 1/2	1 7 11	2 11 4 1/2	41/-	25/2	4 1/2 b	Courtaulds £1	40/-	41/6	3 17 1 1/2
98 1/2	92 1/2	Funding 3% '59-69	96 1/2	96 1/2	1 18 8	3 6 9 1/2	32/4	23/8	10 a	Lanes. Cotton £1	31/-	31/-	8 1 3 1/2
101 1/2	95 1/2	Funding 3% '66-68	98 1/2	98 1/2	1 15 10	3 3 0 1/2	39/9	30/6	5 a	Patons & Baldwins £1	32/6	35/-	5 14 3 1/2
99 1/2	95 1/2	Funding 3 1/2% 1959-2004	95 1/2	95 1/2	2 1 5	3 13 11 1/2	25/10 1/2	17/9	6 1/2 b	MOTOR & AIRCRAFT	19/-	19/1 1/2	5 4 7
105 1/2	100 1/2	Funding 4% '60-90	102 1/2	103 1/2	1 12 10	3 9 7 1/2	6/3 1/2	6/3 1/2	4 a	Bristol Aeroplane 10/-	11/-	11/-	5 13 8
98 1/2	94 1/2	Savings Bonds 3% '60-70	94 1/2	94 1/2	1 19 9	3 8 4 1/2	30/3	20/9	7 1/2 c	British Motor 5/-	22/3	21/10 1/2	6 17 2
97 1/2	90 1/2	Savings Bonds 3 1/2% '64-67	94 1/2	94 1/2	1 17 4	3 1 0 1/2	83/6	35/9	12 c	De Havilland £1	79/4 1/2	79/4 1/2	3 0 6
106 1/2	101 1/2	Victory 4% '20-76	104 1/2	105 1/2	1 15 8	3 11 10 1/2	49/4 1/2	23/10 1/2	3 a	Ford Motor £1	46/3	48/-	4 7 6
96 1/2	87 1/2	Savings Bonds 3% '65-75	93 1/2	94 1/2	2 0 9	2 9 7 1/2	108/6	80/6	25 c	Hawker Siddeley £1	101/10 1/2	101/10 1/2	4 18 2 1/2
99 1/2	93 1/2	Consols 4% aft. Feb. '57	96 1/2	96 1/2	2 5 4	3 2 4 1/2	81/3	44/-	12 1/2 b	Leyland Motors £1	78/9	76/9	2 19 3 1/2
93 1/2	84 1/2	Conv. 3 1/2% aft. April '61	88 1/2	89 1/2	2 3 5	3 19 5 1/2	9/-	5/5 1/2	12 c	Rolls Royce £1	7/4 1/2	7/4 1/2	7 17 5
104 1/2	99 1/2	Conv. 3 1/2% 1969	102 1/2	102 1/2	1 15 0	3 7 1 1/2	30/6	22/9	12 c	Standard Motor 5/-	27/6	29/-	3 17 7
100 1/2	99 1/2	Conv. 2% 1958-59	99 1/2	99 1/2	1 6 2	2 4 2 1/2	50/6	32/-	7 1/2 a	Boots Pure Drug 5/-	40/7 1/2	41/1 1/2	6 13 9
69 1/2	63 1/2	Treas. 2 1/2% aft. April '75	65 1/2	66 1/2	2 1 8	3 16 1 1/2	63/-	26/7 1/2	45 b	Debenhams 10/-	57/6	59/-	3 3 7
82 1/2	74 1/2	Treas. 3% aft. April '66	77 1/2	78 1/2	2 2 2	3 16 11 1/2	117/6	92/9	17 1/2 b	Gt. Universal 5/-	108/9	108/9	4 2 0
101 1/2	92 1/2	Treas. 3 1/2% '77-80	97 1/2	98 1/2	2 0 6	3 12 6 1/2	79/6	36/11	45 b	Lyons (J.) 'A' £1	70/-	70/-	2 13 0
101 1/2	92 1/2	Treas. 3 1/2% '79-81	98 1/2	99 1/2	2 0 1	3 12 8 1/2	65/3	42/8	40 b	Marks & Spen. 'A' 5/-	66/6	66/6	3 0
91 1/2	83 1/2	Redemption 3% '86-96	87 1/2	88 1/2	2 1 10	3 11 8 1/2	33/7 1/2	33/7 1/2	37 1/2 b	British Petroleum £1	120/-	132/6	2 12 1 1/2
92 1/2	84 1/2	War L'n 3 1/2% aft. Dec. '52	87 1/2	88 1/2	2 3 9	3 19 9 1/2	56/9	42/8	12 b	Burmah £1	52	53 1/2	2 6
69 1/2	63 1/2	Consols 2 1/2%	65 1/2	66 1/2	2 1 6	3 15 6 1/2	12 1/2	17/6	10 1/2 b	Royal Dutch 100 fl.	118/1 1/2	127/6	3 11
97 1/2	88 1/2	Br. Elec. 3% '68-73	94 1/2	94 1/2	2 0 7	3 9 1 1/2	33/7 1/2	33/7 1/2	15 1/2 b	Shell Reg. £1	29/3	34/9	5 4
95 1/2	87 1/2	Br. Elec. 3% '74-77	93 1/2	93 1/2	2 0 7	3 9 4 1/2	53 1/2	42/8	16 c	Trinidad L'holds 5/-	30/6	34/-	5 12 1 1/2
111 1/2	103 1/2	Br. Elec. 4 1/2% '74-79	108 1/2	108 1/2	1 16 11	3 14 2 1/2	53 1/2	42/8	12 c	Cunard £1	47/-	47/-	5 2 2
101 1/2	93 1/2	Br. Elec. 3 1/2% '76-79	98 1/2	98 1/2	2 0 4	3 12 6 1/2	34/-	17/6	16 b	Furness Withy £1	59/-	65/-	3 7 8 1/2
92 1/2	83 1/2	Br. Trans. 3% '78-88	87 1/2	88 1/2	2 3 2	3 12 6 1/2	34/-	17/6	16 b	P. & O. Def. £1	59/-	65/-	3 7 8 1/2
97 1/2	88 1/2	Br. Trans. 3% '68-73	94 1/2	94 1/2	2 0 7	3 9 1 1/2	33/7 1/2	33/7 1/2	16 c	Assoc. Elect. £1	62/6	62/6	4 9 7 1/2
108 1/2	100 1/2	Br. Trans. 4 1/2% '72-77	104 1/2	104 1/2	1 17 10	3 12 11 1/2	33/6	22/-	12 c	Assoc. Port. Cem. £1	95/7 1/2	98/1 1/2	3 11 4
92 1/2	84 1/2	Br. Gas 3% '90-95	87 1/2	88 1/2	2 2 0	3 11 9 1/2	47/9	30/3	12 c	B.I.C.C. £1	47/6	48/6	4 2 6
96 1/2	86 1/2	Br. Gas 3 1/2% '69-71	102 1/2	102 1/2	1 16 1	3 8 1 1/2	31/3	41/9	16 b	Bowater Paper £1	76/3	78/9	3 0 11 1/2
108 1/2	99 1/2	Br. Gas 4% '69-72	106 1/2	105 1/2	1 15 4	3 9 11 1/2	64/-	41/9	6 b	Brit. Aluminium £1	40/3	40/9	4 18 2

(a) To earliest date. (f) Flat yield. (l) To latest date. (s) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 11 1/2 years approximately.

Prices, 1953		Prices, 1954		TRUSTEE STOCKS AND FOREIGN BONDS	Price, Dec. 29, 1954	Price, Jan. 5, 1955	Yield, Jan. 5, 1955
High	Low	High	Low				
92	84 1/2	97 1/2	90 1/2	Aust. 3 1/2% '65-69	95	94*	£ s. d.
98 1/2	98 1/2	101 1/2	97 1/2	Ceylon 4% '73-75	101	101	3 18 7 1/2
73 1/2	66 1/2	106 1/2	98 1/2	N. Zealand 4% '76-78	104 1/2	104 1/2	3 14 0 1/2
95 1/2	90 1/2	71 1/2	71 1/2	L.C.C. 3% aft. 1920	74 1/2	74 1/2	4 0 6
81 1/2	73 1/2	95 1/2	95 1/2	Liverpool 3% '54-64	99	99	3 2 4 1/2
104 1/2	101 1/2	87 1/2	80 1/2	M. W.C. 'B' 3% '34-2003	82 1/2	82 1/2	3 15 9 1/2
...	...	104 1/2	100	Agrie. Mort. 5% '59-89	100 1/2	100 1/2	4 17 6 1/2
...	...	109 1/2	71 1/2	German 7%	105	102 1/2	...
...	...	168 1/2	102	German 5 1/2%	165	162 1/2	...
139 1/2	119	170 1/2	132 1/2	Japan 5% 1907	163 1/2	164 1/2	...
176	136	198 1/2	167	Japan 5 1/2% Conv. 1930	189 1/2	193 1/2	...

Prices, 1954		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Dec. 29, 1954	Price, Jan. 5, 1955	Yield, Jan. 5, 1955
High	Low	(a)	(b)				
51/9	42/3	5 a	7 b	BANKS & DISCOUNT	49/6	57/-	£ s. d.
75/4 1/2	58/9	14 c	7 a	Barclays £1	71/6	76/6	4 4 3
90/-	74/9	8 a	10 b	Lloyds 'A' £5, £1 pd.	87/6	87/-	4 2 9
85/9	72/7 1/2	8 1/2 a	9 1/2 b	Midland £1, fully pd.	82/-	86/6	4 3 3
98/9	79/6	18 c	10 a	N. Prov. 'B' £5, £1 pd.	95/-	96/-	4 3 4
68/6	46/-	7 1/2 a	8 1/2 b	Westmstr. 'B' £4, £1 pd.	66/6	63/6	3 18 9 1/2
52/6	40/10 1/2	5 a	7 b	Alexanders £1	52/-	53/-	4 10 7
57/9	44/6	5 b	5 a	Nat. Disc. 'B' £1	55/-	54/-	3 14 1
50/-	37/6	4 a	4 b	Union Disc. £1	44/-	45/-	3 11 1
49/-	40/3	7 b	7 a	Barc. (D.C.O.) £1	46/-	47/-	6 3 5
...	...	...	...	Chart. Bk. of India £1	46/-	47/-	6 3 5

Prices, 1954		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Dec. 29, 1954	Price, Jan. 5, 1955	Yield, Jan. 5, 1955
High	Low	(a)	(b)				
16 1/2	9 1/2	50 a	85 b	Leg. & Gen. £1, 5/- pd.	15 1/2	16	2 2 2
25 1/2	20 1/2	40 1/2 b	20 1/2 a	Pearl £1, fully pd.	23 1/2	23 1/2	4 13 10
47 1/2	35 1/2	105 1/2 c	112 1/2 c	Prudential 'A' £1	43 1/2	43 1/2	4 14 7
138 1/2	125/-	10 a	33 b	Bass £1	134/4 1/2	134/1 1/2	6 8 3
28/10 1/2	17/4 1/2	25 c	10 a	Distillers 4/-	28/-	28/9	3 9 7
43/3	31/-	8 a	15 b	Guinness 10/-	42/-	42/6	5 5 11
96/-	60/-	15 1/2 b	7 a	Whitbread 'A' Ord. £1	92/6	92/6	4 18 0

* Ex dividend. † Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield basis 40%. (e) To earliest date. (f) Flat yield. (g) Yield basis 14% as forecast by company. (h) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 14.8%. (i) Yield basis 13 1/2% after capital bonus. (j) Yield basis 11 1/2%. (k) Yield basis 8%. (l) To latest date. (m) Yield basis 10% after capital bonus. (n) Yield basis 9 1/2%. (o) Yield basis 9%. (p) Yield basis 8 1/2%. (q) Yield basis 22% gross. (r) Yield basis 37 1/2%. (s) Yield basis 22.7% gross. (t) Yield basis 12.6%. (u) Interim dividend for 15 months. Yield basis 12%. (v) Yield basis 7 1/2%. (w) Yield basis 17 1/2%. (x) Yield basis 12 1/2%. (y) Yield basis 11%, after capital bonus. (z) Yield basis 8 1/2%.

New York Closing Prices

	Dec. 29	Jan. 5		Dec. 29	Jan. 5		Dec. 29	Jan. 5
Balt. & Ohio	39 1/2	36 1/2	Am. Smelting	45 1/2	44	Inter. Paper	88 1/2	86 1/2
Can. Pac.	32 1/2	30 1/2	Am. Viscose	45 1/2	43 1/2	Nat. Distill.	23 1/2	22 1/2
N.Y. Cent.	33 1/2	33 1/2	Cel. of Am.	26 1/2	24 1/2	Sears Roebuck	77 1/2	77 1/2
Pennsyl.	24 1/2	22 1/2	Chrysler	70 1/2	69 1/2	Shell	59 1/2	59 1/2
Amer. Tel.	174 1/2	174 1/2	Am. Elec.	45 1/2	48	Std. Oil of N.J.	110 1/2	111 1/2
Stand. Gas	15 1/2	15 1/2	Gen. Motors	97 1/2	97 1/2	U.S. Steel	72 1/2	70 1/2
United Corp.	6 1/2	6 1/2	Goodyear	107 1/2	103	Westinghouse	79 1/2	78 1/2
W. Union Tel.	76 1/2	80 1/2	Inter. Nickel	58 1/2	57 1/2	Woolworth	51 1/2	50 1/2

Statistics

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	...	510	478
1952	1,617	1,153	3,025	2,302	679	14.7	975	5,149	...	286	1,044
1953	1,534	1,031	2,987	2,362	897	15.8	1,079	5,457	...	...	1,112
1954, May	1,722	789	2,977	2,322	950	...	1,246	5,929	640	326	1,243
" June	1,722	966	2,885	2,367	1,044	...	1,282	5,675	629	330	1,252
" July	1,760	749	2,966	2,466	1,218	...	...	5,478	633	357	1,318
" August	1,751	637	2,958	2,695	1,213	...	...	5,457	635	353	1,299
" September	...	954	...	2,431	1,176	...	...	5,510	...	331	1,219

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	983.5
1953	16.0	28.4	8.2	47.9	5.20	171	306	126	106	89.7	339	994.7
1954, July	20.4	28.6	8.0	54.0	5.74	202	233	141	126	98.5	381	1,126.7
" August	21.3	29.2	8.0	52.5	5.85	182	216	146	118	...	...	1,136.8
" September	18.4	31.0	8.2	53.6	6.65	185	220	...	113	...	...	1,140.7
" October	21.8	29.9	7.5	51.0	6.10	...	...	...	...	...	...	1,157.6
" November	...	...	9.9	55.6	...	...	...	...	...	...	...	1,163.1

EXTERNAL TRADE (3)

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A	mn. £A	mn. C\$	mn. C\$	mn. rupees	mn. rupees	mn. £NZ	mn. £NZ	mn. rupees	mn. rupees	mn. £SA	mn. £SA
1938	10.6	11.8	56	71	...	...	4.62	4.76	178.3	167.4	34.91	28.05
1952	87.5	55.7	336	363	551	482	23.02	19.98	112.6	125.8	35.45	27.93
1953	42.5	70.9	365	348	471	442	16.01	19.60	...	...	...	...
1954, June	76.0	55.4	416	347	457	433	19.40	20.60	117.0	93.7	41.50	24.18
" July	70.3	52.4	341	329	537	467	26.30	15.50	96.0	57.6	38.10	20.60
" August	66.7	44.1	335	327	455	452	9.70	7.70	79.2	74.6	...	...
" September	70.3	55.0	325	337	485	498	19.20	...	...	...	...	...
" October	65.2	74.9	332	318	...	...	...	...	...	...	...	...

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	282	220	485	41	259	69	66	35	72	...	68	71
1952	1,032	1,864	1,729	120	381	170	121	105	128	101	126	133
1953	1,362	1,826	1,765	204	295	178	120	108	134	112	130	136
1954, July	...	1,900	1,785	284	316	...	121	102	...	111	132	137
" August	...	1,912	1,777	274	324	...	121	103	...	110	132	137
" September	...	1,905	1,782	241	347	...	121	...	...	...	134	136
" October	...	1,907	1,770	...	362	...	121	...	...	...	...	136
" November	...	1,928	...	...	373	...	...	...	...	...	...	...

(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 are f.o.b. Trade 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.

EXCHEQUER RETURNS

For the 11 days ended December 31st there was an "above-line" deficit (after allowing for Sinking Funds) of £50,852,000 compared with one of £21,696,000 in the previous week and a deficit of £33,412,000 in the corresponding period of last year—this brought the cumulative deficit to £355,362,000 (£545,694,000 1953-54). Net expenditure "below-line" last week reached £21,715,000, bringing the total cumulative deficit to £643,870,000 (£826,540,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to Dec. 31, 1953	April 1, 1954 to Dec. 31, 1954	12 days to Dec. 31, 1953	11 days to Dec. 31, 1954
Ord. Revenue					
Income Tax	1800,000	643,752	675,494	42,604	47,630
Sur-tax	132,000	50,000	50,100	2,900	4,700
Death Duties	164,375	121,800	137,000	4,500	6,100
Stamps	55,000	41,600	55,570	2,100	3,000
Profits Tax & E.P.T.	172,000	144,800	130,800	1,200	2,700
Excise	60,000	48,050	62,050	700	1,400
Special Contribution	1,000	770	830	50	...
Land Revenue	...	...	...	...	...
Total Inland Rev.	2,384,375	1,050,772	1,111,844	54,054	65,530
Customs	1,062,500	797,680	842,687	25,083	31,375
Excise	719,000	548,755	571,068	24,265	20,580
Total Customs and Excise	1,781,500	1,346,435	1,413,755	49,348	51,955
Motor Duties	77,000	18,481	20,599	527	559
DO (Net Receipt)	...	...	...	...	7,250
Broadcast Licences	21,000	10,900	15,000	1,700	2,400
Sundry Loans	24,000	20,310	20,761	...	...
Miscellaneous	245,000	95,643	132,422	4,056	18,229
Total	4,532,875	2,542,541	2,715,581	109,885	131,423
Ord. Expenditure					
Debt Interest	570,000	451,332	444,062	33,689	38,329
Payments to N. Ireland Exchequer	51,000	34,057	33,973	2,028	2,016
Other Cons. Fund.	10,000	5,736	5,422	47	76
Supply Services	3855,399	2,572,574	2,562,576	107,213	141,854
Total	4,486,399	3,063,699	3,046,033	142,977	182,275
Sinking Funds	36,000	24,536	24,910	120	...
Above-line Surplus or Deficit		545,694	355,362	33,412	50,852
Below-line Net Expenditure		280,846	288,508	14,393	21,715
Total Surplus or Deficit		826,540	643,870	47,805	72,567
Net Receipts from:					
Tax Reserve Certificates	220,481	268,628	20,047	21,903	...
Savings Certificates	10,750	25,500	250	500	...
Defence Bonds	33,090	10,873	354	2,073	...

Since end September the capital expenditure of the Post Office has been charged directly on the Exchequer (instead of being financed from the Savings Funds) and is consequently included in "below-line" expenditure and the total deficit, at December 31st this item stood at £27,400,000.

FLOATING DEBT

Date	Treasury Bills				Ways and Means Advances		Total Floating Debt
	Fender		£ap		Public Depts	Bank of England	
	£	sh	p	d	£	sh	p
1953	4,853.5	...	...	...	250.1	...	5,103.6
1954	3,320.0	1,578.0	...	...	306.2	...	5,204.2
30...	4,872.5	...	...	...	314.3	7.8	5,194.5
6...	3,350.0	1,990.4	...	...	287.0	...	5,227.4
9...	3,380.0	1,591.8	...	...	295.1	...	5,226.9
23...	3,410.0	1,544.0	...	...	307.9	...	5,261.9
30...	3,440.0	1,514.3	...	...	274.8	...	5,229.0
6...	3,450.0	1,483.1	...	...	272.3	...	5,205.4
13...	3,470.0	1,452.1	...	...	273.0	...	5,195.1
20...	3,480.0	1,548.1	...	...	291.8	...	5,319.8
27...	3,480.0	1,571.7	...	...	271.2	...	5,322.8
4...	3,470.0	1,613.4	...	...	254.6	...	5,383.0
11...	3,450.0	1,672.7	...	...	256.4	3.8	5,382.8
18...	3,440.0	1,727.1	...	...	262.2	...	5,429.3
31...	3,420.0	1,823.5	...	...	263.4	...	5,505.9

Financial Statistics

THE MONEY MARKET

LOMBARD STREET has been dominated this week by the year-end credit disturbances, which proved to be the sharpest, and the most costly for the market, since the days before the cheap money era of the nineteen-thirties. The banks' need for cash was intensified by precautionary measures required by the threat of a rail strike. But, except on Wednesday and Thursday of last week, the authorities left the market "on its own," with the result that large sums had to be borrowed from the Bank at Bank rate. A number of discount houses were "in" the Bank on the Thursday and all of them on the Friday, when the amount lent by the Bank was believed to have been the highest ever recorded on a single day, and some houses were required to take their loans for periods extending to ten days. In the open market, 3 per cent was readily paid for such "night" money as was offering. The extent of the special borrowings is indicated by the Bank return: discounts and advances rose during the week by £57 million.

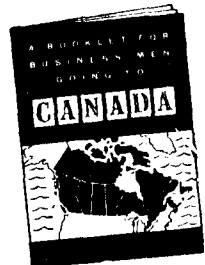
This salutary experience provoked yet another, though smaller, rise in the Treasury bill tender rate. The discount houses reduced their bid (for the 91 day bills) by 1d. per cent, and the average allotment discount rate for the whole £260 million of bills rose by a further 1/64 per cent, to £1 17s. 3.82d. per cent. The bullion market has been quiet, with the gold price alternating between 251s. 6d. and 251s. 6½d. a fine ounce.

LONDON MONEY RATES

Bank rate (from 3 1/4% 13/5/54)	%	Discount rates	
		Bank bills: 60 days	%
3 1/4%	13/5/54	3 months	1 1/4%
		4 months	1 1/4%
		6 months	2 1/4%
Deposit rates (max)			
Banks	1 1/4%		
Discount houses	1 1/4%		
Money Day-to-day: 1-1 1/4%			
Short periods: 1 1/4-1 1/2%			
Treasury bills 2 months 1 1/4%			
3 months 1 1/4%			
		Fine trade bills:	
		3 months	2 1/4%
		4 months	2 1/4%
		6 months	3 1/4%

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates : Spot					
	January 5	December 30	December 31	January 1	January 3	January 4	January 5
United States \$...	2.78-2.82	2.78 ¹ / ₂ -2.78 ¹ / ₂	2.78 ¹ / ₂ -2.78 ¹ / ₂	2.78 ¹ / ₂ -2.78 ¹ / ₂	2.78 ¹ / ₂ -2.78 ¹ / ₂	2.78 ¹ / ₂ -2.78 ¹ / ₂	2.78 ¹ / ₂ -2.78 ¹ / ₂
Canadian \$		2.69 ¹ / ₂ -2.69 ¹ / ₂	2.69-2.69 ¹ / ₂	2.68 ¹ / ₂ -2.69 ¹ / ₂	2.69-2.69 ¹ / ₂	2.68 ¹ / ₂ -2.69	2.68 ¹ / ₂ -2.68 ¹ / ₂
French Fr.	972-65-987-35	977 ¹ / ₂ -977 ¹ / ₂	975 ¹ / ₂ -975 ¹ / ₂	975 ¹ / ₂ -975 ¹ / ₂	975 ¹ / ₂ -975 ¹ / ₂	975 ¹ / ₂ -976 ¹ / ₂	977-977 ¹ / ₂
Swiss Fr.	12-15 ¹ / ₂ -12-39 ¹ / ₂	12-24 ¹ / ₂ -12-24 ¹ / ₂	12-24 ¹ / ₂ -12-24 ¹ / ₂	12-24 ¹ / ₂ -12-24 ¹ / ₂	12-24 ¹ / ₂ -12-24 ¹ / ₂	12-24-12-24 ¹ / ₂	12-24 ¹ / ₂ -12-24 ¹ / ₂
Belgian Fr.	138-95-	139-37-	139-37 ¹ / ₂	139-37 ¹ / ₂	139-37 ¹ / ₂	139-32 ¹ / ₂	139-37 ¹ / ₂
	141.05	139-42	139-42 ¹ / ₂	139-42 ¹ / ₂	139-42 ¹ / ₂	139-37 ¹ / ₂	139-42 ¹ / ₂
Dutch Gld.	10-56-10-72	10-58 ¹ / ₂ -10-58 ¹ / ₂	10-58 ¹ / ₂ -10-58 ¹ / ₂	10-58 ¹ / ₂ -10-58 ¹ / ₂	10-58 ¹ / ₂ -10-58 ¹ / ₂	10-58 ¹ / ₂ -10-58 ¹ / ₂	10-58 ¹ / ₂ -10-58 ¹ / ₂
W. Ger. D-Mk.	11-67 ¹ / ₂ -11-84 ¹ / ₂	11-75 ¹ / ₂ -11-75 ¹ / ₂	11-75 ¹ / ₂ -11-75 ¹ / ₂	11-75 ¹ / ₂ -11-75 ¹ / ₂	11-74 ¹ / ₂ -11-75	11-74 ¹ / ₂ -11-74 ¹ / ₂	11-74 ¹ / ₂ -11-74 ¹ / ₂
Portuguese Esc.	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00
Swedish Kr.	14-37 ¹ / ₂ -14-59 ¹ / ₂	14-52-14-52 ¹ / ₂	14-52-14-52 ¹ / ₂	14-52-14-52 ¹ / ₂	14-51 ¹ / ₂ -14-51 ¹ / ₂	14-51 ¹ / ₂ -14-51 ¹ / ₂	14-51 ¹ / ₂ -14-51 ¹ / ₂
Danish Kr.	19-19 ¹ / ₂ -19-48 ¹ / ₂	19-37 ¹ / ₂ -19-38 ¹ / ₂	19-37 ¹ / ₂ -19-38 ¹ / ₂	19-37 ¹ / ₂ -19-38 ¹ / ₂	19-37 ¹ / ₂ -19-38 ¹ / ₂	19-37 ¹ / ₂ -19-37 ¹ / ₂	19-36 ¹ / ₂ -19-37 ¹ / ₂
Norwegian Kr.	19-85-20-15	20-01 ¹ / ₂ -20-02 ¹ / ₂	20-01 ¹ / ₂ -20-02 ¹ / ₂	20-01 ¹ / ₂ -20-02 ¹ / ₂	20-01 ¹ / ₂ -20-02 ¹ / ₂	20-01 ¹ / ₂ -20-02 ¹ / ₂	20-01 ¹ / ₂ -20-02 ¹ / ₂
One Month Forward Rates							
United States \$	Par- ¹ / ₂ c. dis	Par- ¹ / ₂ c. dis	Par- ¹ / ₂ c. dis	Par- ¹ / ₂ c. dis	Par- ¹ / ₂ c. dis	Par- ¹ / ₂ c. dis	Par- ¹ / ₂ c. dis
Canadian \$	Par- ¹ / ₂ c. dis	Par- ¹ / ₂ c. dis	Par- ¹ / ₂ c. dis	Par- ¹ / ₂ c. dis	Par- ¹ / ₂ c. dis	Par- ¹ / ₂ c. dis	Par- ¹ / ₂ c. dis
French Fr.	2-4 dis	2-4 dis	2-4 dis	2-4 dis	2-4 dis	2-4 dis	2-4 dis
Swiss Fr.	1- ¹ / ₂ c. pm	1- ¹ / ₂ c. pm	1- ¹ / ₂ c. pm	1- ¹ / ₂ c. pm	1- ¹ / ₂ c. pm	1- ¹ / ₂ c. pm	1- ¹ / ₂ c. pm
Belgian Fr.	Par- ¹ / ₂ dis	Par- ¹ / ₂ dis	Par- ¹ / ₂ dis	Par- ¹ / ₂ dis	Par- ¹ / ₂ dis	Par- ¹ / ₂ dis	Par- ¹ / ₂ dis
Dutch Gld.	1- ¹ / ₂ c. pm	1- ¹ / ₂ c. pm	1- ¹ / ₂ c. pm	1- ¹ / ₂ c. pm	1- ¹ / ₂ c. pm	1- ¹ / ₂ c. pm	1- ¹ / ₂ c. pm
W. Ger. D-Mk.	1 ¹ / ₂ pm-1 ¹ / ₂ dis	1 ¹ / ₂ pm-1 ¹ / ₂ dis	1 ¹ / ₂ pm-1 ¹ / ₂ dis	1 ¹ / ₂ pm-1 ¹ / ₂ dis	1 ¹ / ₂ pm-1 ¹ / ₂ pm	1 ¹ / ₂ pm-1 ¹ / ₂ pm	1 ¹ / ₂ pm-1 ¹ / ₂ pm
Swedish Kr.	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 pm	10 pm-10 pm	10 pm-10 dis
Danish Kr.	5-100 dis	2-70 dis	2-70 dis	2-70 dis	2-70 dis	1-40 dis	1-40 dis
Norwegian Kr.	Par-20 dis	Par-20 dis	Par-20 dis	Par-20 dis	Par-20 dis	Par-20 dis	Par-20 dis
Gold Price at Fixing							
Price (s. d. per fine oz.)	251/6	251/6 ¹ / ₂	...	261/5 ¹ / ₂	251/6	251/6 ¹ / ₂	



A helpful Guide for the Business Man going to Canada

Just off the press, this informative little booklet complete with map, covers all essential routine requirements for your business visit to the Dominion both prior to departure and upon arrival. You are invited to apply for a copy at either of the Bank's London Offices:

6 Lothbury, E.C.2 | 2 Cockspur St, S.W.1

THE ROYAL BANK OF CANADA

Incorporated with limited liability in Canada in 1869

Over 800 branches in Canada and abroad.

ASSETS EXCEED \$2,800,000,000

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 FUNDS STERLING	£6,000,000
RESERVE LIABILITY OF MEMBERS	\$20,000,000

HEAD OFFICE: HONG KONG
Chairman: C. BLAKER, M.C., E.D.
Chief Manager: MICHAEL W. TURNER
London Office: 9, Gracechurch Street, E.C.3

London Managers: S. A. Gray, M.C., A. M. Duncan Wallace, M. D. Scott.

BRANCHES:

BURMA Rangoon CEYLON Colombo	INDIA Bombay Calcutta	MALAYA—contd. Johore Bahru Kuala Lumpur Malacca Muar Penang Singapore Sungel Patani Teluk Anson	PHILIPPINES Hilo Manila
CHINA *Shanghai DJAWA (JAVA) Djakarta Surabaya EUROPE Hamburg Paris	INDO-CHINA Haiphong Saigon	U.S.A. New York San Francisco	SIAM Bangkok
JAPAN Kobe Osaka Tokyo Yokohama	NTH. BORNEO Brunei Town Jesselton Kuala Belait Sandakan Tawau	UTD. KINGDOM London	
HONG KONG Hong Kong Kowloon Mongkok	MALAYA Cameron Highlands Ipoh		

* Not at present operating.

BANKING BUSINESS OF EVERY KIND TRANSACTED

A comprehensive service as Trustees and Executors is also undertaken by the Bank's Trustee Companies in

HONG KONG LONDON SINGAPORE

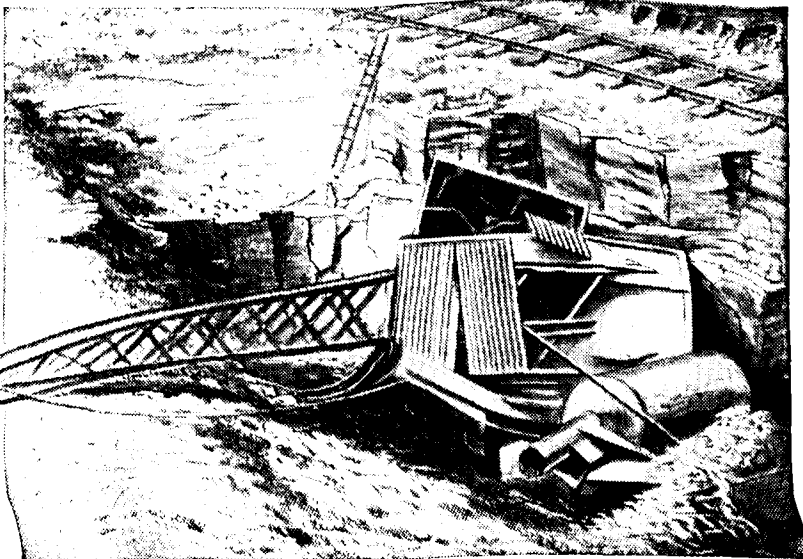
THIS JUST WENT COMPLETELY OFF THE RAILS

This five-ton steam travelling crane is not the crane it used to be! It raised three tons of stone at a radius slightly less than the correct maximum. A few feet from the ground the load dropped, the crane rocked, and down came the jib, superstructure and all.

What **Vulcan** say about it . . .

There's something deceptively solid-looking about a steam travelling crane chugging along its rails. But steam cranes are as vulnerable to overturn and accident as any other type.

Engineer-Surveyors from Vulcan Insurance spot danger before disaster, and industrial machinery is their happy hunting ground.



Everything, from a boiler to a vacuum vessel, comes under their expert eyes and receives that specialist scrutiny for which Vulcan is renowned. That's why safety first is Vulcan first.

VULCAN INSPECTS—AND PROTECTS

THE **Vulcan** BOILER & GENERAL INSURANCE CO. LTD

67 King Street • Manchester 2

FREE

For news of industrial accidents and ways to avoid them, ask us now for 'Vulcan', a quarterly journal for Power users. Please write to Dept. 17.



Does Life Assurance serve the Community?

Here are the facts to help you form a judgment:—

British Life Assurance compares well with any in the World: its integrity is taken for granted.

Life Assurance safeguards millions of families, and ensures a comfortable retirement for many people. It encourages thrift, discourages inflation.

Bonuses worth tens of millions of pounds are added every year to with-profits policies.

Life Assurance Offices could not offer favourable rates and favourable bonuses if the money received as premiums were not skilfully invested. The money is well spread over a wide field of investments; nearly a third in industry and commerce, building up Britain's economy and the national prosperity. The rest goes into British Government Stocks, Commonwealth and other Government Stocks, mortgages and investments in properties . . .

The guiding principle behind Life Assurance investment is the security and benefit of the policyholder.

Keen competition between the Life Offices keeps them on their toes: ensures that premium rates are kept at their minimum—bonuses at their maximum.

LIFE ASSURANCE

is in tried and trusted hands.

Let's leave it there!

ISSUED BY THE LIFE OFFICES' ASSOCIATION, LONDON

SAFETY - FIRST INVESTMENT

2½% per annum

Income Tax paid by the Society
Equal to £4.10.10 per cent to investors
subject to income tax at the
standard rate

The current rate of interest on share accounts is 2½%, and on ordinary deposit accounts 2%, with income tax paid by the Society in each case. Sums up to a total holding of £5,000 are accepted for investment in Abbey National. For further particulars apply for a copy of the Society's Investment Booklet.

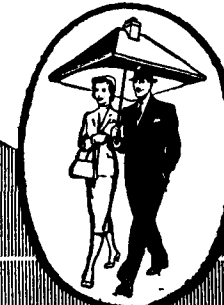
Total Assets **£181,183,000**

ABBAY NATIONAL BUILDING SOCIETY

HEAD OFFICE:

ABBAY HOUSE, BAKER STREET, LONDON, N.W.1

For address of Local Office see Telephone Directory



AUSTRALIA AND NEW ZEALAND BANK, LIMITED

ANOTHER GOOD RESULT

THE HON GEOFFREY GIBBS'S SPEECH

The fourth annual general meeting of the Australia and New Zealand Bank, Limited, was held on January 5th in London.

The following are extracts from the speech by the chairman, The Hon Geoffrey C. Gibbs, KCMG.

AUSTRALIA

During the financial year 1953-54, the Australian economy consolidated the recovery which was achieved in the previous year, and production in many sectors of the economy reached new record levels. Import restrictions, first imposed in March, 1952, were progressively eased, and the increased supplies of materials together with a stable export income combined to check the inflationary spiral. The stability of the economy was reflected in the high level of production and employment, together with steady prices and wage levels throughout the year.

In December, 1953, the Commonwealth Bank Act of April, 1953, came into effect, establishing the Commonwealth Trading Bank of Australia, which took over the business of the General Banking Division of the Commonwealth Bank. The Commonwealth Trading Bank is a separate entity with its own general manager, but is still under the control of the Governor of the Commonwealth Bank. We had hoped that the trading side of the Commonwealth Bank would be made entirely separate from its central banking functions. At present it should be clearly understood that both are responsible to the same board of directors and to the Governor. The necessarily confidential relationship between the trading banks and the Governor and board of directors of the Commonwealth Bank emphasises in our view the desirability of divorcing completely the Commonwealth Trading Bank from the Central Bank.

NEED FOR LIQUIDITY

At the conclusion of the 1953-54 financial year the Governor of the Central Bank in his annual report expressed the view that with the economy fully employed, restraint would be necessary if increasing bank advances were not to contribute to the emergence of excess demand. He stressed the necessity for trading banks to maintain an adequately liquid structure of assets, so that cash, government securities, Treasury bills, and working balances with the Central Bank would comprise about one-quarter of total deposits, allowing for seasonal and other short-term variations. These liquid resources would be in addition to special account balances which would also amount to 25 per cent of deposits making a target of 50 per cent of deposits to be held in liquid resources and special account. While the banking system as a whole has not yet attained the objective laid down by the Governor of the Central Bank, its policies are designed to work steadily towards it.

I suggest that it may be unwise to carry the policy of restricting advances too far in a young and rapidly developing country. Undue restriction could hamper legitimate development and slow down the rate of progress, to the long-term detriment of the country and its people.

During 1953-54, the loan market functioned more effectively than in the previous three years. The two Commonwealth cash and conversion loans were fully subscribed. Interest rates remained unchanged at 4½ per cent for longer term issues, while the rate on semi-government loans was steady at 4½ per cent. Trading bank rates of interest on advances and fixed deposit money remained the same as in the previous year in conformity with the general stability of interest rates.

More recently a large cash and conversion loan was offered by the Commonwealth at unchanged interest rates. The issue for cash was undersubscribed by a significant margin, thereby underlining the need for overseas capital if Australia's ambitious development programme is to proceed unchecked, without resort to inflationary measures. It is encouraging, however, that quite recently a conversion loan for \$25 million has been successfully floated by the Australian Government in New York. Representatives of the International Bank for Reconstruction and Development have also been in Australia recently.

ADVANCES

Advances of the major trading banks in Australia increased by 17.5 per cent in the year ended June, 1954. This large increase was principally a swing back from the previous year, when advances declined by 11.7 per cent due to a running down of excessive stocks accumulated in 1951-52. The present level of advances has provided for considerable restocking and industrial expansion. Deposits over the same period rose by only 7.0 per cent.

The Trading Banks' holdings of liquid items (cash, Treasury bills and Government securities) declined from the high level of 27.9 per cent of deposits in June, 1953, to 21.8 per cent in June, 1954. Whilst the policy of bank lending was more liberal in 1954 than in the previous year restraint was still necessary in order to prevent a recurrence of inflationary pressures.

NEW ZEALAND

The past year of active trading and high employment in New Zealand has been based upon a record level of overseas exchange receipts, which has resulted in the easing and prospective removal of exchange controls from imports, and upon a continuing high rate of developmental expenditure. Despite doubts surrounding the return to free marketing of meat and dairy produce, the prospect is not causing immediate concern but the large and growing surpluses of farm products in the USA must cause some doubt about the trend of future world prices. Restraint upon overall levels of expenditure will be necessary if greater freedom for imports is to be retained.

A favourable balance of overseas exchange transactions amounting to £NZ25 million in the year ended June last, carried the overseas reserves of the New Zealand banking system to the record figure of £NZ139 million. The volume of exports of primary products was a little lower than in the year ended June, 1953, but higher prices were realised for the major items. Import prices declined and

relaxation in exchange control on imports allowed traders to maintain stocks at satisfactory levels after liquidating the surplus that accumulated through excessive imports in 1951-52. Immediate delivery from stock is now obtainable for most goods.

Bank advances increased by £NZ 20 million during the year ended June, 1954, and at the end of the period represented 52 per cent of deposits.

The volume of funds available to the bank for lending has been drastically controlled by alterations which the Reserve Bank has made in the ratio to total deposits of balances which banks must hold as non-interest bearing deposits with them. The ratios are now 25 per cent of our demand liabilities and 12½ per cent of our time liabilities. These ratios have been altered five times since the practice of varying reserve ratios was first introduced by the Reserve Bank in 1952. While it is recognised that the Reserve Bank must have effective means of control, I would stress that too high a reserve ratio and too frequent changes are disturbing, and increase the difficulties of the trading banks in implementing a consistent advance policy to meet the financial needs of the Dominion.

When it is appreciated that these balances earn no interest it will be realised that the banking industry in New Zealand will be seriously handicapped should the present high ratios remain in force.

BALANCE SHEET

The accounts now laid before you reflect the recent issue of 1,700,000 "B" shares. In particular, you will note an increase of nearly £A600,000 in the amount of the published reserve. This increase represents the premium on the "B" shares less expenses of the issue.

A comparison of the 1954 balance sheet with that presented to you a year ago reveals that the principal items have moved in general conformity with the banking trends in Australia and New Zealand, but it should be borne in mind that those trends related in each case to the year ended June 30th last, whereas, our balance sheet is dated September 30th. On the liabilities side, the item current deposit and other accounts has increased by some £A12 million, while increases of nearly £A3 million in balances due to other banks and of about £A5 million in confirmed credits and other engagements on behalf of customers show that the bank has enjoyed a share of the increased business arising from the relaxation of import restrictions in Australia and New Zealand. This factor also reflects in the assets item bills receivable and remittances in transit which, you will see, is up by rather over £A7 million.

In common with other Australian and New Zealand banks the pattern of our assets structure is rather less liquid than a year ago, as instanced by falls of £A12½ million in cash balances and by £A9 million in Treasury bills. There is an increase of rather over £A2 million in the amount of our compulsory deposit with the Central Bank of Australia, and a more welcome increase of nearly £A5½ million in our investments.

As far as our profit and loss account is concerned, it is satisfactory to record that several factors to which I have already made

reference have contributed to a very good result for the year under review, and after providing the full year's dividend on the increased capital and after making adequate transfers to inner reserves, we have been able to increase our carry forward substantially.

The report and accounts were adopted.

SCOTTISH AGRICULTURAL INDUSTRIES LIMITED

SIR WILLIAM GAVIN REPORTS CONTINUED PROGRESS

The twenty-seventh annual general meeting of Scottish Agricultural Industries, Limited, was held in the North British Station Hotel, Edinburgh, on January 6th, the chairman, Sir William Gavin, CBE, presiding. In the course of his remarks the chairman said:

Once again I have to report to you a rise in gross sales, which for the year under review amounted to £21,655,812, an increase of £1,142,796 over the previous year. Gross profits before taxation show an increase for the third successive year, rising this year from £976,147 to £1,138,218. We have set aside £50,000 against possible falls in the value of stocks, bringing up the total provisions under this head to £200,000. £238,800 has been transferred to revenue reserves. The balance carried forward in consolidated profit and loss account was £320,383 compared with £271,846 the previous year. As already announced your directors recommend an increase in the ordinary dividend from 9 per cent to 11 per cent.

We have not been idle in recent years over capital re-equipment. There is still much to be done, however, and you will have noted from the annual report that the directors have on hand three more reconstruction projects which will eventually involve an expenditure of some £3 million. The first of these, the reinstatement of the granary at Aberdeen, is already in progress. We are hopeful that this, with its enlarged storage, handling and drying facilities will be in operation for next harvest, and will be of service to this important cereal-growing district.

The second project is the rebuilding of the Nutrimol Mill in Glasgow which is the company's main manufacturing and distributing centre for feeding stuffs for the West and South of Scotland.

Lastly, we are embarking on the reconstruction and extension of the fertiliser factory at Leith on a new site adjacent to the existing works. Here we propose to erect new buildings to handle and store our main raw materials and to house manufacturing plant of large capacity and new design for the production of high quality compound and phosphatic fertilisers. The present site will then be used to provide storage, packing and despatch facilities for the finished fertilisers. We expect to complete this programme over the next three or four years.

In a seasonal trade such as ours, it is of course difficult to give any firm forecast of results for the current year's trading. We have, however, made a good start over the last three months, and I think I can safely say that prospects are by no means unfavourable.

Your directors have had in mind for some time that ordinary shareholders might welcome the payment of interim dividends. Unless unforeseen circumstances arise, they propose to introduce this practice, beginning in July next.

The report and accounts were adopted and the ordinary dividend of 11 per cent was confirmed.

JOSHUA TETLEY AND SON, LIMITED

CO-ORDINATION OF SUBSIDIARIES

CURRENT SALES WELL MAINTAINED

COLONEL F. ERIC TETLEY'S SPEECH

The fifty-eighth annual general meeting of Joshua Tetley and Son, Limited, was held at 12 noon on December 31, 1954, at the Registered Office of the Company, The Brewery, Leeds, 10, Colonel F. Eric Tetley, chairman of the company, presiding.

The secretary of the company, Mr Robert F. Tetley, read the notice convening the meeting; and Mr W. N. Herald, of Messrs Peat, Marwick, Mitchell and Co., read the report of the auditors.

The chairman then suggested that as the directors' report and statement of accounts had been in the hands of the stockholders for the required period of time they should be taken as read. (This was agreed.)

TRADING RESULTS

The chairman then went on to say:

I have much pleasure in submitting for your approval and adoption the accounts and directors' report for the year ended September 30, 1954. The company itself, apart from its subsidiaries, showed an increase of some £15,000 in sales of beer and its total income of £6,737,524 shows an increase of £12,901 over the figure for last year. The income for 1954 has been absorbed in the following manner:

Beer Duty	61.1
Taxation	5.7
Materials and Production Costs (excluding wages)	10.3
Wages, Salaries and Pension Schemes	6.1
General Trade Expenses	9.9
Depreciation and Reserves	3.0
Interest	1.2
Dividends (net)	2.7
	100.0

As regards our subsidiaries, Reaney and Greaves, Limited, shows a slight profit of £1,616, while Duncan Gilmour and Company, Limited, and its subsidiaries have yielded a trading profit of £96,621 for the seven months from March 1st, the date on which we took over.

The trading expenses of the company have risen by some £38,000, while the charge for interest on loan capital shows an increase of £30,000.

GROUP PROFIT AND DIVIDEND

Trading results of the group show a net profit before taxation of £719,682, but the deduction of taxation at the rate of 11s. 11d. in the £, as against 11s. 8d. last year, reduces the group net profit to £291,527, as against £259,465 a year ago.

We have recommended the payment of a final dividend of 7 per cent on the increased capital, which, with the interim dividend already paid, makes a fractional percentage increase on last year's dividend on a smaller capital. We also suggest that the sum of £50,000 should be transferred to general reserve, and £50,000 to property improve-

ments reserve, and that £216,771 should be carried forward.

As mentioned in the chairman's statement published with the accounts our board has been engaged since last March in co-ordinating the working of Duncan Gilmour & Company and its subsidiaries with the activities of the parent company. We have taken over already the production of beer to be sold by certain of Duncan Gilmour's subsidiaries and over a period of years we hope gradually to supply the demands of the whole Duncan Gilmour group from our Leeds brewery. We are also contemplating the eventual building of a new bottling store in the Sheffield area which should greatly increase our capacity for producing bottled beer. Various companies in the group have substantial interests in the wine and spirit trade both in this country and abroad. These interests are also in process of co-ordination so as to obtain the maximum results therefrom. We are also engaged in the survey of the transport and carriage facilities of the group with a view to effecting economies in this most expensive charge on our trading.

POLICY OF IMPROVEMENTS

Our licensed properties have been maintained in good repair during the year and we are always endeavouring to improve as far as we can both the service offered to the public and also the comforts and accommodation provided for the tenants who manage them so well for us. During the past year we opened two new public houses, one in Leeds and one near Barnsley, giving up licences in the case of one of them taken from other houses which have been closed. In the coming year we hope to start building one or two more houses on new housing estates.

I do not wish to prophesy as to the future but I can tell you that since September 30th sales have been well maintained and it is safe to say that owing to the fall in the price of barley there will be some reduction in the cost of malt. At the same time I must confess that I was too sanguine last year when I forecast that our new drum maltings should be fully employed in the spring of 1955. They will be in partial production during next year but probably not in full operation until October, 1955.

In conclusion I should like to pay tribute to the work done by all the men and women employed by the group. The results achieved are due to a large extent to the devoted services rendered by them. I am sure that all stockholders will wish to join me in saying "thank you."

I now beg to move that the statement of accounts for the year ended September 30, 1954, as audited, together with the directors' report be and are hereby approved and adopted and I will ask Mr M. H. Tetley to second this motion.

The report and accounts were then unanimously adopted, the dividend approved as proposed by the directors and the formal business duly transacted, the proceedings ending with a vote of thanks to the chairman for presiding.

HAWKER SIDDELEY GROUP LTD.

Sir Thomas Sopwith Says:

"IN H-BOMB AGE OUR SOLE HOPE OF SURVIVAL LIES IN SO BUILDING OUR STRENGTH AND OUR AIR POWER NO ONE WILL DARE ATTACK US"

POLICY OF WEAKNESS IS SURE WAY TO DISASTER

The Nineteenth Annual General Meeting of the Hawker Siddeley Group was held on January 5th in London. In the course of his speech, Sir Thomas Sopwith, CBE, the chairman, said:

The trading profits of the Group for the year ended July 31, 1954, after deducting special development expenditure and reserve for increased replacement cost of fixed assets, amounted to £6,961,041, as compared with £5,033,744 last year. I feel sure you will agree that this is satisfactory. Production and sales of both our United Kingdom and Dominion interests show an increase over last year. Excluding the war years, the sales by our United Kingdom interests have attained a record level. We have increased our export sales and, to cope with our present export orders, steps have been taken to expand our already high production.

After providing depreciation of £2,321,393 on the Group's fixed assets, your directors have considered it prudent to charge a further £1 million for replacement of fixed assets. This reserve is thereby increased to £7 million, the whole of which has been provided from taxed profits. The present high rate of taxation, which for too long has been a feature of our national economy, reduces severely the profit which, after making reasonable distributions to shareholders, is available to build up industry's resources. Although the Government has to some extent recognised this problem through the introduction of investment allowances, these are inadequate and go only a small way towards the larger problem. The present rigid system of annual allowances should be modified to give a more reasonable amortisation over the probable life of the asset.

During the year we have spent nearly a million pounds on special development projects. This is yet another example of private enterprise doing its part towards financing today's research problems in order to ensure production orders for the future.

Turning to the balance sheet the increase in the ordinary share capital by £5,822,350 has been explained in the directors' report. This operation did not involve any alteration in the cash resources of the Group.

The profits of the year have been dealt with according to our usual policy. We have transferred to the parent company only sufficient revenue to meet the proposed dividends and debenture interest, retaining and employing the major part of the Group profits in the operating companies.

Your board is recommending a final dividend of 7½ per cent, less tax, which is the maximum final ordinary dividend as foreshadowed in the circular letter dated July 14, 1954. This dividend is payable on the increased ordinary share capital whereas the interim 1953/54 dividend and the 1952/53 dividends were related to the previous capital. The effective increase in the ordinary dividend as compared with last year has already been explained in detail in the directors' report.

During the year we extended our interests by acquiring Canadian Steel Improvement

Limited. Your directors, therefore, decided that a Canadian group of companies should be formed with A. V. Roe Canada Limited as holding company. Its former aircraft and engine divisions are now being carried on as separate businesses by two new subsidiary companies, Avro Aircraft Limited, and Orenda Engines Limited. Canadian Steel Improvement Limited is the third subsidiary of the new Canadian group, and specialises in steel, light alloy, and titanium products. It is one of the most modern plants in Canada. All these Canadian companies continue to be an extremely valuable asset in a vigorous and developing country. Our United Kingdom interests have been expanded since the end of the financial year by the acquisition of Kelvin Construction Company, Limited, which is a company with a fine reputation in the design, fabrication, and erection of industrial buildings.

The year has been one of steady progress and I believe that the world is moving into an era of prosperity. The scars, physical and economic, left by the last war are disappearing and industry cannot fail to benefit from the improving trade conditions. This is why the policy of the Group is one of expanding and widening activities.

The shape of aircraft is rapidly changing and the patterns we shall see flying about the skies in the not-so-distant future will be very different from those we now know. To meet these changes the work of our scientists and technicians becomes ever more important.

Sir Thomas next discussed the many products and activities of the Hawker Siddeley Group—the Hawker Hunter, the Avro Vulcan Bomber, the Shackleton Mark III, the Sea Hawk, the Gloster Javelin and Avro Canada's new and secret C.105 all-weather fighter, the Sapphire and Orenda jet engines, Guided Missiles, Rockets, diesel engines, the Sapphire motor car, alloys and titanium, and Hawksley houses.

He then continued:

There was a time, not so long ago, when our defences were so stripped and so meagre that we were an easy prey for any aggressor. That danger is passing. It takes a long time to tool up for production of an aeroplane in large quantities—although to do so pays handsomely in the long run. You wait a long time before there are any visible results. Then comes a slow trickle of aircraft. And this rapidly develops into a strong flood. The truth of the matter is that many aeroplanes have already been delivered but they have not yet all been assimilated into the Service.

This new breed of aircraft represents a radical departure from previous types. You cannot change from an old type of aeroplane to one demanding entirely new techniques as easily as you change from one make of motor car to another. Remember, we have changed from straight to swept wing aircraft from those which had a maximum speed in the region of 600 mph, to aircraft now flying faster than the speed of sound.

In changing over, there are bound to be unforeseen delays. It has happened in the

past, and it will occur again in the future. A sense of urgency there must be at all times, but, as the Secretary of State for Air has recently stated, "three 'Hunter' squadrons have been formed, and enough aircraft will soon be available to form as many more." In his speech he also said that "the state of affairs is not nearly so depressing as has sometimes been made out."

A major decision which will affect the period of time lag in the future was taken last summer. The Government wisely decided to scrap the long-established method of ordering only one or two prototypes, and to supplement a prototype order with a much larger pre-production batch. This new policy will immensely speed up development and delivery of future new aircraft and certainly greatly accelerate squadron deliveries.

Even before the Royal Air Force is fully equipped with modern weapons, there are voices raised seeking to reduce our protection. And they are powerful voices. They say that at last we can reduce armaments. This must not be allowed to happen.

It should be plain to everyone that we are now in the age of the hydrogen bomb, a weapon of destruction so vast and so horrifying that it staggers the imagination. We hold this weapon—and so do our potential enemies. There are those who say, "If this be true, let us abandon all hope of defence." And these prophets of despair clamour for appeasement.

You cannot turn back the clock—the hydrogen bomb and the horrors of atomic warfare are from now on an ever present menace.

Make no mistake about it. The one sure way to invite disaster is for this country to pursue a policy of weakness. Our potential enemies only understand strength and our sole hope of survival lies in so building our strength and our air power that no one will dare attack us.

And strength in airpower is not only atomic strength but the ability to deal anywhere with local wars, with local tensions whether they be in Korea, Indo-China, Malaya, the Near East, the Arctic or Western Europe.

We hear much talk about push-button warfare, but that is still in the test-tube stage. For years to come there will be a dual pattern to any aggressor's movements and hence we must be prepared for both kinds, all-out atomic warfare and local penetrations. Hence our need for the latest fighters and bombers—and similarly our urgent need to press on with atomic carriers, rockets and guided missiles.

Only one thing is sure, if war does come, it will come with supersonic speed—and probably in an opening sneak attack. And to provide defence against that requires more than courage and faith. It needs equipment and trained manpower, and that policy requires money, time and decision.

If we falter in building up our nation's strength, if we allow our national effort to be sidetracked now, we are asking for trouble.

The report and accounts were adopted.

HOULDER LINE LIMITED

The annual general meeting of Houlder Line Limited will be held on January 31st in London.

The following is an extract from the statement by the chairman, Mr Walter C. Warwick: Shareholders may well be pleasantly surprised to find our trading profits so well maintained during the year when general freight markets were consistently falling until about three months ago.

This favourable position is largely due to the fact that our accounts each year are made up to include completed voyages with moderate estimates on unclosed or uncompleted voyages. In making these estimates we always provide for contingencies and possible delays owing to strike or mishaps, and for the accounts under consideration we have been fortunate in having substantial credits arising from the final closing of these voyages which largely cover trading during late 1953.

The accounts to December 31st last reflect the capital changes consequent upon the issue of £550,000 of additional share capital with a corresponding reduction of reserve accounts to cover this bonus issue to shareholders.

Your directors recommend the same rate of dividend viz., 7½ per cent, less tax. This maintenance of dividend on the larger capital may fairly be attributed to the policy of commendable and uncomplaining restraint that has been pursued for many years past.

Notwithstanding the many troubles and difficulties experienced during the period covered by the accounts reasonable trading profits have been earned, and the improvement during recent months in general freight rates encourages the hope that these favourable trading results may be maintained.

MERLIMAU PEGOH

MR J. L. MILNE'S REVIEW

The forty-fifth annual general meeting of Merlimau Pegoh, Limited, was held on December 30th in London, Mr J. L. Milne, chairman, presiding.

The following is an extract from his circulated review for the year to March 31, 1954:

The accounts reflect the results of the first year of working following the amalgamation of Consolidated Eastern Plantations, Limited, with the parent company. Unfortunately, the year was marred by a continued decline in the price of natural rubber which adversely affected the sale proceeds. Another factor influencing the results was a smaller income, by way of dividends, from our subsidiary companies.

The average spot London price for first quality ribbed smoked sheet for the year ended March 31, 1953, was about 2s. 1d. per lb. compared with 3s. 8d. per lb. for the year ended March 31, 1952. The average for the year under review fell to the low figure of 1s. 6d. per lb.—a drop over the two years of almost 60 per cent.

The parent company's profit and loss account discloses a profit on normal working of £56,700. From this falls to be deducted £11,010 for interest on loan stock and £28,016 for taxation. After taking to credit various sundry items and setting aside for replanting the sum of £44,285 (the equivalent of the refunds of replanting cess and, after taxation, the war damage compensation received), we decided to pay a dividend of 7½ per cent and carry forward £16,137 against £25,668 brought forward from the year ended March 31, 1953. The group profit (before taxation) fell from £107,271 to £65,690.

The report and accounts were adopted.

MERCANTILE CREDIT COMPANY LIMITED

SUCCESSFUL YEAR'S TRADING

The twenty-first annual general meeting of this company was held on January 6th in London, Sir Edward de Stein, chairman, presiding.

The following is an extract from his speech, circulated with the report and accounts for the year ended September 30, 1954:

I am glad to be able to put before you figures which reflect a successful year's trading. The accounts tell their own story of progress in a year which contained over nine months of Government restrictions, for the hire-purchase control order was not removed until July 14th.

Up to the removal of Government restrictions in mid-July, our companies in the British Isles had made steady progress within the limits imposed. Thereafter business naturally expanded, and in order to cope with the situation application was made to the Capital Issues Committee for an issue of capital. Thus, since the end of our financial year we have increased our authorised capital to £1,700,000, comprising an equal number of shares in each class, and have issued 360,000 5½ per cent redeemable cumulative preference shares at a premium of 2s. per share and 63,821 ordinary shares at a premium of £2. This operation results in our now having 650,000 of each class issued; £1,300,000 in all.

The cessation of Government control of hire purchase has amply demonstrated the goodwill which our company has created for itself; the demand for our services has been continuous and almost embarrassing.

The report and accounts were adopted.

KENNINGS LIMITED

(Motor Distributors & Engineers)

TRADING PROFIT EXCEEDS £500,000

The 24th annual general meeting of Kennings Ltd. was held on 31st December in Sheffield, Sir George Kenning, chairman and managing director, presiding.

The following are extracts from his speech:

I think you will agree that we have had another successful year's trading.

The Group's consolidated profit for the year amounts to £526,229 as compared with £399,215 last year. After mortgage interest £2,001, depreciation £54,258, directors' emoluments £13,746, auditors' remuneration £2,295, Pensions Scheme contributions £24,024, and taxation £250,252, the net profit is £179,653 as compared with £151,499 last year.

Out of the net profit of £179,653, the sum of £15,451 represents outside Shareholders' interests, and £22,156 is retained by subsidiaries, leaving a net balance in Kennings, Limited, accounts of £142,046.

INCREASED DIVIDEND

Subject to your approval, your directors propose the payment of a Final Dividend of 17½% (12½%). I feel sure that this overall increase in dividend from 18½% to 25%, which is covered more than twice by earnings, will be approved by shareholders as representing a fair and prudent distribution of the earnings of your Company.

ACQUISITION OF NEW SUBSIDIARIES

Referring to the consolidated balance sheet, you will observe that fixed assets have increased from £1,050,700 to £1,288,664, of which an increase of £110,179 in motor vehicles is accounted for in the main by the acquisition of a controlling interest in Self Motoring, Ltd. This acquisition has proved, and continues to prove, profitable to your Company. Trade investments are reduced from £78,040 to £42,572 owing to the acquisition of Freeman, Oakes & Co. Ltd., and G. Mackay & Sons, Ltd. Issued Capital is increased by £53,502 in Ordinary Shares on this account, and also by the purchase of outside interests in W. R. Sanders, Ltd. and Maude's of Norwich, Ltd. This transaction has, as I forecast at the time, proved very advantageous to your Company. Since the financial year end, we have purchased further shares in Self Motoring, Ltd. and a controlling interest in George Langley, Ltd., Nuffield distributors in Bedford.

Nevertheless, I would draw your attention to the fact that Kennings, Ltd. trading profit alone has increased from £223,699 to £277,278. Current assets at £2,120,522 exceed current liabilities of £1,368,405 by £752,117. Reserves, excluding future taxation reserves of £284,113, total £633,130 compared with ordinary capital of £553,502.

I should like to point out that this achievement has not come to us as a result of a so-called "Motor Boom," but because of the hard work of your directors, management, staff and workpeople in the face of the very real difficulties and disappointments which have continued to beset us.

In particular, we continue to operate important sections of our business at very low profit margins and in the face of fierce competition. I refer to our spare parts business, tyre business, and petrol and oil business. I am glad to say that we are standing up well to competition, and are increasing both our share of the market and the profitability of our activities in these spheres. Contrary to general belief, a low proportion of our turnover in cars (less than 10%) is accounted for by hire purchase business.

EXPENDITURE ON IMPROVEMENTS AND EXTENSIONS

In accord with the policy of our manufacturer friends, we are carrying out substantial improvements and extensions to our property and equipment, and, even more important, to the quality and scope of the services we offer to the public. We have budgeted for an expenditure of £500,000 in the next two years.

It is difficult to forecast the future, but nearly six months of another year's trading have gone, and results have been satisfactory. Our costs continue to rise, but, fortunately so does our turnover.

All your directors are very actively engaged in the business, and the understanding between management and staff is of the best. We are proud of our co-workers, and we shall continue to watch their interests to the best of our ability.

We thank our manufacturers and suppliers for their continued understanding co-operation.

The report was adopted.

THE PLESSEY COMPANY LIMITED

(Manufacturers of Components for the Electrical and Mechanical Engineering Trades)

EXTENDED PRODUCTION FACILITIES

INCREASED VOLUME OF WORK

MR A. G. CLARK'S STATEMENT

The thirtieth annual general meeting of The Plessey Company, Limited, was held on December 30th in London, Mr A. G. Clark (chairman and managing director) presiding.

The secretary (Mr W. F. Cross, BA) read the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts:

We are now submitting to you the accounts for the year to June 30, 1954.

In spite of experiencing our usual share of troubles, we continued to extend our facilities for production during the year, and from this extension there resulted an increase in the volume of work turned out.

The increased volume of work brought with it an increase in the company's profits, and at £1,125,710 the total profit before taxation is some £180,000 higher than in the preceding year.

As is now usual taxation unfortunately absorbs the larger share of this profit—£652,000 is taken by taxation—leaving £473,000 available for dividends and for ploughing back into the business.

We are recommending a final dividend of 10 per cent, which rate corresponds with the indication of our intention which was given to you when the capital reorganisation took place in May.

CAPITAL STRUCTURE

During the year the capital structure of the company was reorganised to bring it more closely into relation with the capital being employed in the business, and in the course of the reorganisation a "rights" issue was made to the ordinary shareholders which resulted in the subscription by those shareholders of an additional £900,000 of cash.

The liquid position of the company has been strengthened materially as a result of this issue, and we believe that a sound basis has been provided for the further extension of the company's activities.

WIDENING OF INTERESTS

Apart from our immense productive capacity, our research and development staff are well capable of handling the task of maintaining your company's technical supremacy in the many fields in which it operates. In the aircraft industry, for example, we have widened our interests to cover an extensive range of mechanical and electrical components. In the domestic radio and television field our products are equally ubiquitous, and the company has built an enviable reputation for its efforts in the design, development and production of many types of complex electronic apparatus.

Recent work in the field of agricultural equipment has materially broadened the company's operational base, and I look

forward to many interesting developments in this sphere of mechanical engineering.

We are proud, too, of the company's achievements on many projects for Her Majesty's Government both at home and overseas. Whilst many of these are connected with defence work, a great deal of more mundane apparatus is produced to play its part in the everyday life of the country.

So far, therefore, as our technical efficiency is concerned we are well placed and without any real anxieties.

To form any long-term view of our commercial prospects is, however, more difficult, since here we can so easily be affected by matters outside our own control.

RIISING PRODUCTION COSTS

I am not an economist, and I speak as an engineer, but a disturbing feature of the general industrial situation is that the costs of production continue to rise. The rise may be small each year, but the effect is cumulative, and as compared with the costs of five years ago the increase is significant. To the best of our ability we cope with this problem by improvements in methods and in machinery but the plain fact is that, in spite of all that is being done to use the best of plant and the best of methods, the final cost of producing the apparatus or equipment with which we are concerned has increased and is increasing.

For this reason I am not able to look at future prospects without anxiety. It is possible to price oneself out of world markets, and inflationary tendencies involve the risk that slowly but surely we may reduce the market which is open to our products.

And, as that market is reduced, it becomes correspondingly the more difficult to carry the heavy and inevitable research and development charges which must be faced if the technical supremacy of our production is to be maintained.

There is little room for complacency here, and I can assure you that we have few illusions in respect to the struggle which lies ahead of us.

TRIBUTE TO STAFF

I would be ungrateful did I not conclude by saying how much we owe to the efforts of our staff to ensure that everything possible should be done so that the company operates at maximum possible efficiency.

That we are assured of the continuance of those efforts is our strongest guarantee for progress over the years ahead.

The report and accounts were adopted and the dividend, as recommended, was approved.

The retiring director, Mr B. G. W. Attwood, BSc (Econ), was re-elected and the remuneration of the auditors, Messrs Deloitte, Plender, Griffiths and Company, having been fixed, the proceedings terminated.

THE ECONOMIST, JANUARY 8, 1955

MONTAGUE L. MEYER, LIMITED

FACTORS AFFECTING YEAR'S RESULTS

CURRENT TRADING IMPROVEMENT

The annual general meeting of Montague L. Meyer Limited was held on December 31st in London, Mr Montague L. Meyer (the chairman) presiding.

The following is the chairman's circulated statement:

The accounts I am presenting for the year ended March 31, 1954, show a consolidated trading profit of £262,723, and after providing for depreciation, audit fees, staff pension fund contribution and interest on borrowed money, the profit before taxation is £11,305. Due to the heavy excess profits levy which we have paid in the last few years we are claiming substantial refunds of tax which gives a balance for allocation of £66,020.

We have paid an interim dividend of 5 per cent on the ordinary share capital and now propose a final dividend of 10 per cent, making a total distribution for the year of 15 per cent, compared with 20 per cent last year. This leaves a balance of £15,290 which has been added to the profit and loss account, and in addition a capital profit of £11,272 has been carried direct to the general capital reserve.

OVERSEAS DEVELOPMENT RISKS

I must admit my disappointment with the results of the year under review. These are largely due to losses incurred by one overseas and one United Kingdom company which occurred at a time when the margin of profit on imported timber fell considerably. Complete reorganisation of the companies concerned has taken place which has already substantially altered their position although the full effect cannot materialise during current year. I referred in my statement, years ago to the group's new developments in the Colonies and elsewhere. Though the majority of these are thriving the risks of development overseas are considerable and it is the losses made on one of these projects that has had a serious effect on the profit of the group as a whole.

IMPROVED FINANCIAL POSITION

In view of the results for the year under review the directors consider it right to make some reduction in the ordinary dividend. The financial position of the group has been improved during the last four years by £623,763, partly capitalised and partly remaining in reserve and profit accounts, in addition to capital profits of £42,063. In view of this and the alterations already referred to, and in view of the prospective earnings of the group, the board consider that a reduction of the dividend below 15 per cent would not be justified.

A WORLD-WIDE ORGANISATION

The group despite the results of this single year is in a strong financial position and has a world-wide organisation which is capable of making a substantial income. In particular the subsidiary companies acquired or formed in recent years have still not begun to realise more than a part of their possibilities. The full effect of these and the reorganisation referred to above will not be seen in the year 1954/55, although the results should be appreciably better than those of the year under review. Thereafter, however, I am confident that the profits of the group should be once again in line with what our shareholders have become accustomed to expect.

The report and accounts were adopted.

UNIVERSITY OF QUEENSLAND

AMENDED ADVERTISEMENT
Applications are invited for the position of LECTURER (Grade II) IN POLITICAL SCIENCE.
Salary now £A1,100/£A1,250 per annum.
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.
Closing date January 31, 1955.

B.S.C.(ECON.) LONDON UNIVERSITY

UNIVERSITY CORRESPONDENCE COLLEGE provides postal tuition for the above Degree (open to all), which is a valuable qualification for men and women seeking executive appointments in commerce or industry, government or municipal posts. The College, founded 1887, is an Educational Trust. Highly qualified Tutors. Low fees; instalments.—Write for Prospectus of U.C.C. Courses to Registrar, 60 Burlington House, Cambridge.

A LARGE MANUFACTURING COMPANY (PUBLIC) with offices in London seeks an outstandingly able export sales manager to play the leading role in achieving its target of £2,000,000 export sales in 1955.

He should have had wide experience of export selling but consideration will be given to an applicant without this if he is outstanding in all other respects. He should be between 32 and 42 years of age and speak at least one major foreign language fluently. This is a unique opportunity and one that can lead to a satisfying and lucrative career involving wide travel. The commencing salary will be substantial and will carry full pension rights.

Applications, which will be treated in strict confidence, should be typewritten, contain full details of education, background, career and present salary, and be sent to Box 801.

WILL BANK RATE BE RAISED?—and should it be? This vital question is discussed in the January issue of THE BANKER. Other topical articles include Who Pays for Pensions? Strains on Business Liquidity, A Marshall Plan for Asia? Sweden's Money Muddle, and Security of Tenure for Tenants. Single copy 2s. 6d. from 72 Coleman Street, London, E.C.2.

STOP THAT COLD meal from becoming unappetising by adding a little Rayner's Indian Mango Chutney.

MARKET RESEARCH (capital goods). A Midland company requires a male University Graduate for general research work, aged 20/25 and trained in Economics and Statistics. This is a new post demanding an alert man capable of setting down the results of his work adequately, yet concisely. A knowledge of report work and of statistics beyond an elementary level would help the applicant. A talent for writing lucidly and in plain English is essential. Salary in accordance with age and qualifications. Prospects will depend on performance.—Box 798.

ECONOMIST, age up to 27, with working knowledge of statistics, required for a position in the Commercial Statistics Department of a large manufacturing company with wide interests. Essential qualifications are a University Degree in Economics with at least Second Class Honours, coupled with a sound practical approach to everyday problems and the ability to produce reports in a clear and concise form. Applications giving full details of previous career are invited from persons possessing the above qualifications, and should be sent to Box 794.

DOUGLAS GLASS

BRITAIN'S GREATEST PHOTOGRAPHER OF MEN

43 Black Lion Lane, W.6. RIV. 7522.

TRADES UNION CONGRESS invites applications for the post of Assistant in its Research and Economic Department. Sound knowledge of economics and related subjects essential. Further particulars of the appointment may be obtained before January 24 from Sir Vincent Tewson, C.B.E., M.C., Trades Union Congress, Smith Square, London, S.W.1.

ECONOMIST (38), six years City, Commerce and Industry. Able linguist—five languages—conversant Shipping, Banking, Insurance, etc., seeks executive appointment.—Box 796.

NORWAY.—A private mixed party, April 2nd to 18th, skiing and spending Easter in a small village, has some vacancies for men. Cost £29 10s., with skiing instruction.—Box 789.

TRAVEL 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.

A WELL-KNOWN GROUP OF COMPANIES require a first-class Manager to Head up the Personnel Department of a new division. Applicants must be experienced in every aspect of Personnel Management in its broadest conception and capable of dealing with a rapid expansion programme entailing the recruitment and training of all grades of staff.—Write in confidence, giving fullest details of age, education, experience and salary required, to Box 792.

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.

FREE MEALS from monotony by serving them up with some of that tasty Rayner's Indian Mango Chutney.

The Economist: Annual Air Subscription Rates

Anglo-Egyptian Sudan: £5.10s.

Australia: £8.5s. (sterling)

Canada: \$21.50 or £7.14s.

East Africa: £5.5s.

Egypt: £5.5s.

Europe (except Poland): £4.15s.

Gibraltar, Malta: £3.15s.

Hongkong: £7

India & Ceylon: £6

Iran: £6

Iraq: £6

Israel: £6

Japan: £9

Malaya: £6.15s.

New Zealand: £9 (sterling)

Nigeria, Gold Coast: £5.5s.

Pakistan: £6

Rhodesia (N. & S.): £5.10s.

S. America and W. Indies: £7.15s.

Union of S. Africa: £5.10s.

U.S.A.: \$21.50 or £7.14s.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22 Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland 2d.; Overseas 2½d.—Saturday, January 8, 1955

ST. ANDREW'S COLLEGE

GRAHAMSTOWN, SOUTH AFRICA

APPOINTMENT OF HEADMASTER

Applications are invited for appointment to this post which falls vacant at the end of 1955. Intending applicants should write to the Warden, Rhodes House, Oxford, from whom details may be obtained.

SOUTHERN GAS BOARD

QUALIFIED ASSISTANT ACCOUNTANT

A qualified accountant, preferably not older than 32 years but not necessarily with experience of the gas industry, is required for the Chief Accountant's Office at Southampton.

The Board is in the process of installing a completely integrated system of standard costing and flexible budgetary control. A knowledge of and a keen interest in these methods of cost control would, therefore, be an advantage, although the duties of the post are not solely connected with this operation. The position offers a good opportunity for a keen young man whose horizon is not limited to the normal accounting routines.

The commencing salary will be in the region of £800 per annum. Applications, stating age, education, qualifications, training, experience and present salary, together with a one-page summary of these particulars, should be sent in an envelope marked "Assistant Accountant," to the Secretary, Southern Gas Board, 164 Above Bar, Southampton, to reach him not later than January 29, 1955.

DO YOU WANT MORE BUSINESS? Then cover more territory and make more regular calls with a 1954 self-drive car. No more waiting for public transport. AUTOHALL have a fleet of over 100 1954 cars, all expertly maintained and serviced to meet your requirements. You can also take advantage of our guaranteed re-purchase scheme. Will you ask your secretary to drop us a line for our new, informative brochure.—AUTOHALL, Dept. 2-B, 302-306 King Street, London, W.6. RIV. 2881. Telegrams: Autohall, Wesphone, London. Cables: Autohall, London.

BUSINESS OFFERS pleasant prospects when you're going home to a meal with Rayner's Indian Mango Chutney.

THE B.Sc.ECON. DEGREE of London University is open to all without University residence. It is a valuable qualification for ambitious men and women engaged in accountancy, secretarialship, banking, finance, commerce, public services. Wolsey Hall (est. 1894) provides postal tuition of a high order for the three (in some cases two) examinations, at reasonable fees. More than 1,000 Wolsey Hall students have passed London B.Sc.Econ. (Final) exams, since 1925.—Prospectus from C. D. Parker, M.A., LL.D., Director of Studies, Dept. P17, WOLSEY HALL, OXFORD.

CHARTERED ACCOUNTANT, with first-class industrial experience, seeks post as Financial Controller in medium-sized company or senior appointment in large organisation. Salary level £2,500. Enquiries will be treated in complete confidence.—Box 791.

THE TECHNICAL SALES DIRECTOR of a large engineering group requires a PERSONAL ASSISTANT. Essential qualifications are a background experience of economics, the analysis of general market information, and sales statistics in both home and export markets for a wide range of engineering products. Some general knowledge of accounts is desirable, but not essential.

A commencing salary of not less than £750 per annum is offered, depending on the experience and qualifications, and the post offers considerable opportunities for advancement.

Applications are invited from men between the ages of 27 and 37, giving full details of age, education, positions held, salary required, etc., and should be addressed to Box 800.

CROSSE AND BLACKWELL have vacancies in their Work Study Department, which includes Organisation and Methods, for trained Work Study Observers of three years' or more experience. The scope offered by these appointments is unusually wide, owing to the very great variety of jobs covered by the department; and the commencing rates payable vary from £500 to £900 per annum, according to qualifications.—Applicants should write to the Personnel Manager, Crimscoot Street, London, S.E.1, giving fullest possible details of themselves, and if placed on the short list, will be asked to spend a day at the factory and offices for interview, with expenses paid.

A WELL-KNOWN firm of Northern Wine and Spirit Merchants and Bottlers are about to appoint a Joint Managing Director. Applications are invited from Chartered Accountants, 35-45, with first class commercial experience and who have knowledge of budgetary control and standard costing. Experience of the trade would be an advantage, but is not essential. Replies, which will be treated in strict confidence, should give full details including present salary, and be addressed to Box 797.

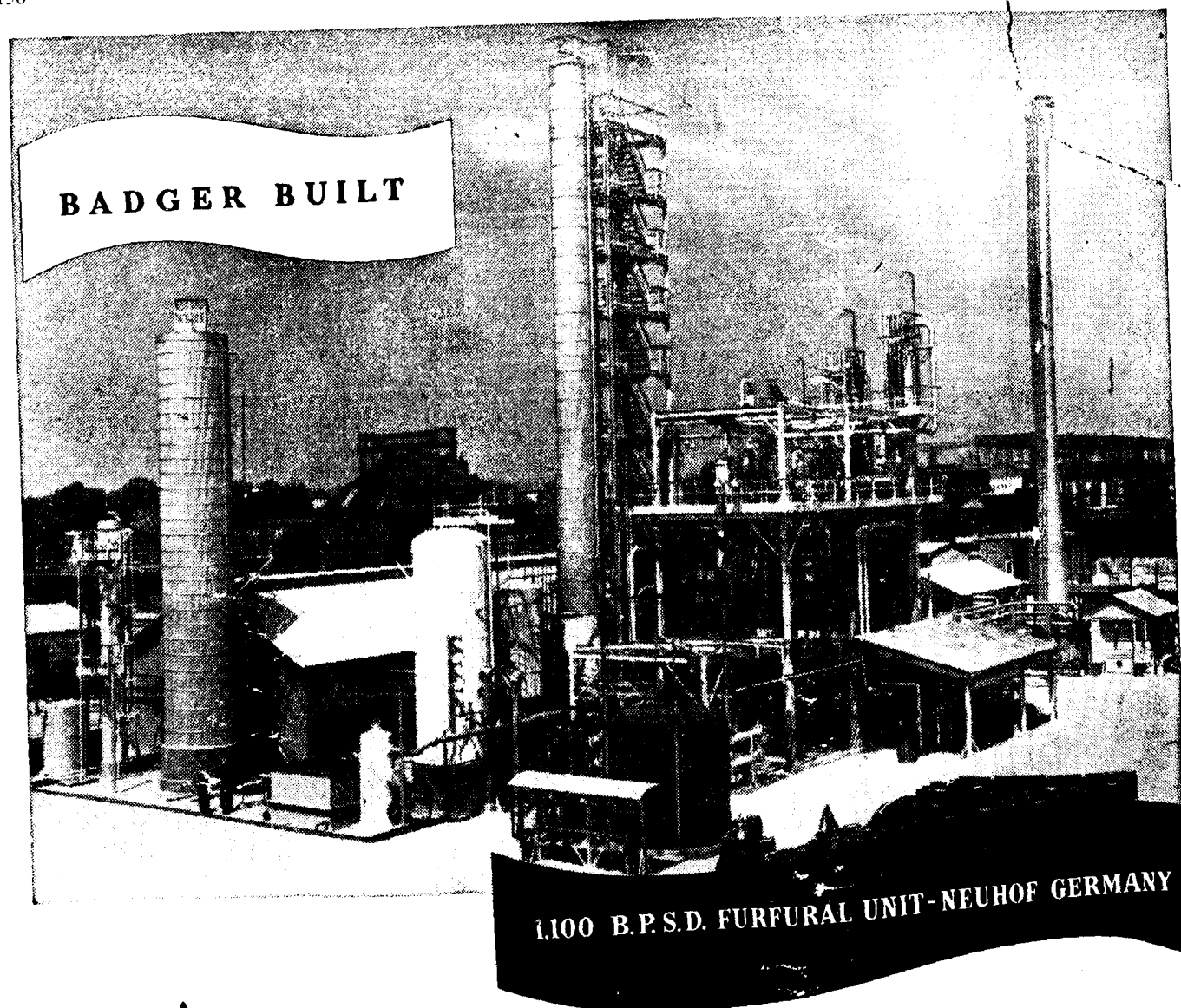
CONSUMER Research Executive with advanced degree and experience in design, execution and presentation of survey work at national level requires part or full time research work.—Box 795.

EXPERT POSTAL TUITION

For Examinations—B.Sc.Econ., LL.B. and other external London University Degrees: Law Society; Bar; Accountancy; Banking; Secretarial; Civil Service; Commercial; General Certificate of Education, etc. Also many non-examination courses in business subjects.—Write today for free prospectus and/or advice, mentioning examination (if any) or subjects in which interested, to the Secretary (G 9/2).

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30, Queen Victoria Street, London, E.C.4.



Completed in 1954, this furfural extraction unit is a part of the lubricating oil refining facilities of Oelwerke Julius Schindler, G.m.b.H., a German affiliate of the British Petroleum Company Limited. Badger's services in connection with this plant included its design and procurement and supervision of the erection.

E. B. BADGER & SONS LIMITED

99, ALDWYCH, LONDON, W.C.2

Process Engineers and Constructors for the Petroleum, Chemical and Petro-Chemical Industries
Affiliated with STONE & WEBSTER ENGINEERING CORPN., Badger Process Division, U.S.A.

The Economist

FOUNDED 1843

JUARY 15, 1955

ONE SHILLING

Lessons from the Railways

Argument of Arms

Who Floats?

Election Year in Malaya

Profits Ahead

Cigarettes on the Counter

AMERICAN SURVEY: Quiet on the Potomac
THE WORLD OVERSEAS: Libya's Nationalist Fling
BOOKS: The Still Small Voice

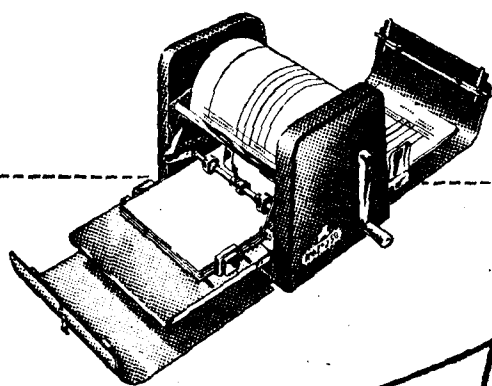
Annual Postal Subscriptions: by ordinary mail £3; by air see page 239
THE ECONOMIST • 22 RYDER STREET • ST. JAMES'S • LONDON • S.W.1
VOLUME CLXXIV • NUMBER 5812

*or school
or club
or society*
To make the office a better place to work in



Many a secretary knows that he or she cannot really manage without a duplicator, but would rightly look upon a large power-operated machine as being an unnecessary luxury. That is the *raison d'être* of the '250' Portable Duplicator—another Roneo answer to a frequently posed office problem. Roneo '250' has fully automatic inking, prints up to foolscap size, is simple to use, easy to carry around and is reasonable in price.

DUPLICATORS
FILING AND RECORDS
STEEL DESKING & EQUIPMENT
OFFICE PLANNING
LIBRARY & BANKING EQUIPMENT
STEEL PARTITIONING



call in **RONEO**
and do the job
PROPERLY

Write to Roneo Ltd., 17 Southampton Row, London, W.C.1. Telephone: Holborn 7622

The Daily Telegraph ANNOUNCES

that it has secured exclusive serial rights in this country of 'Stalin's Russia—And After' by Harrison E. Salisbury.

Mr. Salisbury has lately returned from Russia after 5 years there as correspondent of the New York Times.

His articles, just published in America, immediately after his return, and now expanded into a book, were regarded as sensational.

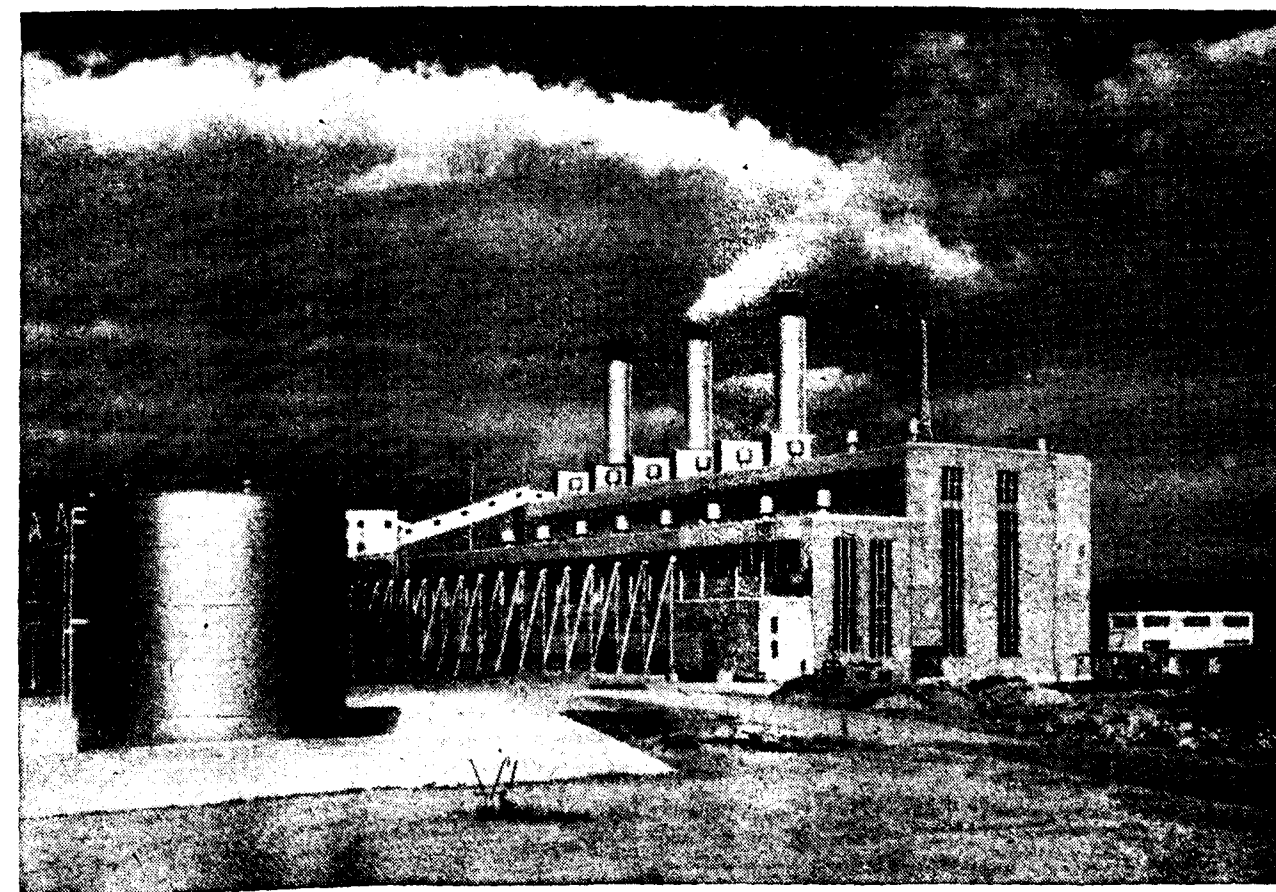
Most things are kept secret in Russia but Mr. Salisbury, by virtue of his long residence and extensive travelling there, acquired an insight not open to the visitor or the diplomat.

He studied all the top men of the Kremlin at close quarters for several years, and he evaluates their relationship. He was in Moscow the night Stalin's death was made known and his story of Beria's moves is fascinating.

These are the most instructive and penetrating articles which have been written on post-war Russia.

★ ★ ★

The articles begin in the
Daily Telegraph
on MONDAY, JANUARY 17th
Order your Copy today



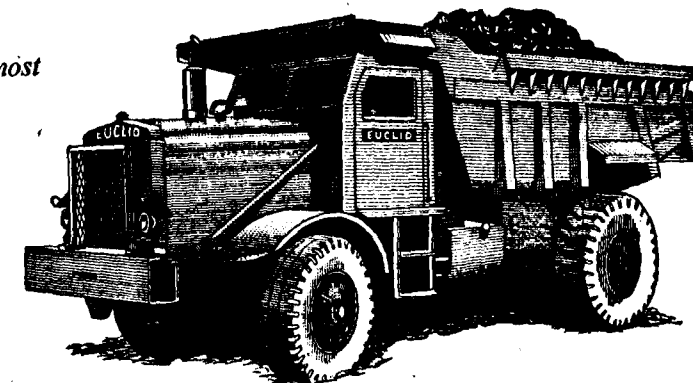
Industrialising India with **EUCLIDS**

Large fleets of EUCLIDS are busy on the many phases of the huge Damodar Valley irrigation and hydro-electric scheme for the Damodar Valley Corporation. Embracing the construction of 8 dams and some 1,550 miles of irrigation canals, this great project will end the periodic flooding of the Damodar River valley; will provide adequate electricity from 5 new power stations and will open up India's richest coal and minerals area.

EUCLIDS are specified on the world's most important development projects.

EUCLID Rear-Dump Wagons, Bottom-Dump Wagons and EUCLID Tractors & Scrapers are available for sterling.

A complete After Sales Service is provided for all EUCLID equipment by the distributors:



BLACKWOOD HODGE

Subsidiary Companies Branches Works and Agencies throughout the World

Taxes, submarines and Seamews

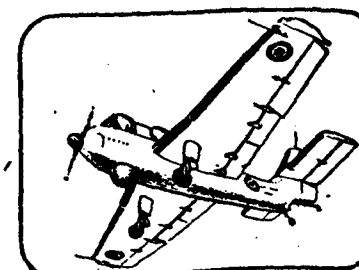
The submarine is now an even greater potential menace to Britain and other countries dependent on overseas supplies. This would be true whether nuclear weapons were used or not. Submarines might be the carriers of such weapons. In any event nuclear motors would greatly increase the range of submarines.

Future anti-submarine operations would inevitably call for large numbers of search-and-strike aircraft, first because coastal defence requires *continuous* air patrolling and, secondly, so that convoys, endangered at sea, could quickly put up an anti-submarine 'umbrella'—off *improvised* carriers—in any weather. In heavy weather, submarines, moving through the relatively calm waters beneath the surface, have a mobility advantage over surface craft

and are, therefore, a greater menace. Britain and N.A.T.O. countries, already heavily taxed to pay for the last war and anxious to guard against a possible next, are turning to weapons like the Short Seamew, designed for fully effective performance in action yet within a nation's capacity to build quickly, cheaply and in large numbers. The Seamew is an ideal aircraft for the R.A.F. task of patrolling coastal waters, apart altogether from its value to the Royal Navy, for which it is in quantity production.

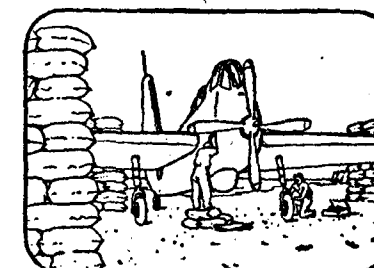
Young men—should they ever again be called up urgently as *reserves* to defend their country—could learn to fly and service the uncomplicated Seamew quickly. Their burdened elders will readily appreciate this Short answer to the problem of keeping down the cost of defence.

Some advantages of the SEAMEW



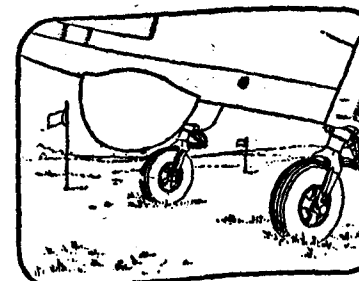
1 INITIAL COST

Future anti-submarine tactics will call for large numbers of aircraft. Both first cost and operational cost, therefore, are of considerable importance. Initial cost of the SEAMEW is low because it is light in weight and simple in construction.



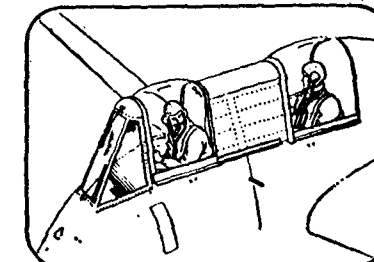
2 OPERATIONAL COST

Is low because of its simple design, leading to ease of maintenance and to economies in space, spares and manpower. The SEAMEW carries a crew of only two and can be serviced by less skilled mechanics.



3 OPERATION

The lightweight Seamew has the double advantage of a very short take-off and slow approach speed. Its strong, fixed undercarriage enables it to operate from any makeshift airstrip—say, a golf course, or even a stretch of beach. The wheels of the Seamew can be swiftly changed, with differing sizes of tyre to suit the surfaces from which it operates.



4 SEARCH AND STRIKE

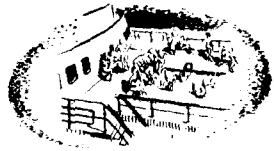
It affords exceptionally good view to both crew members for both attack and deck landing. The SEAMEW derives tactical advantage from its wide range of flying speed and its ability to turn at low speed in a small circle. It can operate equally well from escort and merchant aircraft carriers under all weather conditions.

For modern anti-submarine operations..

SHORT BROTHERS & HARLAND LIMITED, QUEENS ISLAND, BELFAST, N. IRELAND. THE FIRM

the *Short* answer is the *Seamew*

MANUFACTURERS OF AIRCRAFT IN THE WORLD; SPECIALISTS IN MARITIME AIRCRAFT SINCE 1910



ONE-CLASS TOURIST TRAVEL

to South Africa, Australia and New Zealand

The s.s. SOUTHERN CROSS offers Luxury Travel at Tourist Rates. Cabins are air-conditioned as well as the two restaurants, the cinema-lounge, hairdressing salons, the shop and the hospital. Stabilizers — the latest anti-roll device — are fitted into the hull.

The s.s. SOUTHERN CROSS has been planned for the complete comfort of the 1,160 passengers, with extensive deck space, indoor and outdoor swimming pools, and a Tavern. The ship makes four voyages a year, either west-about or east-about as required, and the ports of call include Trinidad, Curaçao, Panama, Tahiti, Fiji, Wellington, Sydney, Melbourne, Fremantle, Durban, Capetown and Las Palmas.

Details of sailings from your Local Travel Agent or —

Shaw Savill Line S.S. SOUTHERN CROSS 20,000 tons
11A, LOWER REGENT ST. LONDON, S.W.1
Tel: WH 1485
Grams: SAVILL, PICCY, LONDON



OFFICE MEMORANDUM

To: All Chairmen and Managing Directors
From: W. McMillan, Manchester Guardian

If your company has the problem of finding trainee executive staff, you will be interested in the Manchester Guardian series of full-page careers announcements. These begin on Monday, January 24th, and will appear every weekday for the following six weeks.

Signed: *W. McMillan*
Advertisement Director,
Manchester Guardian.



DRIVER'S EYE-VIEW OF INDUSTRY

High up in his eyrie, the crane driver surveys the industrial scene . . . a scene which, in its variety, typifies the activities of the Thos. W. Ward organisation. Steelwork supplied and erected by Wards . . . plant and machinery supplied and installed by Wards . . . roads and sidings laid by Wards with materials produced by Wards . . . even the crane he drives is built by

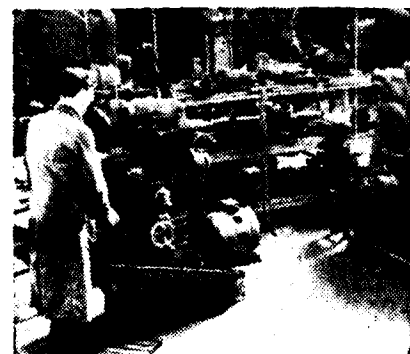
one of the Ward Group of Companies. Indeed, there can be few branches of industry to which the Ward Group cannot make some vital contribution. With such a wealth and diversity of experience behind it, is it to be wondered at that the name of Ward has become a byword in industrial circles throughout the world?

THE TWW SERVICE INCLUDES:—

Iron & Steel • Non Ferrous Metals • Plant & Machinery • Foundry Plant & Supplies • Tractors & Earth Moving Plant
Contractors' Plant & Equipment • Shipbreaking • Structural Steelwork • Excavators and Cranes • Industrial Plant • Rails & Sidings • Granite & Freestone • Roadstone & Roadmaking • Cement • Industrial Dismantling • Wire & Wire Products
Nuts & Bolts • Packings & Jointings • Insulating Materials • Food Preparing Machinery • Factory Planning & Installation

THOS. W. WARD LTD
ALBION WORKS • SHEFFIELD

AND LONDON, GLASGOW, MANCHESTER, BIRMINGHAM, LIVERPOOL, BRISTOL, GRAYS, WISHAW, PRESTON, BARROW, BRITON FERRY, MIDDLESBROUGH, MILFORD HAVEN, INVERKEITHING, ANTWERP, PARIS, BOMBAY, CALCUTTA, SYDNEY AND STOCKHOLM



Mould Making. Our tool design staff and tool room is equipped to design and make any type of mould from a simple single cavity to a complicated multi-impression mould.



Compression, Transfer & Injection Moulding. With modern presses from 10 to 750 tons capacity, fitted with the latest pre-heating and control equipment, we produce consistently high quality mouldings. We also have modern injection moulding equipment.

Plastic Mouldings, Glass-Fibre Laminates, Thermo-Plastic Fabrications

WE OFFER YOU the services of a self-contained unit, including research and development laboratories, organised and equipped to design and manufacture economically any class of moulded or fabricated component. We specialise in the design and manufacture of Radomes.

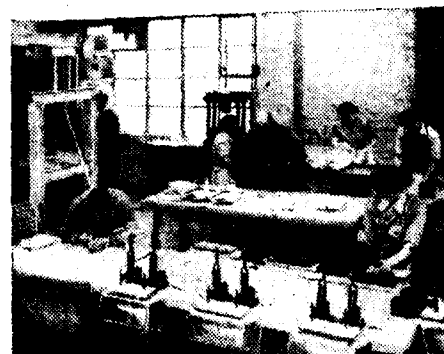
If you are a user of plastics, if your product can be made in plastics, if you have a plastics problem—SEND US YOUR ENQUIRIES or ask our representative to call.

AEROPLASTICS LTD
HILLINGTON, GLASGOW 'Phone: HALFWAY 1683

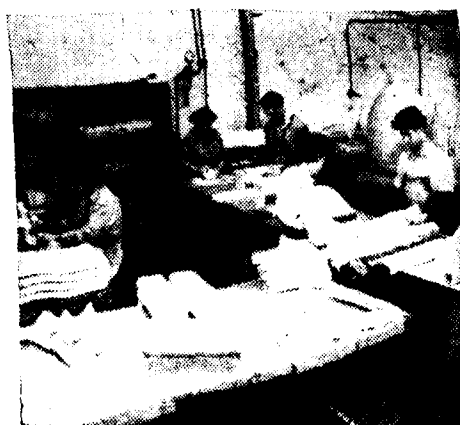
The Plastics Division of The Fairey Aviation Company Limited

London Sales Office: PHOENIX CHAMBERS, 72 EDEN STREET, KINGSTON-ON-THAMES. Telephone: Kingston 5989

Members of: British Plastics Federation. Society of British Aircraft Constructors. Federation of British Industries. A.I.D. and A.R.B. approved.



Thermo-plastic Fabrications. We are fully equipped to produce from the smallest to the largest fabrications from sheet thermo-plastic materials. Our high aircraft standard is maintained in this department.



Glass-Fibre & Reinforced Plastics. We are pioneers in high and low pressure Glass-fibre, Asbestos and Paper Laminates, with our own impregnating plants.



**WHAT YOU
CAN MAKE WITH
LUSTREX***

MANY DIFFERENT PRODUCTS, cheaply and well. You can make tool handles, and packages for tools. You can make filing trays, and fittings for refrigerators and radios. In fact you can make almost anything—from instrument panels and picnic sets to camera spools and small cable drums—in Lustrex polystyrene plastic. Lustrex is light yet strong; it resists acids and alkalis; it does not shrink or become brittle. It is made in two grades—Lustrex for general purposes and Lustrex Toughened 1 for particularly tough purposes. Colour choice is almost unlimited. These physical properties give you some idea of the capabilities of Lustrex.

Information for the Technical Man.
Lustrex Toughened 1: Properties at 23°C. & 50% Relative Humidity.

Property	Test Method	Units
Tensile Strength	ASTM D.638-52T	3700-4500 lb/in ²
Elongation at break	ASTM D.638-52T	15-25 %
Modulus of Elasticity in Tension	ASTM D.638-52T	3.5-4.5 x 10 ⁶ lb/in ²
Flexural Strength	ASTM D.790-49T	7000-8500 at yield lb/in ²
Deflection	ASTM D.790-49T	No failure inch
Izod Impact Strength:		
1/2" x 1/2" bar	ASTM D.256-47T	1.5-2.0 ft.-lb./in.
1/2" x 1/2" bar	ASTM D.256-47T	0.7-1.0 ft.-lb./in.
Softening Point	B.S. 1493	86-90 °C.
Water Absorption	ASTM D.570-42	0.03-0.05 %
Specific Gravity		1.05-1.06

*Please Note. Lustrex is supplied only in production quantities for injection moulding: it is not yet available in sheet form. Write for literature to keep ready for your next design job.

Lustrex is one of Monsanto's wide range of chemicals and plastics for industry. If you have an industrial problem which chemicals might help you to solve—get in touch with Monsanto today!

Lustrex is a Registered Trade Mark

MONSANTO CHEMICALS FOR EVERY INDUSTRY

MONSANTO PLASTICS LIMITED

50 Victoria Station House, Victoria Street, London, S.W.1
and at Royal Exchange, Manchester, 2



The Economist

FOUNDED 1843

JANUARY 15, 1955

ONE SHILLING

Lessons from the Railways	165
Argument of Arms	167
Who Floats?	169
Election Year in Malaya.	171

NOTES OF THE WEEK

Return from Peking; No Red Orchids for Mendès-France; Triumph for Mr. Menderes; Somebody Else's Business; Not to be Discussed; Red Meat Turns Traitor?; Khrushchev to the Fore; Soviet Fertility Cult; New Danger in Central America; Reluctance to Convert; Jobs for the "Sudanised"; Family Patterns; M. Massigli Leaves; Belgrade in Two Minds; Italy Plans Development; Changes in Kenya; Books and Readers. 173

BOOKS AND PUBLICATIONS	183
LETTERS TO THE EDITOR	187

AMERICAN SURVEY

Quiet on the Potomac	191
Priority for Trade; Detering Aggression; Down But Not Out; Aid for Private Atoms; Armistice on the Waterfront; Springs in the Air; The Promised Land; Machine Voting.	

THE WORLD OVERSEAS

Libya's Nationalist Fling	199
Murder in Panama; The Ruhr and the Arms Pool; Back to the Third Republic?; Truce for Soviet Writers; Battle Over Italian Oil; Hope in Laos and Cambodia.	

THE BUSINESS WORLD

Profits Ahead	209
Cigarettes on the Counter	211

BUSINESS NOTES

Pull Devil—Pull Baker; Colvilles' Prospects; "Big Seven" Dividends; The Profit Record; Trade Record Exports in 1954; Britannia and the Seven Seas; Last Lap in Gatt Talks; OEEC Preliminaries; Omelette Unscrambled; Freer Steel Imports; Coal in Hand; Council for Consumer Goods; Half-time in Wool; Shell's Gas Turbines; The Navy Salvages the 110; Borax Deal Off; Second-Hand Car Prices; EMI's American Purchase; The £100 Million Look; Shorter Notes. 213

COMPANY NOTES AND SECURITY

PRICES	225
STATISTICS	230

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

Lessons from the Railways

THERE has, after all, been a rumble of discontent across the country against the way in which the railway strike was averted. It has not been a very loud rumble; it is still drowned by the rather obvious cries that railwaymen deserve a "fair wage" (which they certainly do, if they can be enabled to earn it), and that a railway strike (which would have been quickly followed by a coal crisis) would have cut down this year's national income by much more than the £10 million or so that the settlement will cost. But the minority that is angry with the court of inquiry is now plainly an important minority; if a label is to be tied round it, it might be said to include most of the sort of people who sometimes read *The Times*. This is the group to which higher civil servants and the real policy-makers of both parties normally belong.

So far, so much better than appeared at this time last week. But it is going to be much easier for these well-intentioned people—and the Government—to talk about redeeming something from last week's surrender of principles than to effect it. In a few weeks' time, the modernisation programme for British Railways will be published. There will be a tendency then to pretend that this will make everything on the railways suddenly all right, and to forget that the new investment will not get under way for at least three years; that it will fructify only gradually then; and that the margin of what it yields over what it costs cannot ever be expected to be very large. When the modernisation programme is published, there will probably also be an announcement of intent to cut down the huge surplus of redundant labour on the railways; but past experience has shown that very little action can be cloaked by a lot of talk. If a rescue operation—the restoration of the principle that efficiency and earning power must be the determinants of individual remuneration in the nationalised as well as the private industries—is really to be carried through, then men of both the main parties and of neither will need, not only to read and mark, but inwardly digest, the lessons that last week's crash holds out to them. They are very awkward lessons indeed.

For the Tories the principal lesson is that the one positive aim they have been able to proffer to the electorate—that of doubling the standard of living in a generation—will only be achieved if their Government is prepared to do battle against restrictionism, feather-bedding and neo-Luddite obstinacy wherever they show themselves—even when they show themselves in large and powerful organisations commanding hundreds of thousands of votes, like the National Union of Railwaymen. This does not mean that it is a Conservative Government's duty to stand out against higher wages. It can never be too frequently reiterated that the real case against last week's settlement is not that railwaymen should have been doled out with a smaller wage increase; it is that, by sweeping away restrictive practices and cutting down an inflated labour force, railwaymen could have been enabled to earn a much bigger increase. Of course the railwaymen

should have "fair wages." So should every one, and fairer and fairer wages as the years pass. There is no possibility of economic progress without steadily rising real wages. Indeed, an unremitting pressure from the trade unions for higher real wages can be one of the most dynamic elements of a progressive economy—subject always to the proviso that there is rising real output too. A Labour movement that will both urge its members to earn more pay, and see that they get it, is one of the best things that a country could have.

If a Tory Government is going to help the railway-men and other workers to earn higher wages, however, it will have to jettison one of the precepts of emollient administration that it has found particularly useful in the last three years. This is the precept that the Minister of Labour should be a policy-less mediator, more or less "akin to the Attorney-General" as one left-wing newspaper admiringly described Sir Walter Monckton last week. There is no doubt that Sir Walter Monckton's mode of administration has been popular. This is not surprising. If the Chancellor of the Exchequer were to delegate the framing of his next budget to four days' work by a court of inquiry, and if the court were allowed to act on the principle that it was not its business to inquire where the money was coming from, he would no doubt have a financial policy that would be very popular for a time. But he would be throwing the door open to the inflation of the currency and the corruption of politics, and casting away all his high hopes of a forward-looking policy. In the Ministry of Labour, as in the Exchequer, the choice before the Tories is much the same as the choice that should have been laid before the National Union of Railwaymen: between accepting some passing disturbance and irritation to those whom they represent in order to secure real prosperity for them, or remaining innocent of both the pains and the prizes of a modern standard of living.

★

For the Labour Party, the lessons of last week's experience should be even more important, but no party leader has yet spoken out in recognition of the fact. Had not Mr Herbert Morrison been preoccupied at this juncture (in a way that calls for nothing but congratulation), he must surely have been moved in conscience to mourn the passing of the brave concept of nationalisation that he, more than anyone else, led the Labour Party to adopt when it was in office. The doctrine of those days rested on the belief that basic industries would serve the country more efficiently if they were brought under public ownership. The opposing arguments—that public ownership would bring ordinary industrial decisions on to the stage of politics, and that it would so sap incentives to efficient management that nationalised industries would involve the community in loss—were always rebutted and

ridiculed by Labour spokesmen. Today, a part (admittedly, it is only a part) of an originally nationalised industry is so riddled with inefficient labour practices that it has been involving the community in an annual rate of loss of some £20 million at a time of raging boom. It has been doing this while paying its workpeople less than they could get in comparable jobs elsewhere; and, in order to save it from this embarrassing role of a bad employer, a court of inquiry has just recommended that nationalised industries should pay no attention at all to financial checks upon their efficiency.

If this principle is accepted, then one of two things will happen. Either nationalised industries will have to be subjected to the direct checks upon efficiency by the select committees that probe every other body that spends the taxpayers' money, a course that Labour theorists have always rightly rejected; or else an industry that is brought under public control, so far from being more responsible to the community than it was in private ownership, will be much less so. Nationalisation of an industry will come to be taken as absolving it altogether from its main duty to the community, which is to use up less wealth than it creates. Nationalisation and progress will become mutually contradictory terms; and those who continue to preach nationalisation will have to admit that they are trying to cut down the nation's standard of living in order to serve some theoretical end.

Does Labour really want this to happen? Do the young men who were attracted into the Labour Party on intellectual rather than emotional grounds in the nineteen thirties really believe that they would have been attracted by a philosophy of this sort? Do they think that their successors among the thoughtful young people can be attracted by it now? In the last week, while some Labour members have been loudly cheering, a weak Tory Government has garrotted the sweet-heart who originally attracted them into their present vocation; it is intolerable that certain newspapers of the centre, which felt some of the same attraction at the time and may have erred thereby, should be derided as reactionaries now because they pause to mourn at her grave.

★

Finally, what are the lessons for those who are independent of either party? One of these, and perhaps the most obvious, is that the British people cannot hope to progress so long as it is always prepared to yield up its hopes of efficiency tomorrow, in order to avoid trouble today—but if any independent has not learned that already, he is probably not in a mood to imbibe any lessons from last week's experience at all. The other main lesson might have been expressed by saying that those who will the end must will the means—if that well-worked phrase had not been misappropriated. The British people have quite clearly willed the end of

a rapidly rising real national income. Indeed, they have placed so many mortgages on future wealth that they absolutely depend on a rapid and steady growth if they are to avoid insolvency both abroad and at home. But the only possible means to greater wealth is greater efficiency—not necessarily harder work, but certainly more effective work by everybody, with an eager exploitation of every assistance that technology and the intelligent investment of capital can provide. And, in securing greater efficiency, it is now quite clear that there is no substitute for competition.

One of the dreams that finally died last week was the dream that industries could be planned or rationalised or co-ordinated into efficiency. They cannot. No amount of talking about efficiency, or setting up committees to promote it, or inducing trade unions to issue declarations in favour of it—no "efficiency audits" or consumers' boards or productivity councils—will be a quarter as effective in promoting efficiency (which means in promoting a rising standard of living) as the compulsion that competition provides. When road transport began to break the natural monopoly of the rail, the American railroads knew that they had no other recourse than to make themselves competitively efficient. They overhauled the whole of their services; they spent billions of dollars on new capital; they

cut down both their overheads and their labour force—with the result that they are today (as a whole) both prosperous and efficient. In this country the natural reaction was to seek protection—with the result that is now plain for all to see. Even today the only solution that some Labour thinkers can find for the woes of the railways is to subsidise them out of the profits of road transport. This is still called "co-ordination"; but if it is, then the word has come to have no other meaning than the condonation of inefficiency.

This is the lesson for the general public to learn—and it will be as unwelcome to most of them as the more specific lessons that the two parties ought to take to heart. Competition can, indeed, often be discomforting, and sometimes wasteful. But there is no other way of getting efficiency, and if the British people want to make sure of the progress on which they are counting, they will have to make a deliberate decision to return towards competition. This need not necessarily involve abandoning public ownership—on the railways, for example—but it will involve abandoning "co-ordination" and monopoly. A more competitive economy will perhaps be a less secure one; but it will certainly be a more productive one. It might even double the standard of living in a generation. The nation has willed the end; it must will the means.

Argument of Arms

THE middle of January seemed comfortably far away last October, when the Paris conference agreed to equip the new Western European Union with an arms control agency, but to postpone until January 17th further consideration of M. Mendès-France's proposals for an arms production pool. It was hoped that by then the Paris agreements would have had a safe passage through the French parliament, and also that, as soon as French experts sought to reduce to specific terms the bundle of conflicting ideas that made up M. Mendès-France's original proposal, much of the force would go out of French insistence that the arms control agency should be supplemented by a production agency. But the passage of the Paris agreements through the French parliament has been anything but calm so far; consideration of them by the upper house has yet to begin; and the Christmas debate in the Assembly eliminated any hope that M. Mendès-France might prove less determined in January than he was in October. His recent ordeal certainly entitles him to a sympathetic hearing; and the worn spots in the fabric of western European unity must now be repaired by patches of compromise rather than by tearing the whole design apart and beginning again. But what exactly does the French prime minister want, and how much can safely be given him?

Each time the framework for German rearmament

has been discussed, at Brussels, at London and at Paris, M. Mendès-France has appeared to seek a somewhat contradictory mixture of objectives, some technical and some highly political, some domestic and some international. Primarily, he has seemed to want an international system which, by taking positive decisions about the armaments to be produced, would control the character and pace of German rearmament more surely than a WEU agency which could ensure only that prohibited items were not manufactured and that agreed levels of stocks were not exceeded. But at times he has argued this basic thesis in the name of European unity or efficiency of production, at times on straight grounds of French security, with little effort to conceal the fact that it is a precaution against the Germans; and at still other times he has suggested that controlled armament in Western Europe could be made a step towards world disarmament. Nor has he overlooked the known disposition of Mr Dulles to look with favour on collective European action. The suggestion that American aid to the Western Union countries should if possible be channelled through, and in any case co-ordinated with, a European arms organisation, is put forward as a logical counterpart to European co-operation, but it undoubtedly has the added advantage in French eyes of weakening the American influence on the pattern of German rearmament.

Unfortunately, the arguments that appeal to the "Europeans" among the French Christian Democrats are not those that appeal to the Socialist champion of disarmament, M. Moch; those that appeal to strongly nationalist Gaullists are unlikely to find favour in Bonn. The latest French proposals still reflect this mixture of motives, and a desire to sell the same horse, shown from different angles, to too many people. But a number of the ideas put forward have intrinsic merit, as well as being expedient in terms of French domestic politics. The first task of the experts who meet on Monday will be to separate these more practical proposals from the abundant chaff.

★

In brief, the new French memorandum suggests the creation, in two phases, of a European arms community covering Britain as well as the continental countries. In the first phase, there would be two governmental committees, one concerned with military standardisation and the other with production. Decisions on standardisation would be subject to a unanimity rule, but the plan follows the Nato pattern in encouraging partial agreements among small groups of countries, if all cannot agree. The armaments production committee involves a much more ambitious scheme. The basic concept here is of an agency which, in time, would not only determine who, within the Western European Union area, is to produce what, but would also determine capacity levels.

National governments would still prepare military budgets, but rather than procuring equipment directly from domestic or foreign manufacturers they would notify the central organisation of their needs, and it in turn would place the contracts as it saw fit. The advantages seen by the French in such a system are not only the obvious security gains, but also the greater economic efficiency that might be achieved by specialisation and co-ordination of new investment plans. During the transitional period the decisions of the production committee would, like those of the standardisation committee, be taken unanimously; but at the beginning of 1957 the two bodies would be merged into a single permanent committee in which—at least on production matters—decisions could be taken by a two-thirds majority, or possibly even by simple majority.

The French memorandum has been put forward as a basis for discussion, not as a definite proposal. The overtones, and the importance attached to particular features of it, will be revealed next Monday. By then, after this week's talks with the Italians and the Germans, the French hope to have a better idea of where they stand with the two countries which, in the past, have shown most interest in the proposals. But on present evidence it seems clear that M. Mendès-France will gain most if he tries for a few limited and specific steps, and leaves his more ambitious ideas to germinate a little longer. A number of facts which he should have in mind already stand out clearly.

First, the other Western Union countries, and the United States too, feel that if there is a danger of Germany taking armed action to regain its lost territories, the most effective deterrent will be Shape's control of pipe-lines, airfields and reserves of ammunition. These controls, particularly when coupled with the limitations on size of forces already agreed and the German undertaking not to manufacture atomic, bacteriological, chemical and other major weapons, will, they think, be enough. Second, only a Germany that is treated as an equal partner in Western defence can be expected to be a reliable partner in Western defence; indeed, the German government has made it quite plain that it will reject any further discrimination. Third, while the European Defence Community was an idea which meant something new and exciting to many people, to serve up bits and pieces of the EDC plan stuck together without the glue of genuine supranationality is a quite different proposition. Whatever the French may have expected, there is no automatic welcome for any proposal simply because it was a part of the old EDC, even among people, like the Dutch, who are enthusiastic "Europeans." Fourth, no country is now in a mood for further long negotiation on elaborate new schemes of uncertain merit. And fifth, and from the British standpoint most important of all, no action should be taken which tends to set WEU up as a rival to Nato, or in any way weaken the co-operation with the Americans and Canadians in Nato.

★

In addition, there are a number of subsidiary points. The Dutch, for example, are mainly importers, not manufacturers, of arms, and look with disfavour on a system which, with no visible compensatory advantages, might make it more difficult for them to buy from, say, Sweden or Switzerland. As for the German industrialists, as an article on page 200 shows, they are happy to co-operate with their French counterparts, but they are not likely to be willing to have their future production patterns—and certainly not their capacity limits—set for them by agreement between governments. Neither, for that matter, are British industrialists, or even the French.

What then might be salvaged from the French proposals? Three things, at least, should be thoroughly examined in the weeks to come. The first is the standardisation of equipment; the second is the possibility of co-ordinated production of certain items; and the third is the related question of production planning. On all of these subjects the Nato experience is valuable, if not particularly encouraging, and on all of them whatever is done in Western Union must be co-ordinated closely with what is already being done in Nato. In the field of specialisation, Nato has had most success with simple common-use items such as storage batteries, and techniques such as the best method of landing

planes on aircraft carriers. It has left the field of heavy equipment almost untouched. The Western European Union, or at least certain of its continental members, may find it both possible and economically advantageous to pick up where Nato leaves off. Although the possibility of limited standardisation agreements exists in Nato, greater possibilities, and therefore greater encouragement, exist in the narrower circle of Western European Union. Further, the inhibiting influence of standardisation on new invention, a risk which must always be recognised, is very much reduced with the United States outside, and the British, presumably, counting themselves out of many projects.

Co-ordinated production and production planning have also lain on Nato's plate for a long time. Here, too, the possibilities for sensible action are better on the narrower geographic basis. Apart from the security argument, there is much to be said on grounds of plain economic efficiency for greater specialisation and rationalisation of production among the main continental arms producing countries. And if anything is

Who Floats?

AMONG the babies that get ritually kissed at parliamentary elections is one that isn't there—perhaps never was there. Political leaders still often talk as if the middle-class floating vote decides the issue, and in particular decided it between 1945 and 1951. Certainly the floating vote, almost by definition, decides every election; but it is not a middle-class vote. The middle class has long ceased to be in a position to arbitrate, even if it ever was. For the crude electoral figures show that even on a generous enumeration of the middle-class vote, the Conservatives must possess a solid working-class following ever to get a majority. That following must be all the more solid inasmuch as many of the middle class are demonstrably committed Socialists. While Britain has a larger middle class than most countries, and one that is steadily growing, the working-class proportion of the population is also the largest in Europe, because there is no numerous peasant class as in France or Germany to back a conservative parliamentary group. The floating voter must be wooed; but who is he?

To this enquiry, Mr John Bonham has made a most helpful contribution,* analysing Gallup poll data in great detail for the last three elections. If he does not finally show what the floating vote is, he does show the extent to which the middle class contributes to it. Grossing up a sample of 2,000 voters, representing every class in the community, who were asked their party predilections, he has produced a total vote for each party by what he defines as the middle class and the working class. This shows that in 1951, out of 10,500,000 possible middle-class votes, the Tories got 6,500,000 and Labour 1,900,000; while out of 22

*The Middle Class Vote. By John Bonham. Faber. 210 pp. 21s.

ever to be done the obvious time to start is before the German armaments industry is tooled up. But whatever is to be done along any of these lines must grow from small beginnings. To insist on a European "Ministry of Supply" or on a sweeping commitment to take effect at the end of next year is to court immediate rejection, or at best to get indefinitely bogged down in half-hearted working parties.

One clear lesson of the last few months is that although no country is prepared, when it comes to the test, to put domestic politics above western unity, no one country can dictate the conditions of that unity. The essence of its strength is compromise; not compromise of principle, but the homely business of accommodating one's own wishes to one's neighbours' needs. M. Mendès-France needs, and should have, a fair, full and friendly hearing next week. But he would be unwise to press his demands too far. The great enterprise of Western Union has still to be launched. To require it to carry too heavy a top-hamper would be to risk an immediate capsizing.

million manual wage-earners' votes, the Tories got 6,200,000 and Labour 11,300,000 (In each class, of course, a sizeable number of people did not bother to vote at all). The working class figures are perhaps more interesting than the middle class ones; the fact that the Tories got a third of the working-class vote suggests that the "working class" is little more cohesive as a group than a middle class which gave nearly twenty per cent of its vote to socialism; just as it seems more accurate to speak of the "middle classes," perhaps "the working class" should always be used in the plural. Granted that the Tories must gain a substantial working-class vote, it follows that Labour cannot do without the middle class; and both parties, of course, in their search for a majority, go after the Liberal vote of whatever class.

These conclusions naturally turn to some extent on the definition of the middle class. Mr Bonham uses an essentially negative, but simple and practical, one: all the classes other than organised manual wage earners and their dependants. (Even so he is left with a small unclassifiable group, neither petit bourgeois nor "prole.") The "Ten Million Minority" he reclassifies according to the occupation groups in the census, making appropriate allowances for wives, dependants and retired people. There may be little in common between the top business group at one end and the white collar group of clerks and typists at the other; but it is perhaps the best approximation of "the classes" as opposed to "the masses" that can be made.

But there is no real break anywhere in the class structure, and from top to bottom of the "middles" Labour has a widening wedge of supporters. Mr Bonham points out that the Tories gained as many votes

from the working class between 1945 and 1951 as from the middle class; and the way in which different middle-class groups "swung" is significant. The accompanying table summarises what happened at the three postwar elections to the vote of the eight sections of the middle class, set out in order of those whose highest proportions voted Labour in 1945.

Some of the figures may cause surprise—for example how Labour can continue to poll between 8 to 10 per cent of senior business people; but the attitudes of the dependants must be considered, for they enter the total, and there is a considerable margin for error as the division into social class is based on the Gallup interviewers' own estimates. The break-down of a 2,000 sample into so many divisions may also be a little suspect. Yet a convincing and thought-provoking picture emerges. The swing away from Labour between

THE MIDDLE-CLASS VOTE

	Percentage of each section voting Labour.			Percentage of each section voting Conservative.		
	1945	1950	1951	1945	1950	1951
Lower office grades...	30	28	29	33	43	48
Small business people	27	19	15	37	55	64
Managerial grades...	23	19	19	47	57	65
Lower professional grades.....	23	25	24	41	45	52
Higher office grades...	20	15	13	49	60	63
Higher professional grades.....	15	10	6	58	68	78
Middle business people.....	12	10	10	63	71	73
Top business people...	10	9	8	66	72	80

1945 and 1951 was in almost every section far less than the swing to Conservatism from those who had voted for neither of the major parties in 1945. In some sections Labour held its ground well—among the white collar workers who are nearest the working class by origin, intermarriage and relationships; among the managerial grades which include not so much departmental heads as senior shop assistants, supervisors of laundries and the like; among the lower professional people—teachers, technicians, entertainers, journalists, etc. And these groups account for nearly half of Mr Bonham's middle class by number—4.6 million.

If the apparent ten per cent of convinced Socialists among the business men and their families are left aside, the sort of electors who decisively repented their vote for Mr Attlee in 1945 were the small business people—small shopkeepers and owners of one-man or two-men service, haulage or contracting outfits; the higher office grades like branch managers; and the doctors, lawyers, architects, officers of the services and other senior professions. But these, whom some would call the greater part of the true middle class, muster in all 2,600,000 male and female voters; and their big change of heart after 1945 produced only some 500,000 extra Tory votes, which had but a modest effect on party fortunes—certainly not a decisive one. Whereas if the clerical

workers and junior managers could be brought by Labour propaganda to vote in accordance with even the working-class average in 1951 they would produce perhaps a million and a quarter more Labour votes.

Both political parties would doubtless be glad of a similar analysis of working-class voting which would shed equal light on what makes a working man vote Tory. Is it age? Is it experience? Is it regional? Is it occupational? Is it temperamental? What is known of miners perhaps hardly suggests that it will be a simple continuation of the Labour voting pyramid, related merely to earnings. Indeed, there is a widespread belief (it may be a myth) among political workers that Tory votes are more frequently to be found in the very lowest income groups than in those just above them. Furthermore the middle-class analysis prompts many other questions to the pollsters—the voting habits of the countryside, for example, or of the pensioners, and above all of the cohorts of new young voters who are added to the electorate between elections.

★

For it is evident that a voter's social class is only one of the factors that determines his party allegiance. This is remarkable, when it is considered how closely the two major parties are associated in voters' minds with class interests. Though the class party stereotype is demonstrably nonsense, it is fixed in most people's minds; but that does not prevent millions from voting "contrary to class"—which may, or may not be, a sign of inward and inarticulate awareness that parties are to be judged on national not sectional issues. Mr Bonham makes the point that, so far as sample interviews are any guide, those who do not think in terms of class conflict are (naturally enough) those most ready to vote across the conventional class line. Much therefore may depend on whether, in an egalitarian society, inter-class bitterness grows or declines. The example of Australia suggests that irrational class bitterness is perfectly possible in a highly egalitarian society.

But where people either accept or ignore class differences their minds are clearer for assessing and voting on the realities of records and policies. The Tory achievement in raising their working-class vote from 4.4 million to 6.2 million between 1945 and 1951 at least suggests that the myth of class conflict has not eaten too deeply into the British soul. It provides some justification for Sir Winston Churchill's constant theme that the things that unite us are far greater than those that divide us.

The conclusion is that the floating vote comes from all classes—not from one, and not, indeed, from two; but from so many sections of the community as not to be a manifestation of class structure or class consciousness to any significant degree. The ramifications and subtleties of social class colour and distort (and make more amusing) every aspect of British life; but they decide nothing. If this is fully understood, the effect on political parties can only be beneficial.

Election Year in Malaya

THERE has lately been fresh talk of an amnesty in Malaya. The veteran and much respected president of the Malayan Chinese Association, Dato Sir Cheng-lock Tan, has again offered to make an attempt to negotiate with the Communist terrorists in the jungle. In addition, both he and his opposite number on the Malay side, Tunku Abdul Rahman, the leader of UMNO (the United Malays National Organisation), have said that an amnesty should certainly be considered, once the intended general election has been held this summer and a more representative government has taken over the reins of office. Their attitude raises several important questions. The way these are answered depends in part on the view that is taken of the state of the emergency. It also reaches down to the roots of what the British are trying to do in Malaya.

The suggestion that the government should declare a general amnesty ignores the fact that a great deal is already being done to encourage the terrorists to surrender, by promising them fair treatment if they quit the jungle. It also ignores the reason why the government's promises cannot be more generous; many of the men in the jungle have by now committed hideous crimes for which ordinary civil law demands that they should stand trial as individuals, quite irrespective of whether or not they have taken part in a Communist insurrection. On the other hand, some of the men in the jungle are heartily sick of the whole business, but they are prevented from surrendering by the hard core of the party leadership. The task now is to separate the sheep from the goats, to coax out those who do not bear direct responsibility for particular crimes, but to hunt down the rest till justice is done. Britain's first duty in Malaya is to provide a code of law and to see that it is observed.

★

An amnesty would also be ineffective, because the Communists will continue their fight in any case until a change of tactics is ordered from Moscow and Peking. Such a shift is by no means to be ruled out; there have been recent signs that the Communist overlords recognise the extent to which the Malayan terrorists have lately been losing public sympathy. But the dictation of a radical change of policy, such as abandoning jungle terrorism and returning to the towns to pursue constitutional methods of infiltration, would be unlikely to hinge on the Malayan government's clemency. Clemency, indeed, would probably be interpreted as a sign more of weakness than of strength. Consequently on neither the government nor the Communist side does there seem much present

scope for Sir Cheng-lock Tan's proposal to negotiate.

In a broadcast at the end of December the Director of Operations, General Sir Geoffrey Bourne, emphasised that during 1954 the attacks by the Communists had been less hindrance to the life of the country than in any year since the emergency began in 1948. The terrorists are in fact more limited in their areas of operations, and much of Malaya has now been declared "white"; curfew and other restrictions, that is to say, have been lifted. The Communist leaders in the jungle appear to be showing increasing concern about the morale of their squads and about the problem of getting food; this represents success for the government's food denial drive. As a result the terrorists operate less frequently, though when they do attack they take the maximum trouble to ensure that each operation pays them dividends, either in the seizure of arms or food or in other ways. At the same time, the government has been able to get to the point of transferring more security work from the army to the police and home guard—reduced in strength but of improving efficiency; of pushing the troops deeper into the jungle and for longer periods; and of doing more to win over the aborigines, who were at one time under the Communists' thumb.

★

On the debit side of the balance sheet, however, there are some heavy and depressing items. It was only after cold and careful calculation that the government admitted during last year that there are still about 5,000 Communists in the jungle, much the same number, that is to say, as there have been throughout. Nor are the statistics particularly reassuring. In 1954, 713 terrorists were killed or captured, compared with 981 in 1953. Only 210 surrendered, compared with 372 the year before; the Communist victories in Indo-China and the Chinese successes at Geneva reduced surrenders sharply last summer. A major reason for the drop in the figures is that, with fewer operations, the Communists are harder to find. But the hard core of Communist terrorism continues to exist, and in certain areas conditions are actually a good deal worse than in the past. This is proof, if more proof were needed, that though the emergency may be tapering off no end is yet in sight.

The cost has become a millstone round Malaya's neck. In the boom days of rubber and tin at the start of the Korean war, the Federal budget was able to take the emergency more or less in its stride. Now, in spite of grants from Britain and a loan from the Colony of Singapore, there is an unhealthy deficit; it was about M\$173 million (over £20 million) last year

and is estimated at M \$148 million (over £17 million) for 1953 on a total expenditure of M \$755 million. The government has rightly done a good deal to expand its educational and social services in spite of the emergency; indeed some such expansion is vital in terms both of fighting Communist propaganda and of fulfilling the British intention that Malaya's standard of life shall be second to none in Asia. But the other side of the medal is the constantly inflationary influence of government policy, the fact that the Finance Committee in Kuala Lumpur is unable to suggest any satisfactory method of substantially increasing revenue, and the heavy load of taxation imposed on the country's two main export industries, rubber and tin.

As matters stand the whole future of the rubber growing industry is uncertain, in that important long-term decisions are still pending about the government's policy on replanting. Whatever the world market prospects for natural as against synthetic rubber, and whatever the pros and cons about the methods to be adopted for financing replanting, a continuation of present trends would almost certainly lead to a substantial reduction in Malaya's output of rubber during the next decade. This prospect and the need for a coherent taxation policy led the government to appoint the so-called fact-finding Mudie commission which issued its report last October. Its proposals and the principles underlying them, however, have been disputed by a large part of the industry itself. No decision is likely to be taken until the government has considered the World Bank's forthcoming report on Malaya. Meanwhile the position has been somewhat eased for both government and producers by an improvement in the price of rubber. But until an agreed policy can be reached, the outlook for the industry will remain unsatisfactorily obscure.

Though much of the economic front is therefore uncertain, the immediate political prospect in Malaya is fair. Barring accidents, the first general election in the country's history will now take place by about the middle of this year. And to judge by the recent state elections in Johore and Trengganu, a fairly heavy poll will result in widespread success for the Malay-Chinese

Alliance, the only party at present in the field with an effective organisation and adequate funds. Its leaders have lately become reconciled to the High Commissioner's compromise providing for a small elected majority in the Legislative Council; with the support of some of the nominated members, the Alliance will therefore presumably take office in a few months' time as Malaya's first electorally representative government.

It is this prospect which adds particular pungency to the present position in regard to such questions as an amnesty and rubber replanting. For although the British will continue to be responsible—as indeed they must be at least for the time being—for the conduct of operations against the Communists and for long-range economic policy, the new steps towards political evolution will be meaningless if they do not link the government more closely to public opinion. Twenty years ago there was almost no such thing as public opinion in Malaya. Today the problem is not only to create one, but, having created it, to see that it takes a responsible view of its own problems and then to ease it into the saddle. If, for instance, the public would really support the government over the emergency, the terrorist menace would shrink to minor proportions. But equally, if the government is gradually to hand over part of its power to the people's elected representatives, then they must recognise the realities of the Communist struggle as well as the major needs of their country's economy.

At present the weakness of the Alliance as a political party is that it has no social or economic platform at all; it exists merely to work for a transfer of power. Nor is there any group of sufficient size to provide a working democratic opposition. If all goes well, the next few months should provide a heartening exhibition of British colonial policy at its best. But no one should be under any illusions. If the mixed communities of Malaya—Malay, Chinese and Indian—are going to move forward to truly responsible self-government, free of the Communist terror, then the British themselves must be quite as careful as at any time in the past not to surrender power too soon.



Notes of the Week

Return from Peking

THE Chinese deliberately reached out for the headlines when they imprisoned the eleven American airmen for espionage. To retreat from the very public position which they adopted must therefore mean a loss of face, unless it is accompanied by some *quid pro quo* on the American, or conceivably United Nations, side. And it is this spectre which was breathing down Mr Hammarskjöld's neck throughout the negotiations in Peking that ended last weekend. As we go to press, the UN Secretary General is in the air over the Pacific and the outcome of his mission has not yet been made public. But, to judge both from the background of the dispute and from the brief communiqué issued on Monday, it is unlikely that any dramatic result has been achieved.

In the eyes of the American public it is understandable that this may well be a bitter disappointment. And the disappointment may lead men like Senator Knowland to claim once again, and no doubt with full sincerity, that it is impossible to get anywhere with the Peking regime. This is not, however, the attitude of the Administration as expressed by the Secretary of State, Mr Dulles, on Tuesday. Nor is it borne out by the few facts that are available. Mr Hammarskjöld himself is a man given to keeping his thoughts to himself. But it was known before he left for Peking that the most his mission could reasonably expect to do was to make the point of view of the outside world crystal clear to the Chinese, and thus to open the way to negotiation on a basis of reality rather than fantasy.

It may fairly be claimed that this has almost certainly been achieved. The door is now ajar. If the Chinese mean what they said in their joint communiqué with Mr Hammarskjöld, that "we hope to be able to continue the contact established in these meetings," something of real value has emerged. In the past, it has been the downright ignorance of the Peking government, as well as its attitude of mind, that has created the tension in the Far East. If negotiations can now continue, there is a not unreasonable hope that the airmen will in fact be released. If they are broken off, there is virtually none.

No Red Orchids for Mendès-France

AT the end of the ratification debate in the French Assembly, the experts speculated briskly about the Communists' next move. Would they bide their time, or would they launch an immediate attack on the premier? The Communist deputies themselves seemed bewildered

and, evidently lacking instructions, were content to vent their wrath on the Socialists. But now there can be no more doubt about the Moscow line. *Pravda*, the official party paper, has offered its columns to an Ilya Ehrenburg at his most vitriolic for a direct personal attack on M. Mendès-France. After recalling the Paris street traders who towards the close of the year use their brilliant rhetoric "to dispose of their spoiled wares," he goes on to apologise to "the dear booth owners" for comparing them with the French prime minister. Moscow's disillusionment is then couched in flowery language: "The cocks perched on all the belfries of France had not crowed thrice before M. Mendès-France renounced the policy of peace and exchanged it for the policy of strength."

The significant thing about this onslaught, more violent and personal than any before, is the insistence that M. Mendès-France does not represent his country and that only simpletons can fall for his idea of parallel negotiations with Russia. French Communists do not want to be accused of being naïve, and *L'Humanité* has already taken its cue: in its latest issues it refers to the present government as one of "grave-diggers." A few months ago M. Mendès-France had the awkward task of emphatically rejecting Communist support. The tide, however, has now changed (the election of a Christian Democrat as president of the Assembly can be taken as a symptom of the turn) and the Communists' big guns will be turned against the government at every opportunity. At least M. Mendès-France need no longer fear that he will die of asphyxia from Communist embraces.

Triumph for Mr Menderes

MR ADNAN MENDERES seems to have achieved what many a pundit judged to be impossible—a bilateral pact of mutual defence with one of Turkey's Arab League neighbours, and a strengthening of security on Turkey's eastern flank. It is reported from Baghdad, where he was given the honour of addressing the Iraqi Chamber this week, that a treaty of mutual defence between Turkey and Iraq is to be drawn up and signed in the near future and is to be followed by further rounds of visits—by the King and Regent of Iraq to Turkey and by President Bayar to Iraq.

Mr Menderes' visit to Baghdad is only the first stage of an energetic diplomatic offensive in the Middle East that is designed to put some stuffing into the region's flaccid defence planning; he is going on to Lebanon and is invited to Egypt. His activity stems from Turkey's conclusion—which seems to have been a right one—that the better atmosphere created by the settlement of the Suez Canal

and Iranian oil disputes offered a chance of persuading Arab neighbours that defence pacts unsupported by strongly armed allies were no match for the only form of aggression that threatens the oil areas of the Middle East.

Before setting out on his tour, Mr Menderes had prepared the ground still further by delivering himself of some home truths about Middle East defence. In a broadcast delivered in both Turkish and Arabic, he said that peace was indivisible, that what security the region at present enjoyed was solely due to the establishment of Nato, and that it was an illusion to imagine that any regional defence organisation, however perfect and complete, was in itself enough without close co-operation with Nato—"the real shield against danger."

He must have known that his words would not be music to all Arab League ears. The weak governments of the Middle East live under a curse which dooms them to pander to uninformed opinion, and some Egyptian leaders have been proclaiming that no alliances outside the Arab League can be entertained, and that Israel is the only enemy. It would be as much as an Iraqi government's life was worth to deny this last point, but many responsible Iraqis, both old and young, now see it in a new and wider perspective; Iraq broke off diplomatic relations with Russia last week.

The situation leaves the Arab League in a dilemma; either its members must decide, each for himself, whether or not to follow Iraq's lead and to take sides in the cold war, or else the League will fall into two halves—the "have" states who sense danger from Russia, and the "have nots" who prefer to strike old-fashioned attitudes.

Somebody Else's Business

THE Transport Commission met the National Union of Railwaymen on Friday, quickly agreed to its demand for the porters (who had the worst case for an increase), agreed to most of its demand for the lengthmen, and signed a settlement on the spot. The lowest paid workers get an increase of six shillings a week. How the money is to be found, said Sir Brian Robertson, "is not my business." The footplatemen and salaried staff, who will certainly and rightly demand a restoration of their differentials, are now closeted in negotiations with the Commission. When their demands have been codified and agreed, the total bill will probably be more than £10 million a year.

Meanwhile, the London busmen have decided that they cannot accept the offer of an extra 9s. 6d. a week. The busmen, it should be said at once, have a much better case than the railwaymen; there is a shortage of crews for the buses that are available to be run. But whether London Transport should meet this problem by raising wages and fares further, or by cutting down the apparently ample number of bus journeys, or by a re-arrangement of schedules (which the busmen have been guilty of opposing), is open to debate; a report on the efficiency of London Transport is due to be published towards the end of this month, and it may be better to defer judgment until then. London Transport will also have to decide what offer it will make to workers on its underground railway; it is very angry with the NUR for serving notice that it would call these

men out during any national railway strike—in defiance of contractual agreements—but after a stiff exchange of notes negotiations are likely to proceed as before.

Elsewhere on the wages front, engineering employers (who are traditionally next in the firing line after the Transport Commission has run away from it) have stopped all overtime and weekend work for their "spidermen," in retaliation for a series of guerilla strikes; and the building employers want this year's increase to be directed towards skilled workers (a sensible course, which will not have been made any easier by the railway scuttles). Finally, the railway court of inquiry is preparing to follow up its fateful interim report with its full report. This cannot now have much effect on the railway negotiations, but it may attempt conciliation in the dispute that has sprung up between a disturbed section of public opinion and the court itself.

Not to be Discussed

A MILD cheer should be sent up for two Labour MPs, Mr Callaghan and Mr Michael Foot, as a result of their latest dispute with the British Broadcasting Corporation. The cheer can only be a mild one, because they seem to have struck their attitude later than resolute friends of free speech should have done. When preparations were being made for last week's edition of "In the News"—a regular television programme which is advertised as an "unrehearsed discussion on topics of the week"—the threat of a railway strike still hung over the nation; the BBC decided that the topic was *sub judice*, and must not be discussed. This was the moment when the two Labour MPs should have flounced out of the programme—at this first ruling that a dispute of such vital importance to the public should be settled in indecent obscurity between the union and the Government, while the most influential medium of public communication gagged any discussion of the issues involved. Instead Mr Callaghan and Mr Foot waited until the railwaymen suspended their strike notices, when the BBC said the matter was still *sub judice* and they themselves considered that it was not.

It may be that in this particular case, as the teams were already drawn up, and composed of people who would probably all support the Government's retreat, the public did not miss very much. But the incident reveals again the appalling consequences for democracy of the BBC's method of handling controversial issues. This method is to set up an equal number of Tweedledums and Tweedledees from each of the main parties, and to beg them to have as fierce and partisan a battle as possible.

One result of this system is that an independent—who is liable to cause embarrassment by agreeing with all the Government's policies announced in one week, and disagreeing with all those announced in another—must never be allowed to be built up as a broadcasting personality. Another is that whenever some important Government decision is in prospect—an agricultural price review, a budget, or the handling of a labour dispute—people with conflicting opinions are never able to use this medium to say which way they think the Government should turn (as distinct from passing comment, after the event and usually

on strictly party lines, on the way in which Government policy actually has turned). The BBC will not be fulfilling its proper role as an educational force until it can act upon the principle that when a decision of policy is impending, that is the very moment when it should be promptly discussed—exhaustively, and from as many angles as possible. So long as the corporation remains a monopoly, it will never be allowed to act in this way; the parties will insist that it must not interfere, or facilitate anybody else's interfering, with their exclusive rights to propose and oppose. This is why it is so vital that the monopoly should be broken, and so surprising that many genuine Liberals have opposed the basic—if muddled—principle of the new Television Act.

Red Meat Turns Traitor?

IN spite of the freeing of fats, butter and meat in the spring and summer of 1954, the index of food prices stands only 5 per cent above its level twelve months ago. But, as the campaigning in the South Norfolk by-election showed, these prices may still be the chief source of political trouble for the Conservative party. Labour's principal talking points are tea and meat.

Tea is not likely to be a growing issue; the price seems to be at or near the top now. For the next three months, meat may take over the running. Its history since derationing is that it rose in price by an average of about 6d. a lb immediately after it was set free (the better cuts by far more and the cheaper cuts by less), fell in August, and then rose to perhaps 4d. a lb above rationed prices at the turn of the year. It is bound to increase again in the near future, as supplies of beef are thinning out. Home slaughterings were high until Christmas, but will now be low until April. In April too arrivals of mutton and lamb from Australia and New Zealand reach their peak. It is between now and then that the lean period occurs.

It is very difficult to judge how lean it will be. Shipments are coming in from Argentina, but in less than half the prewar quantity. As a cushion to the shortage, the Ministry of Food holds stocks, built up from the tag end of its bulk contracts, which probably exceed 100,000 tons, and importers hold perhaps another 50,000; together these stocks are equal to as much as four weeks' supply. But they are all of imported meat—and demand since derationing has shown a powerful, perhaps irrational, preference for home-killed. It is in the best cuts of beef that the sharpest rise in prices is likely to occur. Whether this is likely to be a factor of real political importance depends presumably on whether marginal voters—in by-elections between now and April—happen to eat this type of meat; or whether they are content with more stable scrag end.

Khrushchev to the Fore

IN recent weeks Mr Khrushchev, the head of the Communist party hierarchy in the Soviet Union, has been busily stealing the limelight from the prime minister, Mr

Malenkov. He has found successive opportunities for front page publicity in his visit to China, in the drive to cultivate virgin lands, and even in a conference of builders. Last week the departure of a new contingent of young people to the empty spaces of Russia's interior provided him with yet another platform. Moscow radio's report of his speech ended with the once classical formula "Thunderous applause—all those present rise," and it was noticeable that, in breach of the current principle of collective leadership, nothing was said about the other members of the party presidium except that Khrushchev spoke in the presence of Malenkov.

The impression that these two men now dominate the struggle for power in Moscow is receiving plenty of confirmation. And, in a week when George Orwell's "Animal Farm" appears as a film in London, one cannot help wondering whether Khrushchev can do better than the loquacious, ebullient Snowball, or whether the patient Malenkov, biding his time like the porker Napoleon, will emerge victorious in the end. It may be worth recalling that, in the struggle after Lenin's death, it was the quiet, calculating man who eventually came out on top.

Soviet Fertility Cult

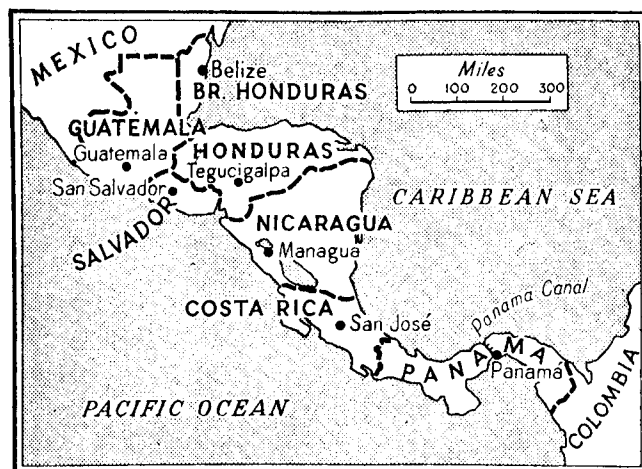
IN his speech last week, Khrushchev claimed that the taxes imposed during Stalin's reign on bachelors and couples with less than three children were really his own work. He also made it clear that the ghost of Malthus does not haunt the Kremlin. The Bolshoi Theatre resounded to an appeal for national strength through larger families that was blunter than anything of the kind heard since Hitler's day. According to Khrushchev, to bring up three children is the minimum duty of every Russian couple, and the Soviet Union looks to its cradles for at least another hundred million subjects.

It was to young men going east that the party secretary was speaking, and in the wide open spaces of Soviet Asia there should be ample scope for new settlements. The drive to conquer uncultivated lands is part and parcel of the general campaign to increase food production, but it has clearly become something more than an emergency operation. Khrushchev spoke not only of northern Kazakhstan and western Siberia but also of Sakhalin and of the other Far Eastern territories which he had visited on his way back from Peking. He painted pictures of a prosperous Siberia whose name would no longer evoke gruesome associations. The new *Drang nach Osten* is evidently meant to improve the economic and strategic balance of the whole Soviet Union.

If this is to be achieved, the east-bound pioneers must not be content to break new ground and then return home; they must be turned into permanent settlers. Financial inducements and other material privileges will not suffice to get them to stay indefinitely in the remoter territories. That is why Khrushchev's final appeal was, in effect, "Go east, young woman." Families must be founded to populate the empty lands of northern Asia, and it is there that the dutiful Komsomol girl is now urged to set about overfulfilling her three-child norm.

New Danger in Central America

UNTIL a few months ago, most people's reaction to news about any conflict in Central America was to assume that two petty tyrants, both of doubtful reputation, were having yet another private quarrel. Since the Guatemalan upheaval last June, however, the natural tendency has been to see all such conflicts as facets of the anti-Communist struggle. It would be quite wrong to apply either of these concepts to the new outbreak in Costa Rica. This is beyond question the most politically advanced of the Central American republics. The European element in its population is much greater than in its neighbours, and it



possesses a genuine tradition of tolerance and civil liberty based upon a sturdy class of small independent farmers. Inevitably, it has become a refuge for the enemies of neighbouring dictators, and President Somoza of Nicaragua, a "strong man" of the old type, may have had good reason to worry about their presence; the attempt on his life made a few months ago was probably organised by Nicaraguans in San José, the Costa Rican capital.

Inevitably, too, the left-centre government of President Figueres has been branded as pro-Communist by the more authoritarian regimes of the Caribbean area. That is an elementary gambit for Latin American "strong men," and an automatic one when they are pressing Washington for financial aid to their professed crusades in defence of democracy. In fact, Señor Figueres has a much better record as an enemy of Communism than Señor Somoza, and although his pronouncements are occasionally demagogic there is no doubt about his sincere attachment to political liberty. Under him as under his predecessor, President Ulate, Costa Rica has set an example to its neighbours; and if the embittered rulers of neighbouring states succeed in snuffing out its democratic flame, political progress in the whole Central American region will suffer a sad setback.

Reluctance to Convert

MR DUNCAN SANDYS is not going to be outdone as a housebuilder; although between 340,000 and 350,000 houses were completed in 1954, he told a Bir-

mingham audience this week that output in 1955 might well be bigger. Some estimates given by Mr Macmillan at the Conservative Party conference had left the impression that the Government was now going to rest on its oars, and to divert some of the vast resources now being used for housebuilding to other—and perhaps less heavily subsidised—purposes. But it now appears that Mr Macmillan's smaller figure referred to England and Wales and not to Great Britain.

Like his predecessor, Mr Sandys emphasised the need for slum clearance; he is at present waiting for the local authorities to send him their estimates of the number of slum dwellings in their areas and their schemes for clearing them. But he said that in 1955 he wants to turn the spotlight, not on slums, but on modernising old-fashioned houses—on providing suitable accommodation for more people in them, and on attacking such problems as that of the 45 per cent of British families who have no fixed bath in their homes. Since 1944 local authorities have had the power to make grants of up to 50 per cent for improvements and conversions, or up to a maximum of £400 for each dwelling provided. This sounds an attractive offer, yet few house owners have taken advantage of it. From the passing of the relevant Act in 1949 until September, 1954, grants were made for less than 12,000 houses. Then the conditions were somewhat eased and in the two months after the new Act was passed 1,626 grants were made—an improved but still modest rate.

One reason for the reluctance to utilise this scheme is presumably that the local authorities can control the rents charged for new accommodation that is built with their money—although they must allow these rents to yield "a reasonable return." Another reason is the difficulty of housing tenants while extensive conversions are going on—a consideration that may account for the lack of interest shown by large property owners. An approach to the local authority for help might result in some council houses being temporarily used for this purpose. A third reason is no doubt the unwillingness of many tenants to pay higher rents for their new amenities. But the principal reason for the small use of the scheme is undoubtedly, as Mr Sandys suggested, the general ignorance that it exists. The responsibility for this lies partly with the local authorities. Of 1,400 authorities that could have the power, only 800 have used it—probably often because nobody in their area has ever asked them for a grant. The Minister has done his part to make the facilities known, in the booklet* published last week, and he is wise now to urge the local authorities to spread the news. This is a far more economical way of providing new houses than to multiply the housing estates at an ever-faster rate.

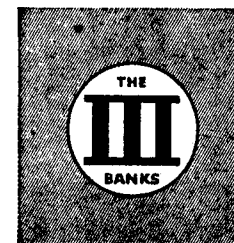
Jobs for the "Sudanised"

IT is both thoughtful and efficient to found an exchange and mart to which the officials "Sudanised" out of the Sudan can turn for news of other jobs. But it was not a very good advertisement for Her Majesty's Overseas Service when, in *The Times* this week, a list of wellwishers headed by the present Minister of Supply, drew attention to their

* New Homes for Old. HMSO. 3s. 6d.

THE THREE BANKS GROUP

Total resources over £350,000,000

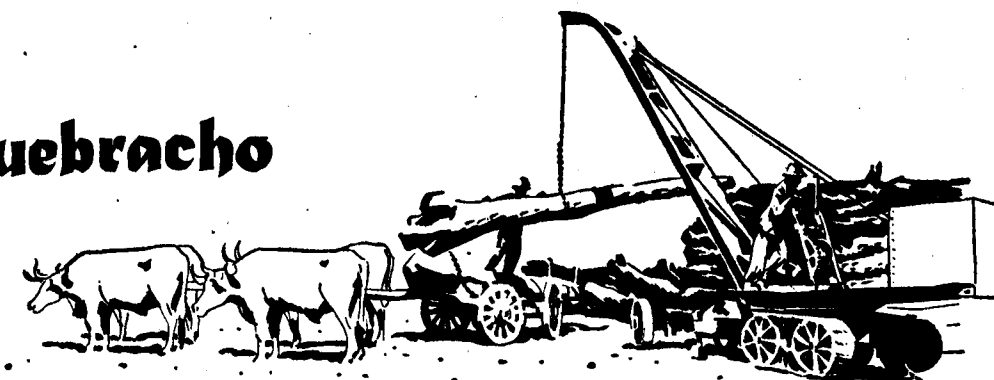


ROYAL BANK OF SCOTLAND Founded 1727 Edinburgh, London & Branches

GLYN, MILLS & CO. Founded 1753, London

WILLIAMS DEACON'S BANK LTD. Founded 1771 Manchester, London & Branches

Quebracho



Glance down the list of Britain's imports from Latin America and you will find quebracho extract. The quebracho itself is a tall hardwood tree which grows in the northern forests of Argentina, taking a full century to reach maturity. Its extract, a valuable tanning agent, is shipped to world markets from Buenos Aires, where the Bank of London and South America has long been established. You will find quebracho mentioned from time to time in the

Argentine section of the Bank's *Fortnightly Review*.

This publication is an invaluable guide for all who wish to enter Latin American markets, whether as buyers or as sellers, for it summarizes the latest reports on trading trends, import regulations and exchange control received from our 51 branches in South and Central America.

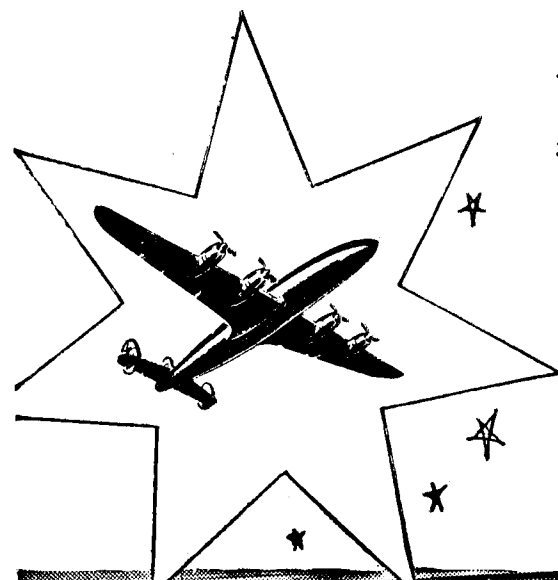
We shall be glad to send you a specimen copy, on application to:—

The Research Department (SECTION 35)

BANK OF LONDON & SOUTH AMERICA LTD

HEAD OFFICE: 6, 7 AND 8 TOKENHOUSE YARD, LONDON, E.C.2

MANCHESTER: 36 CHARLOTTE STREET · BRADFORD: 19 SUNBRIDGE ROAD



More B.O.A.C. world-famed *Constellations* along all routes east!



- ★ MIDDLE EAST
- ★ SOUTH AFRICA
- ★ FAR EAST
- ★ AUSTRALIA

Limited passenger
list ensures more
room, comfort,
personal service!

Fly First Class to the east by B.O.A.C. *Constellation*! Speed! Luxury! Dependability! And such luxury, too. Relax—really relax—in the deep comfort of a fully-reclining "slumberseat" . . . a seat where you can stretch out and sleep soundly, then sit up and just lounge in the daytime! Delicious free meals and attentive service throughout your journey. No tips or extras. It's air travel to the east at its best by B.O.A.C. *Constellation*. Also Tourist services throughout the eastern hemisphere by B.O.A.C. *Argonaut* airliners. Four-engined and fully pressurized. Same high standard of B.O.A.C. service and experience.

Now in service!
To: BANGKOK JAKARTA
BEIRUT KARACHI
BOMBAY KHARTOUM
CAIRO NAIROBI
CALCUTTA ROME
COLOMBO SINGAPORE
DARWIN SYDNEY
FRANKFURT ZURICH
JOHANNESBURG

Soon in service!
To: ABADAN DUSSELDORF
BAGHDAD HONG KONG
BAHRAIN KUWAIT
BASRA LIVINGSTONE
DAMASCUS RANGOON
DELHI TOKYO
(Services to South Africa in
association with S.A.A.; to
Australia in association with
Qantas).

B.O.A.C. TAKES GOOD CARE OF YOU

Consult your local B.O.A.C. Appointed Agent or
B.O.A.C. Airways Terminal, Victoria, S.W.1 (VIC
2323); 75 Regent St., W.1 (MAY 6611; or offices
in Glasgow, Manchester, Birmingham and Liverpool
(see your Telephone Directory for details).

FLY B.O.A.C

BRITISH OVERSEAS AIRWAYS CORPORATION WITH QANTAS & S.A.A.

needs and availability; the letter said that only "a few" were being absorbed into British government service. On November 30, 1953, there were 1,130 vacancies in posts due to be filled in the colonies by the Secretary of State (as many as the whole strength of the British officers in the Sudan), and it was as late as October 1st last that the Overseas Service was launched to meet the changing conditions in colonial needs for British staff. Is it so little able to take advantage of administrative and technical experience in an underdeveloped area that it can offer only a handful of jobs worth the attention of the ex-servants of the Sudan?

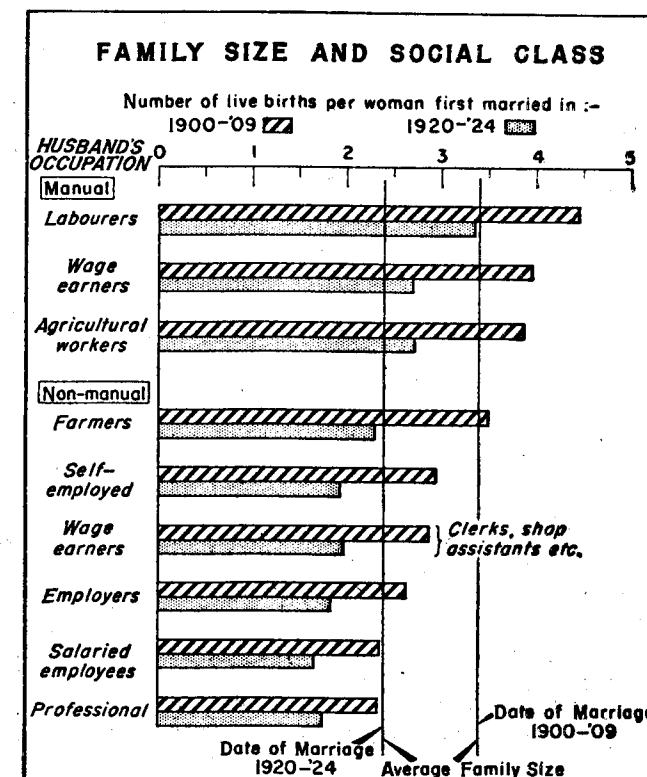
It must be admitted that the Colonial Office has tried. It started rather clumsily, but it has made a great effort in recent months to interview every interested party home on leave from the Sudan. It has made a number of appointments. But the rub is that most of the men concerned want jobs at home. In part, this is because they have had their fill of hot climates or of "transfers of power"; that must be the main justification for Mr Selwyn Lloyd's letter. In part, however, it is because conditions offered to them in the Overseas Service are not good enough. Though they can start at the salary level and with the status that they achieved in the Sudan, they rank for promotion well below those for whom the Overseas Service is just the old Colonial Service under a new name. Ought not such a service, working in the difficult conditions that now prevail in Asia and Africa, to make merit the only criterion when it fills senior posts and to regard its less deserving officers as pensionable early? Moreover, apart from the Overseas Service, there are more jobs than candidates for posts, requiring technicians already acquainted with underdeveloped areas available in the United Nations Technical Assistance services, in the Colombo Plan, and through the departments of the Foreign Office that recruit British specialists for foreign governments. If jobs in contracting firms are preferred, it might have been wiser to circularise the well-known range of those servicing underdeveloped areas before making this public appeal.

Family Patterns

THE report on the family census* of 1946 was published only last week. The only trends that it can unequivocally disclose are those affecting the past generation—broadly speaking a comparison between the families of those who married in 1900-1909 and 1920-1924. The settled facts emerging from comparison between these two groups are a decline in average family size; a marked narrowing between the tendency for poorer parents to have large families while richer parents have small ones; and a similar, though less marked, diminution of the influence, on completed family size, of age at marriage. This is much what one would expect from the spread, both horizontally and down through successive social groups, of family planning. What one may call the provisional facts, those relating to later marriages still capable of adding to family size, are suggestive but mixed. Fertility rates in the early years of marriage (necessarily the only rates available for groups marrying in the 1940s) have taken a sharp upward turn;

* "The Trend and Pattern of Fertility in Great Britain." By D. V. Glass and E. Grebenik. HMSO: 2 vols. £3 10s.

by supplementing the census results with later vital statistics, the report tentatively suggests that the "projected ultimate family size" of those marrying in 1943 should be "larger than that likely to be achieved by any other group of marriages since 1923." So far as one can judge from



limited data, the social differential has continued to narrow—though Britain is still far from the Swedish family pattern in which larger incomes and larger families go together.

It is plain—now family planning has become general (although, like all planning, liable to mistakes)—that changes in economic and social conditions have a more important influence in determining each family's size. Both projection of population estimates and the framing of policy based on projection become in these circumstances very much chancier. The pessimistic projections of the 1930s have already been demolished. The optimistic projections of the immediate postwar years look no more secure. Cautiously, the report indicates "a new stability," with no major departure from the small family pattern but no further substantial decline. These are wobbly foundations on which to build estimates relating to "housing programmes, family allowances, social insurance and other measures of social welfare"—to quote Lord Simon's appeal for co-operation to the women approached by the census takers. Policy is a little less blindfold, thanks to the census, than it would otherwise be; but most of its field of vision is backwards.

M. Massigli Leaves

THE French have a tradition of long ambassadorships in London. It is almost as if they had been persuaded that only time could lead them to any proper understanding

of a people so oddly different from themselves as the British. The ten years which have made M. Massigli doyen of the diplomatic corps and one of the best known figures in London, either British or foreign, are not in fact without merit. But they have covered a very unusual, indeed a unique, period of history. And it is to M. Massigli's great personal credit that through it all he has played a curiously important role. Prominent and yet discreet, aloof and yet friendly, mentor and yet interpreter too, he has been at once a loyal servant of France and a firm advocate of the mission with which he was entrusted. It is said of him that the crowning achievement of his work in London was to hear Sir Anthony Eden give the undertaking in Lancaster House last September that, if Western European Union is ratified, Britain will maintain four divisions and the Tactical Air Force on the Continent.

M. Massigli returns to Paris to take over at the Quai d'Orsay at a moment when Britain has never been more deeply committed to the Continent, but when in British minds the Continent is perhaps less clearly identified with France than at any time for half a century. This is largely a reaction to the long delay in Paris in reaching a decision about the new form that Western Europe is to take. Since the result has been to weaken confidence in France and so to undo much that M. Massigli was trying to achieve in London, no one can have regretted it more than he. The one consolation which he certainly will share with many others on both sides of the Channel is that, if Western European Union survives and succeeds, it is likely to prove at once a more realistic interpretation of the European mood and a tighter bond between Britain and France than EDC ever looked like being. It is in any case a fitting culmination to a chapter which saw the signature of the Treaty of Dunkirk, the original Brussels Pact, and the North Atlantic Treaty. For the historian who reads between the lines about them, the name of M. Massigli will be written many times over.

Belgrade in Two Minds

IN its handling of the Djilas-Dedijer affair the Yugoslav regime continues to give a striking demonstration of its ambivalent nature. On the one hand, the two culprits are still at liberty, and their treatment so far has shown a scrupulous observance of legal procedures. But on the other hand, in reacting to the publicity which the affair has received abroad the Yugoslav authorities have fallen back on the worst traditions of Cominform distortion and misrepresentation. It is being alleged that a big campaign to discredit Yugoslavia has been launched by "some western circles" which are hostile to Yugoslavia and annoyed by its successful independent foreign policy; and that the timing of the Djilas-Dedijer affair—during Marshal Tito's absence from the country—was carefully calculated to do the maximum damage to the government's credit.

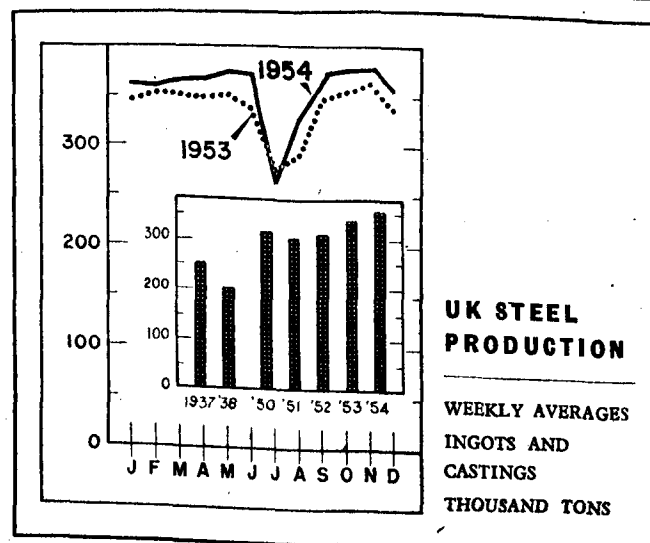
This story is, of course, completely unfounded. The Yugoslav authorities themselves helped to make nonsense of it when, in their anxiety to show that nothing was being done behind Marshal Tito's back, they issued a careful account of the course of events, beginning last March, which has culminated in the prosecution of Mr Dedijer and Mr Djilas. This account shows that the Yugoslav leaders have

been caught out by a combination of bad luck and bad miscalculation. It was bad luck that Mr Dedijer was not available in Belgrade when originally summoned before the party control commission on November 17th, before Marshal Tito set out for India; and it was a bad miscalculation, although perhaps a very understandable one, to imagine that Mr Dedijer was in the mood to submit meekly to party discipline.

All this, and the publicity and comment to which it naturally gave rise, was no doubt extremely aggravating for the Yugoslav leaders, who seem surprisingly sensitive about the impression they create in the West. But it is sometimes very hard to see what they are driving at. It does not make sense to insist that Djilas and Dedijer are insignificant nobodies who should be ignored, and at the same time to brand them as the instruments of alleged foreign interference and to institute legal proceedings against them. Nor does it seem reasonable for Mr Kardelj to condemn their views as traitorous and slanderous, when he himself has been saying the same sort of thing about the eventual development of more political parties, not in the privacy of the party conclave, but in a lecture to foreigners in Oslo which was reprinted—rather oddly in the circumstances—in a recent issue of *Borba*. It is true that Mr Kardelj's discourse was on a strictly theoretical plane and contained no criticism of things as they are. But if it is merely a matter of timing and means, not of ends, that separates the dissidents from the rest of the party, surely their case could have been handled more adroitly?

Italy Plans Development

A PLAN is one thing, its fulfilment another. During the past few weeks an ambitious investment programme has been prepared in Rome, which has now seen the light of day as the Vanoni Plan. Signor Vanoni is the present Minister of the Budget and is expected to be one of the candidates for the presidency of Italy in the approaching elections. His new plan, prepared in consultation with both Italian and foreign experts, has had the assistance in drafting of the American Foreign Operations Administration, and has been laid before the OEEC. If ever there were scope for a plan which deserved to succeed, this is it; but it may call for a near miracle if it is ever to reach fulfilment.



The aim of the Vanoni plan is to break through the "sound barrier" of Italy's fundamental economic problem. It sets out to abolish unemployment by 1964 by creating four million new jobs. This is to be done through an increase in national income of about five per cent per year over the next ten years and through foreign aid. This increase, in the words of the plan, is believed to "be sufficient to ensure the estimated capital requirement for new investment, but only on condition that a substantial proportion of this increase—appreciably larger than the present one—be used for this purpose." Investment in fact should "absorb more than one third of the total income increment for the entire ten year period." The aim is legitimate enough. But how is it to be achieved? The plan is based on the premise of stable wage rates, a stable cost of living and definite limits on consumption and on profit. It involves both state and private enterprise of a high order, and it begs nearly all the questions of Italy's existing experience.

Any democracy is severely handicapped in comparison with a dictatorship when it tries to pull itself up by its bootstraps, since it has to persuade as well as coerce. In Italy enlightened planning faces several special difficulties even before it starts. One is the implacable and cynical opposition of the big Communist party. Another is the traditional and entrenched distrust of small-market capitalism. Yet a third is the narrowness and impermanence of government majorities. The sponsors of the new plan will need luck as well as faith if they are to pull off the miracle they propose. But that is no reason for not trying.

Changes in Kenya

GENERAL SIR GEORGE ERSKINE—who is to retire from the post of Commander in Chief, East Africa, in May—has had as difficult and frustrating a task as Colonel Young, the former Police Commissioner who is now back in Britain. Like Colonel Young he has had his brushes with the settler community. He bluntly said that bullets alone would not reduce Mau Mau, many months before the Colonial Secretary (then Mr Oliver Lyttelton) decided that he must intervene and institute a political settlement that might become the basis for an alternative to them. But General Erskine at least has the satisfaction of knowing that the combined efforts of the army, the police and the civil authorities have done a great deal to wrest the initiative from the terrorists. The new operation of combing the forests almost yard by yard would hardly be possible but for the ability of the police and the loyalist home guards to maintain law and order in the areas left after the army has deployed its strength in the forests.

Although there are plenty of signs that sheer force, immensely improved organisation, the concentration of Kikuyu in well-defended villages, and the retention of 60,000 detainees have crippled the revolt, there are as yet no definite signs that the mass of the Kikuyu have come down solidly for the Government. The Kikuyu have been cowed and disillusioned with Mau Mau, but they have not been won, and perhaps not yet reached. It is here that the problem of law and order becomes so difficult. Colonel Young has spoken up strongly and loyally for the police against the High Court judges' suggestion that they have

been a law to themselves. Their difficulty, amid the mass of emergency legislation and decrees, has been to find out what the law is; in a situation of "kill or be killed," it is hard to enforce legal safeguards that are taken for granted in Britain. Yet talk of the merits of "rough and ready" justice must always cause uneasiness, and it is evident that there have been many irregularities among loyalists. The Kenya judiciary has done fine work in upholding British standards of justice; it is for the judiciary, with the police and the administration, to work out processes of law that can meet the difficulties of the situation without allowing those standards to be lowered.

Books and Readers

SOME day, perhaps, an electronic professor will describe to an amused class of history students a primitive device, much used until the late twentieth century, to communicate ideas and information, called the printed book;

The Workman in Fetters

Our attention has been called by an esteemed correspondent to the considerable reduction which has recently taken place in the exports of our textile fabrics, which he thinks may be in part caused by the Acts regulating the hours of factory labour and the continual intermeddling of Factory Inspectors. Although there is a more sufficient reason in the overdone markets of Australia from the excessive exports of last year, and in the prostrate credit of the United States from reckless and even fraudulent trading, for the decline in our exports than the Factory Act, yet we quite agree with our correspondent that in the present relative condition of this and other countries the working of this Act requires to be carefully considered. On the 16th ult. we published a letter from "A Wool Spinner," pointing out the mischievous operation of the Act in relation to the large supplies of woollens now required for our sailors and soldiers. The articles wanted could not be procured because the manufacturers could not procure yarn from the spinner, and the spinners' production was limited by the Factory Act. This prcrustean law cuts down production to its own standard, and enlarges not according to the wants of the community. Large purchases of furs have lately been made abroad for our troops—perhaps woollens have been purchased there, too; . . . and the Act may probably have prevented our own people from supplying the wants of their fellow-subjects. . . . Whatever may be the falling off in the export of other articles, there is none in machinery. The value in 1854 exceeds the value in 1853. Other countries, therefore, are now taking into use our machinery. . . . We have a race to run, and we cannot succeed if we tie our legs. Formerly they were tied for the advantage of the landlords, or the advantage of some classes of manufacturers, and very hobbling work we made of it, as increasing poor rates and perennial disturbances testified. Nations, as well as individuals, look very foolish jumping in sacks, and get many a fall. Having got rid of the restriction for landlords and the restriction for the master manufacturer, we must now walk in the workman's manacles.

The Economist

January 13, 1855

Money Making Proposition

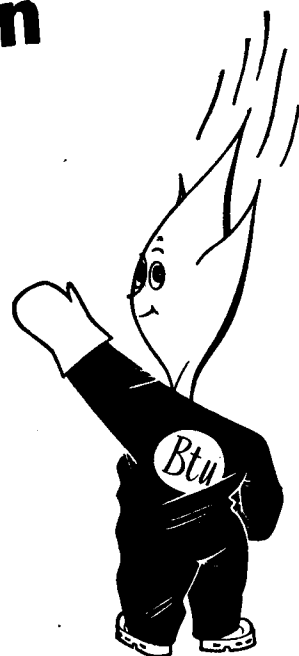
"I can save you thousands of pounds" says Private Btu (the British Thermal Unit)

"Even though fuel costs may be only a small fraction of your costs of production."

FUEL EFFICIENCY PAYS For example—A company in Cambridgeshire using a Lancashire Boiler installed a superheater and achieved a coal saving of approximately two tons worth £8 a week. The equipment cost £350 so it was paid for in the first year. Allowing it fifteen years of life this was a most profitable investment.

Superheater Manufacturers' Association 7 Norfolk Street Manchester 2 has many other examples of the advantages of superheated steam and will be pleased to put you into touch with the manufacturers concerned.

Issued by **N * I * F * E * S** National Industrial Fuel Efficiency Service
71 Grosvenor Street London W1 Telephone: Hyde Park 9706



Here's the most sought after Sherry
in all Spain



— now available in England
in limited quantities

**Garvey's FINO
SAN PATRICIO**

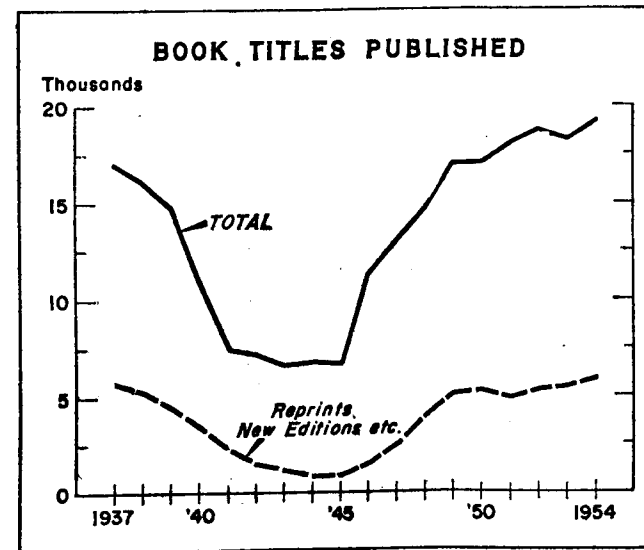
IMPORTED BY MATTHEW CLARK & SONS LTD. 110 CANNON ST. LONDON, E.C.4



THE TWO BATHERS by Z. Ruszkowski
No. 6 in a series of advertisements showing the work
of contemporary artists.

Brotherton A ONE NAME IN THE CHEMICAL WORLD
One of the world's largest manufacturers of hydrosulphites, liquid sulphur dioxide and hexamine. Makers of an extensive range of Metachrome dyes for dyeing wool in all its forms.
Brotherton & Co. Ltd., City Chambers, Leeds, 1.
Telephone: Leeds 2-9321 • Telegrams: "Brotherton, Leeds."

but signs of its obsolescence find so far no reflection in the record numbers of new titles and reprints brought out by British publishers. Last year, according to the figures compiled by *The Bookseller*, 19,188 titles were published compared with 18,257 in 1953 and 18,741 in 1952—the previous record. Of this total, reprints and new additions



amounted to 5,846. These figures may be set against the remarkable statistics of personal reading presented recently by Sir William Haley in a lecture, "A Smallholding on Parnassus," to the National Book League. Sir William (keeping a log of his own accomplishments) reckoned that

year in year out, reading three books a week, 150 books a year was as much as an assiduous reader could get through; few will dispute that he set a frighteningly stiff standard. This means that in a lifetime of reading (say 40 years) a man cannot expect to read more than 6,000 books; even if life and eyesight hold out longer "the number of people who have read 10,000 books must be very small." Thus, in Britain alone, new works are being added yearly to the immense geological deposits of books at a rate exceeding a man's total intake of book-print from cradle to grave.

This is a formidable thought even if the greater part of any publishing year's output is relegated to the category of the ephemeral or the specialised. The problem is to increase reading-time; but this is being steadily cut into by the charms of broadcasting and more particularly television. Sir William remained hopeful about this; radio and television can be great popularisers of any books that they mention or dramatise. Their existence increases, if it diversifies, the publishing gamble. It leaves the problem of selecting a lifetime's reading just where it stood—or rather, getting slightly worse every year. By the time most people have read the increasing total of what they must, there is less time than ever for what they would simply enjoy. It is no more than a sign of the times that the output of technical books, and especially books on sociology, is increasing while fiction titles decline. But there is comfort in the fact that the output of children's books is still rising—the young are still being conditioned to some extent to associate reading with pleasure and wonder; and even as a recreation the book still seems to have a future despite the electronic challenge.

Books & Publications

The Still Small Voice

PRINCIPLES OF PUBLIC FINANCE
(4th Edition).

By Hugh Dalton.

Routledge. 255 pages. 10s. 6d.

DR DALTON'S two years as Chancellor of the Exchequer demonstrated afresh the merits, long-recognised, of his well-known textbook. It then provided cogent support for criticisms of Daltonian policy—most noticeably, perhaps, in its strictures on the viciousness of differential taxation of profits. The post-Daltonian edition is noteworthy partly for its second complete deletion of that most valuable one), but principally for its additional chapter—"At the British Treasury, 1945-47." Here Dr Dalton explains what he tried to do, and especially how well he fought inflation; why he was (mostly) right, and his critics wrong; why he was defeated on cheap money, and how victory could be

assured on a future occasion. In defence of his budgeting he quotes repeatedly from *The Economist*—and thereby replies in kind to his own grievance (not specifically addressed to *The Economist*) that he himself was quoted out of context.

Anyone who now reads his quotations would surely assume that this journal was among his most consistent supporters. Yet those same articles protested at the "streak of vindictiveness" in his policies, and expressed (pleased) surprise that he had paid any tribute, however meagre, to the principles of sound finance. He also cites us as saying that he was probably not too complacent about inflation, when the real force of the comment was that he was relying for safety upon the physical controls—and committing the economy to a prolonged continuance of them.

Significantly, *The Economist* is not quoted at all on the cheap money policy. But in its exposition of the policy, as

distinct from its quotation of the criticisms of it, the book is positively naïve in its frankness—and in its glee that the rate of interest for the issue of Transport stock was forced down after the compensation amount had been fixed. There are two ways of forcing rates down—by words (and what a blare of trumpeting they were) and by deeds, in the shape of departmental purchases and credit creation. Departmental operations, says Dr Dalton, are doubly useful: they force prices up in preparation for a conversion, and then the public authorities themselves are "loyal" in support of the conversion when it comes. Unfunding and credit creation were not, however, inflationary—unless the new money was spent. True. But does Dr Dalton really believe that it was not spent, in that phase of engendered boom and of literally "smoking away" the dollar loan? And, in any case, would there have been no dangers thereafter? Happily, the textbook chapters still have the last word on this: "if it is desired to restrict credit indiscriminately, funding part of the floating debt is as good a way as any other." Sound finance and liquidity theory are vindicated after all.

Only three more points—but important ones—can be quoted here from this fascinating apologia. The cheap money drive failed because of the fuel crisis (but was it not seriously faltering three months before that?) and because of the "whispering and talking" campaign—which "quite drowned my small

voice." After that we might shed a tear for poor Dr Dalton—but for the fact that, if he had his way again, he would not trust to his vocal powers alone. In future, there would be a "new gun, specially designed to shoot bears." The Chancellor would take powers to compel all investors having over £1 million of invested funds to invest a prescribed, and varying, proportion of their capital in gilt-edged securities. The only consolation one can discern in that 1984 is that the new Chancellor (Opposition members please note) might also pursue the Daltonian goal, now confessed, of getting the earned income allowance up to one-half. But that would be dear at the price.

Dockland Neurosis

THE DOCK WORKER.

Social Research Series: Editor, Professor T. S. Simey.
University Press of Liverpool. 284 pages. 17s. 6d.

THE mind of the dock worker is a subject of great interest since 25,000 workers in the Port of London recently went on strike for a theoretical grievance, worked up by a union to which only a few of them belonged. There could hardly be a more opportune time, therefore, for the publication of this study by the Department of Sociology of the University of Liverpool, and it throws much light on the enigma. It is a survey of life and labour in the docks of the Port of Manchester during the winter of 1950-51, a period which, as luck would have it, included two strikes—one a lightning affair, the other of six weeks. These events interrupted the research as originally planned, but they add enormously to the interest of the book.

The investigators reject the idea that the strikes were the work of agitators. They allow agitation a part in keeping grievances alive; but that this was possible must be attributed, they think, to causes that lie deeper. Discontents and unrest, the investigators believe, are inherent in the nature of dock work as now organised, and the Dock Labour Scheme, from which so much was hoped, has not exorcised them. The scheme has certainly brought economic security, with its fall-back pay, now £5 4s. 6d., for every registered docker even if he has not found work. But it has failed, in the view of the writers, to eliminate the evils of casual work, in that the men are daily competing against each other for jobs. The system of the call-stand, where the foremen pick their gangs, is indeed reminiscent of the cattle market, and those who are left until last tend to be the same people every day. Not unnaturally they tend also to be the malcontents, and loafing round the docks until the afternoon call, they have plenty of time to brood on grievances. The writers suggest that the display of self-interest on the call-stand may arouse a feeling of guilt which finds its compensation in the dockers' famous solidarity in industrial disputes. Two-

thirds of those interviewed would like to see the system changed, but almost no one, either among workers or employers, had any practical scheme to put in its place.

The persistence of casual work is a negative disadvantage of the dock labour scheme. But it has also, in the view of these Liverpool sociologists, a positive disadvantage. It is so complex that the dock workers interviewed did not understand it and could not distinguish the respective responsibilities of the Dock Labour Board, the union and the company which was their registered employer. They could not even say who employed them. The investigators have some stern words to say about the failure of communication, especially at the time of the strikes, between these three authorities and the men. It is to be hoped that they will not be wasted on complacent ears, for this very valuable and well-written piece of research should prompt searching self-examination and vigorous efforts to eliminate at least some of the causes of dockland neurosis.

The Phoney War

DOCUMENTS ON GERMAN FOREIGN POLICY, 1918-1945: Series D, Volume VIII. *The War Years September 4, 1939-March 18, 1940.*
Her Majesty's Stationery Office. 1,060 pages. 30s.

THIS volume of Wilhelmstrasse documents is of unexpected interest. It shows that those who believed from the beginning that Hitler was doomed for lack of raw materials were not so wrong as they seemed. Indeed one finds here that during the period of the phoney war, as soon as it became evident that the war had not ended in Poland, the German Government indulged in something like a frenzy of economic negotiations wherever it was possible to do so.

On October 9, 1939, Karl Ritter was put in charge of economic warfare, and he, together with Wiehl and Clodius of the Economic Policy Department, were mainly responsible for it, with Göring looming in the background at Karinhall. The documents disclose Clodius travelling more frequently than ever in order to intensify his familiar methods of frightening the smaller powers into the speedy delivery of foodstuffs and non-ferrous metals at prices made convenient for Germany by the manipulation of the rate of exchange; in return these powers were to be allowed, at a delayed date according to their own production and needs, such arms as Germany wished them to receive. When, to Hitler's disappointment, the Galician oil-fields had been swallowed up by Russia according to the partition of Poland, supplies of Rumanian oil became more imperatively necessary although Russia offered Germany the equivalent of the Galician supply. A new trade agreement was signed with Rumania on the very day after the Polish deal with Russia, and another followed at the end of the year. The Germans in fact obtained the pro-

mise of 130,000 tons of Rumanian oil per month, which was more than could be transported that winter.

In August, 1939, Mussolini had justified Italian non-belligerency by Italy's economic straits. Since Hitler intended to bring the Duce into the war on his side by the following spring Germany had to find economic resources, not only for itself, but also for Italy. Its greatest hope, as this volume makes plain, lay in Russia, which agreed on September 28th to work out a programme for the exchange of raw materials against German industrial goods to be delivered *auf längere Zeit*. The Germans hoped, not without a certain justification, that, since they had virtually made a present of eastern Poland and the Baltic States to Stalin, he in return would show them indulgence. It turned out however that by industrial goods he meant military and naval equipment on a large scale; Stalin himself, incidentally, displayed remarkable interest in, and technical knowledge of, naval matters. On February 11, 1940, after immensely hard bargaining, a compromise was reached; the Germans agreed to supply some military material, and the Russians agreed that the Germans should be allowed more time for delivery though the extra time was strictly defined. Many other points had been at issue and were cleared up on the same occasion.

The documents which tell this story in detail are not merely instructive but in their way entertaining. They contain, moreover, all kinds of significant odds and ends—among them Reich Protector Neurath's remarks about the Czechs. It was necessary to rule them with a firm hand, he insisted, "for the Czechs were thick-skulled and treacherous." It is often interesting to observe how the Poles and Czechs were the Jews of the Wilhelmstrasse.

The Bevanite Line

MONEY, TRADE AND INVESTMENT.
By G. D. H. Cole.
Cassell. 423 pages. 25s.

TWO books have been competently amalgamated in this well-constructed, well-written, and ingeniously argued volume. One is a layman's introduction to monetary theory and financial institutions, private and public; descriptive, analytic and historical. The other is a straight (if that is the right word) piece of Bevanite propaganda.

Both are very nicely done. Admiration is equally divided between the clarity with which the nature and functions of money, the interrelations of the banking system, and the monetary element in economic growth and economic instability, are expounded; and the deftness with which, now in pages of overt argument, now in inconspicuous asides and parentheses or by a careful choice, or equally careful avoidance of the loaded word, the desired impressions are built up in the reader's mind. There is the impression that all problems of social justice, of stability, of economic rationality, are purely capitalist problems

which cease to exist as soon as that *deus ex machina*, the Socialist planner, has made his beneficent appearance; there is also the impression that such of Britain's, and indeed Europe's, postwar problems as are not due to the residual survival of capitalism, and indeed most prewar problems too, if not the war itself, are overwhelmingly the fault of that sinister Dark Power, America. Who was responsible for damping down those forces of economic growth which, during the nineteenth century, made capitalist instability tolerable? America. Who landed us in the 1930 slump? America. Who forced us to gyp our creditors in 1946? America. Who sabotaged world full employment policy? America. Who dug the Dollar Gap? America. Who insisted on "an entire subordination of British commercial and monetary policy to American ideas"? Whose political perversity loads the world with armaments? Whose economic ill-health demands a *cordon sanitaire*?

Who, in fact, fills the butchers' shops with large, blue flies? It would be entertaining and instructive, did space permit, to analyse the means by which Professor Cole gets his effects. (Few would deny, of course, that American commercial policy has provided him with plenty of useful material, given due care in selection.) One instance may serve: the sixteen-page philippic on the (inoperative) conditions imposed in connection with the Washington loan of 1946, followed by a colourless two-line reference to Marshall Aid.

On the issue of public versus private control of the volume and main direction of investment, on built-in instability and built-in stabilisers, on the respective fields of fiscal and monetary technique—indeed on the whole central question of the relationship of monetary and investment policy to full employment—Mr Cole makes a number of valid points and fairly (or pretty fairly) poses a good debating case. It all has a slightly nineteen-thirtyish flavour, but he makes a case for that too. On everything relating to America, he is by contrast well ahead of his time, showing himself admirably qualified as script-writer for any number of Two-Minute Hates.

Islam from the Inside

THE ROAD TO MECCA.
By Muhammad Asad.
Max Reinhardt. 394 pages. 21s.

THE writer of this book has had a life unusual in the highest degree and, with his power of expression and outstanding linguistic gifts, has the ability to write well about it. Born a middle-class Austrian Jew, and from his early adult years a successful journalist who became middle-eastern correspondent for the *Frankfurter Zeitung*, he found himself more and more at home in the Arab countries and Persia—and more and more indignantly anti-Zionist—until in 1926 he accepted conversion to the Islamic faith, in which he has found satisfaction for the last thirty years and

upon which he can be taken as an enlightened but never fanatical authority. After many years of residence in the Middle East and Pakistan, with scarcely a backward glance at the West, he entered the foreign service of the latter and was until 1952 its senior representative at the United Nations. With a high intelligence and strong vitality, Muhammad Asad should be uniquely qualified to interpret East to West and vice versa, since he has belonged whole-heartedly to each in turn.

It would in fact be difficult to find a better account of modern Islam as a complete mental and spiritual background and comprehensive guide to living, dominating the life of a particularly sensitive and competent citizen of the modern world. He is indeed somewhat unjust to existing western studies of Islam, which is very far from being a sealed book (as he suggests) to European scholars and thinkers; his attribution to the Crusades of what he feels to be our anti-Islamic feeling cannot seriously be accepted; and his naively hostile attitude to the "imperialist" powers (notably Great Britain) is based on the sketchiest information—for instance, on his absurdly misconceived account of the Wahhabi raids into Iraq in the early twenties.

The structure of his narrative—a detailed account of a cross-desert camel-ride in 1932, with prolonged flashbacks into his own past life and mental development in Europe and Asia—is highly artificial and at times distracting, but it does not diminish the interest of the narrative; a more straightforward sequence of events would have been, to some, preferable—with at times, possibly, a less obvious writing-up of the author's own adventures. His account of many personal friendships with the great and the obscure is excellent, including a long and close acquaintance with King Abdul Aziz ibn Saud, who ultimately disappointed him. In general, his view of current Islamic society, seen from inside throughout many years of complete habituation, is his most valuable contribution.

Economics at Large

THE UNIVERSITY TEACHING OF SOCIAL SCIENCES: ECONOMICS.
Edited by C. W. Guillebaud.
Unesco. 300 pages. 11s. 6d.

THE Unesco-sponsored survey, by the International Economic Association, of the university teaching of economics in a number of different countries might be thought a purely technical piece of documentation, of interest only to university authorities. It is indeed unlikely to be widely studied outside the world of academic administration; and yet there is a good deal in it that deserves a wider audience. Against different backgrounds of national history and academic tradition, the same questions repeatedly recur in the dozen "country papers" contributed from Belgium, Egypt, France, Germany, India, Italy, Mexico, Sweden, the United King-

GERMANY 1945-1954

The indispensable Reference Book for Everyone interested in the Germany of today!

AUTHENTIC

compiled with full co-operation of leading personalities in politics, business and finance in Western Germany

COMPREHENSIVE

Contents: General Outline of Germany's History illustrated reports concerning leading enterprises Up-to-date statistical data in every branch of economic activity Biographies and photos of outstanding personalities Map of Western Germany in colours

SUPERLATIVE PRESENTATION

738 pages (quarto), printed on heavy art-paper and bound in blue linen, more than 1,000 photos

SUCCESSFUL

Total edition: 30,000 copies; subscribed before publication 25,000

ADVANTAGEOUS IN PRICE

The price is £4—plus forwarding costs

BOAS INTERNATIONAL PUBLISHING CO.,
Rundschau-Haus, 25-45 Stolkasse
Cologne/Germany

From the Government Bookshops

Assurance Companies Returns

Statement of Life Assurance and Bond Investment business under the Assurance Companies Acts, 1909-1946, deposited with the Board of Trade during the year ended 31st December, 1953. In two volumes. 147s. (by post 148s. 6d.)

Provision for Old Age

Report of the Committee appointed to review the economic and financial problems involved in providing for the aged having regard to the prospective increase in numbers. (Cmd. 9333.) 4s. (by post 4s. 2d.)

Factories

Annual Report of the Chief Inspector of Factories for 1953. (Cmd. 9330.) 6s. 6d. (by post 6s. 10d.)

H. M. STATIONERY OFFICE

York House, Kingsway, London, W.C.2; 423 Oxford Street, London, W.1. (Post Orders: P.O. Box 569 London, S.E.1); 13a Castle Street, Edinburgh, 2; 39 King Street, Manchester, 2; 2 Edmund Street, Birmingham, 3; 109 St. Mary Street, Cardiff; Tower Lane, Bristol, 1; 80 Chichester Street, Belfast;

or through any bookseller.

dom, the United States and Yugoslavia; and these questions suggest others which ramify over the whole field of the social sciences and indeed of education in general.

In France the study of economics is made into a luxury for "perpetual students" by the requirement that a law degree be taken in advance of any serious economic specialisation; in America, on the contrary, a neatly packaged elementary course is taken, in the second university year, by about 40 per cent of the total number of eventual graduates. In India economics is all too evidently regarded as a soft option, in Sweden it is extremely tough. In Italy (as in France) emphasis is laid on abstract and totally neutral *a priori* reasoning; in Egypt and Mexico, on practical, socially motivated knowledge; in the Yugoslav report the sympathetic reader can detect an anguished academic conscience grappling with the inadequacies of orthodox Marxism—"our work in economics is not sufficiently adapted to present-day realities."

There is, in fact, no real agreement about where the centre of gravity of economic studies should lie within that wide range of possibilities which extends from the pure logician's catalogues to the intelligent business man's or administrator's empirical generalisations. Beyond heading his recommendations with the conclusion that economics should be a separate discipline, independent of, for instance, the legal faculty,

the *rapporteur*, Mr C. W. Guillebaud, offers no judgment on this point; though his qualification that economics is one of the social sciences, and must recognise "the underlying unity of the social sciences as a whole" can certainly be read as a warning against both over-abstractness and over-concentration on business technicalities.

The survey of teaching methods, examination procedures, control over the student's progress, academic recruitment, promotion, and pay, the relation of universities and other teaching bodies to the state, is both enlightening in itself and relevant to a much wider range of subjects. Indeed, it is rather surprising that the series—"University Teaching of Social Sciences"—of which this volume forms part should not have begun with such a survey in guise of preface, and so relieved the *rapporteurs* on particular subjects from the duty of repeating one another. For the reader of a single volume, however, this rather wasteful procedure has obvious advantages.

How To be Head

THE INTELLIGENT TEACHERS' GUIDE TO PREFERMENT.

By Marius Rose.

Chatto and Windus. 96 pages. 6s.

THIS is a delightful book, and also a wise one. Written by a county Director of Education, it tells the applicant for a headship how his application will look from the receiving end. It warns him that omissions on the application form ("honours degree") will arouse suspicion. It shows him several ways in which he should not write the covering letter ("If I should be so favoured as to be granted your confidence and final vote . . ."). It shows him how little faith prospective employers will place in the sincerity of the open testimonial, and what unsuspected amplification may follow from the invitation "I shall be happy to answer any questions about Mr Jones." It tells him how to conduct himself at the interview. This involves sizing up the members of the interviewing committee. For example, if they ask his opinion of modern methods of education he must establish himself as a follower of contemporary theories, but insist at the same time that this should not be at the expense of certain basic accomplishments. But if they ask what he thinks of "new fangled methods" he must say that "reading, writing and computation are the best basic subjects, but that manual skill and character training should be their discreet companion."

Such advice is enlivened by delightful anecdotes, and by wittily expressive drawings by Biro. It makes an amusing evening's reading for anyone; for teachers it should be a bedside companion, and it is full of useful lessons for almost anyone outside that profession who desires preferment. The only trouble is that if it is as popular as it deserves to be it will make the task of selectors infinitely more difficult.

The Impact of Science

SCIENCE IN HISTORY.

By J. D. Bernal.

Watts. 991 pages. 42s.

THIS book originated in a course of lectures on "Science in Social History" delivered at Oxford in 1948. While preparing these, Professor Bernal soon found that he had embarked on something bigger than he had bargained for, and later decided to make a detailed study of this fascinating subject. Hence this monumental work, which gives a full account of the impact of science on history from the earliest times.

Judged purely as a history of science, this must be considered an exceptionally good one. The author has an attractive pithy style, and writes clearly in popular language. In so far as any book can make unfamiliar scientific principles clear to the non-scientist, this one succeeds. There can be few men living who possess such an encyclopaedic knowledge of all branches of science, and Professor Bernal has the further advantage of being himself a working scientist. But this is much more than a mere history of science, and the author's grasp of the complex interactions of science with contemporary history is even more remarkable.

Nearly half of this long book is devoted to the twentieth century. This can be justified by the stupendous advances that have taken place in all scientific fields during the last fifty years and their increasing impact on the social scene. But to give 170 pages to a discussion of the social sciences upsets the balance of the book.

Professor Bernal's political views are, of course, well known, and inevitably he stresses the shortcomings of the capitalist system throughout. Here he spoils his case and becomes tedious by his continued gibes at the "upper classes." It is, for instance, unjust to the science of eugenics to say that "it has largely concerned itself with attempting to prove, on genetic grounds, the superior value of upper-class stocks and stressing the need to protect them against the careless breeding of the inferior poor." Nor can it be seriously maintained that Darwin's doctrine of "the survival of the fittest" was fastened on by the wicked capitalists to justify their exploitation of the working classes.

Some interesting illustrations are included, but the standard of reproduction is not as high as they deserve. The comparative tables, on the other hand, are excellent.

Books Received

DIRECTORY OF SHIPOWNERS, SHIPBUILDERS AND MARINE ENGINEERS 1955. Tothill Press. 219 pages. 40s.

ISRAEL GOVERNMENT YEAR BOOK FOR 5715 (1954).

The Government Printer, Israel. 293 pages. DIE DEUTSCHE INDUSTRIE IM KRIEG 1939-1945. Deutsche Institut für Wirtschaftsforschung. Dunker and Humblot, Berlin. 216 pages.

Letters to the Editor

Contrary Kenya

SIR—In your issue of January 1st you published Lieut-Colonel E. S. Grogan's reply to your editorial of December 11th. Lieut-Colonel E. S. Grogan implies that clandestine discussion and "backstairs intrigues" led to the Lyttelton proposals. This is sheer distortion of the facts as all concerned know. I have in my possession a record of the discussions and decisions which took place both on the Emergency and on the Constitution among the European Elected Members during the period in which I acted as their Leader. Unfortunately this record must remain confidential. It shows clearly, however, that there is no truth in any allegations of intrigue or secret discussion.

When the appointment exists the Leader of the European Elected Members has other responsibilities than being the spokesman for a body of members of widely differing views—a fact that Lieut-Colonel Grogan ignores. He must advise the Governor on what he believes will be the collective majority view of his colleagues. If in doubt he must refer the matter to his colleagues. It is also his duty in the interests of Kenya and the community he represents to acquaint himself with the views of leaders of the other racial groups and to inform them of the opinion of his own group on contentious matters.

As to Lieut-Colonel Grogan's assertion that the Arabs and Africans would answer emphatically and universally "No" to the question "Are you willing to be ruled by Indians?" I have only to observe that that again is completely unreal. It has never been suggested, and would be rejected by the majority of the people of this country.—Yours faithfully, MICHAEL BLUNDELL
Nakuru, Kenya

Road Haulage Policy

SIR—Sir Norman Kipping (*The Economist*, January 8th) will not need to be reminded of the burden of complaint during the hard times before the war that the small road carrier was undercutting the large and not *vice versa*. Hence the severe restriction on the issue of carriers' licences under the Act of 1933 to prevent wasteful competition. If there are advantages to be got from the very large scale in road haulage, British Road Services are well placed to exploit them, and it is surely in the interest of the trader that they should be permitted to own the number

of vehicles required to give them that opportunity.

The 25-mile limit on public "A" carriers has been lifted from the first of this year and British Road Services have now to apply for "A" licences. Sir Norman should certainly ask for the Act of 1953 to be amended so as to allow the British Road Services to operate as many vehicles as they please, subject always of course to their making both ends meet. He should ask even louder for the Act of 1933 to be relaxed, so that anybody else may get an "A" licence who can provide a service and make a profit. He might go even further and suggest the restoration of the ordinary traders' right to carry for hire and reward in vehicles worked under "C" licences!

Sir Norman shows all too little faith in private enterprise. The best protection against a possible future danger of non-competitive rail and British Road Services rates is not the reconstitution of another tribunal nor yet the limitation of British Road Services to three thousand or so vehicles. It is to make the road-carrying trade really competitive by easing the way in for the ordinary carrier.—Yours faithfully,

GILBERT WALKER
University of Birmingham

Hospital Finances

SIR—I would like to add two suggestions to Sir George Schuster's letter in your issue of January 8th. These, I believe, would result in considerable economies, at least in mental hospitals where my experience lies. The beds in mental hospitals constitute nearly 50 per cent of all beds in the health service.

First, employees have little say in the running of the hospital and as the minutes of hospital management committees are not published, know next to nothing of the hospitals' plans and policies. Thus they do not feel particularly concerned about any extravagances they may chance to notice. Elected representatives of the staff should attend (as advisers not as members) meetings of the management committee unless there are special reasons for excluding them. The minutes should be published as are those of the regional boards.

Secondly, as Sir George points out, there is a great need of a method of assessing work done in relation to money spent. Mental hospitals tend to amble along as they have in the past—humanely but inefficiently. Many more patients could be treated in their homes

or as out-patients (as is now being done in Amsterdam) and most patients stay in hospital far too long. A little re-organisation could greatly alter all this.—Yours faithfully,

JOHN E. DUFFIELD,
Consultant Psychiatrist
Littlemore Hospital, Nr. Oxford

SIR—You noted on January 1st the very low cost (17s. per head per week) of feeding patients and staff in mental hospitals, and you presume that "the very large number of patients to staff, accounts for the small cost per patient." This assumption is invited by the way in which accounts are presented—the cost of staff food added to the cost of food per patient—but the brutal fact is that the cost is low because the standard is low. In one region which is typical of all the others the actual cash spent on feeding one patient in a mental hospital for a week averaged 15s. 9d. in 1954. The same figures for a mental deficient hospital is 14s. 9d., and for a general hospital is 23s. The discrepancy in cost is not accounted for by free extras of any kind—quite simply it is a hang-over from the not so distant past when the mentally afflicted patients were exhibited in cages for the delectation of that portion of the populace which now contents itself with horror comics.

The situation was improving and enlightened management committees would have achieved a reasonable standard but for the recent economy drive and the resulting cuts in estimates. It would be a notable service if you will persuade the administrators that an inefficient hospital is a waste of public money. The sum allotted to the health service for hospitals would suffice if hospitals were used only for treatment and not as waste paper baskets for every unsolved social problem.

There is a large and increasing group of people who are unable to cope with life unaided but who do not need and cannot benefit from expensive medical and nursing care. The fortunate in this group fill beds where others might be cured—at a cost to the taxpayer of £5 to £25 a week; the unfortunate die in the chill and stench of attic or basement—because there is nowhere for them to go. All could be cared for cheaply and effectively by the citizen in his capacity of ratepayer. At present the citizen prefers to fail in his duty as a taxpayer, and is rewarded by the increasing cost and lessening efficiency of his hospital service.—Yours faithfully, London, S.W.3 E. M. PULVERTAFT

Copperbelt in Crisis

SIR—Your article in the issue of January 8th suggests that the policy of the white trade unions in Rhodesia of applying the principle of "equal pay for equal work" to Africans seeking advancement in industry will effectively prevent this advancement from taking place. This may be true today, yet to pay Europeans and Africans at different

The Inter-War Years and Other Papers

A Selection from the Writings of Hubert Douglas Henderson (1890-1952) Edited by the late Sir Henry Clay

Editor of *The Nation* from 1923-30, Joint Secretary of the Economic Advisory Council from 1930-34, adviser to the Treasury from 1939-45, and Drummond Professor of Political Economy in Oxford from 1945-50, the late Sir Hubert Henderson was never far from the centre of affairs. This selection from his writings is more than a tribute to a great economist for, containing several hitherto unpublished papers on current issues, it is also an important historical document. 42s. net

Two reminders . . .

- ★ There is a valuable 'economic' section in the Home University Library, each volume is 6s. net.
- ★ Oxford books may be obtained on a subscription plan. For details please write to

OXFORD UNIVERSITY PRESS
Amen House, Warwick Sq., E.C.4

rates, cannot, in my opinion, produce a permanent or even a long term solution. Far sooner than most people in Rhodesia realise (and in Africa the man on the spot is often the least aware of the speed of development) any such system will cause a storm of protests against "racial discrimination" and will give rise to real discontent, particularly among the leaders of African opinion.

When in 1947 I went to West Africa to start the University College in Nigeria, expert opinion locally and in the reports of Royal Commissions advised the college to adopt a salary scheme in which Nigerian lecturers and professors received lower emoluments than Europeans. The reasons seemed excellent, and I was assured that this could not be called "racial discrimination." Nevertheless it gave rise to much ill-feeling, it made impossible anything like academic solidarity in a multi-racial academic staff, and (perhaps least important) it caused me, as the chief officer of the college, to be subjected to a bitter campaign as an apostle of the policy of European domination. The college now pays all at the same rates.

Only on one condition may Africans agree to higher rates of pay for Europeans. In Nigeria and the Gold Coast they have so agreed for the Civil Service (though by no means unanimously) provided that no European is recruited until it has proved impossible to find an African with the minimum qualifications required for the post. Even so, the difference is only of 20-30 per cent, not several hundred per cent as in Rhodesia.

Of course "equal pay for equal work" must mean that the output of the African is as good as that of the European. Those engaged in industry in the eastern part of Africa think it will be many generations before this equality is achieved. I believe that any half-and-half scheme will reinforce this idea, but that if they are willing to give full responsibility to the African worker who has had the opportunity of proper training, while there may be instances of disappointment they will find that efficient performance will be achieved far sooner than they, at present, are willing to conceive as possible.—Yours faithfully, KENNETH MELLANBY
London, W.C.1

Temptations of Orthodoxy

SIR—Is there not something wrong in your argument about the Budget prospect as elaborated in your article last week? You argue that we might count on a £400 million increase in real income in 1955-56 but that this is likely to be absorbed by a £200 million increase in fixed investment and say £200 million in consumption. Therefore you imply that the Chancellor has really nothing to give away. But on your figures he could safely let the income receivers keep the whole of the £400 million increase. This would not occur if it were taxed. He could therefore give up the equivalent of the tax yield

on the £400 million and that could only be done by reducing existing rates of taxation. Am I right?—Yours faithfully, GEORGE SCHWARTZ
London, N.2

[Consumers should get most (to judge from recent national income figures, nearly 90 per cent) of any £400 million addition to gross incomes; our very tentative estimate that consumption might nevertheless go up by only about £200 million was based on the assumption that they would save only a small proportion (probably less than 10 per cent) of that addition to their incomes, but that the Chancellor would take his present large proportion from it in taxation. If this proportion was not taken in tax, then we would expect consumption to rise by more than £200 million; but please do not let us seem more committed to these wild guesses than we are.—EDITOR.]

The Small Investor

SIR—I delayed replying to the letter from "Small Investor" published in your issue of December 25th until that for January 1st was published as I felt sure that someone better qualified to reply than I would have done so. But this has not happened—hence this letter.

First, your correspondent draws attention to his having to pay stamp and fee on the sale. The reply given to him through his bank is wrong. I feel sure that the vast majority of brokers use every effort to obtain the best price regardless of the size of the order, but where lots are small the jobber gives the broker the option of dealing at the normal price "free," i.e., with the seller paying expenses, or at a special price to compensate the jobber for the loss he would bear if the expenses (stamp and fee) fell on him. The broker then decides which way is best for his client and deals accordingly.

Secondly, expenses are proportionately heavy on small bargains because of fixed items such as fees and minimum commissions—pitched, incidentally, well below cost to the broker of the work involved. For instance in this particular case had he invested the figure of £50 mentioned instead of £20 he would have had a profit of 15s. or £2 7s. 5d. if (as would have happened on a £50 bargain) he had not to pay stamp and fee on the sale. Which brings us back to what we know, that for an in-and-out operation, a 10 per cent rise in price is necessary to cover expenses.

The third point is that of the total expenses 37½ per cent goes to the broker, 12½ per cent goes to the company and 50 per cent goes to the Inland Revenue. Here, in the last figure, we have the real villain. Finally I think your correspondent is "talking his book" a little in quoting a rise in price of about 20 per cent, my mathematics make it 13.2 per cent.

But, details apart, I do agree that the position of the small investor is unenviable. We must encourage him. My firm do their best to warn small investors that it is just not economic to invest in £20 lots. We all have to live and even though it is expensive for the investors,

all his agents—bank, brokers and jobbers—are almost certainly out of pocket in undertaking the work, even though they undertake it willingly. It is far better to save up in fewer but larger units and to obtain the necessary spread of risk through investing in investment trusts or unit trusts, and I for one wish well to the new movements for catering for the small investor initiated by the unit trusts.

One final "dig" (which may perhaps not be a fair one) is that the real need is to encourage the small investor and not the small speculator.—Yours faithfully, SMALL BROKER

Enticing the Scientist

SIR—Mr A. F. Trotman-Dickenson's letter of January 1st draws attention to the time wasted by scientists at the universities over trivial tasks, and states that the "number of qualified workers engaged in producing the present volume of results is certainly excessive." This is not confined to the scientists and mathematicians you mention in your Note of December 25, 1954.

In many other university departments, and in particular those of economics and statistics, the researcher, whether whole-time or part-time with teaching, wastes much of his time on such chores as extracting, computing, typing his own correspondence, etc. In some departments some of the most elementary aspects of office organisation, as the systematic registration of correspondence, are neglected. Frequently the senior highly paid staff outnumber the junior staff by two or three to one.

The universities are increasingly state-aided institutions dependent on the taxpayers' contributions, whether directly through the UGC or indirectly through grants to students. Perhaps an inquiry by the O & M Division of the Treasury would stimulate as much interest in this aspect of university administration as it did in Local Government administration after the Coventry report. In some cases I think it would be found that the halving of the senior staff, with an expenditure of only half of the amount saved on more junior staff and office equipment, would result in doubling the output of useful research and in improving the standard of teaching in the relevant cases.

The individual can do little himself to improve the system. He has no expenses account against which he can charge clerical assistance and not even an income tax allowance, except a trivial amount for essential books. Some of those holding senior university appointments would willingly incur such expenditure if part of it could be recovered by way of tax allowances, although the result of their increased output and usefulness would be to reduce their incomes. The majority would be unable to take advantage of this concession as they could not afford any reduction in their net incomes.—Yours faithfully,

W. H. BECKETT
Balliol College, Oxford

THE STORY OF THE ROBINSON GROUP



Homecoming of a revolutionary

A paper bag with side gussets... it started a revolution in 1873 because it was the first in this country to be machine-made.

The man responsible was Elisha Robinson, founder of Robinsons of Bristol, who brought home from the United States a patent for the special machine that made these 'satchel-type' paper bags. Before long, they were being sold in hundreds of thousands and, like so many packaging developments introduced by Robinsons, they quickly became accepted articles

of daily life. Beginning in 1844 with the supply of wrapping paper to grocers, the business had grown to embrace the printing and manufacture of bags and boxes. Many more innovations were to follow—folding cartons, multi-wall paper sacks, and highly specialised packs for every conceivable purpose. In these and other developments Robinsons have led the way, and today are one of the largest groups in the world specialising in packaging and colour printing.



Robinsons of Bristol

AND ASSOCIATED COMPANIES

HOME E.S. & A. ROBINSON LTD BRISTOL • THE ROBINSON WAXED PAPER CO LTD BRISTOL • STRACHAN & HENSHAW LTD BRISTOL • KEYNSHAM PAPER MILLS LTD KEYNSHAM • R. L. SHIRLEY & CO LTD LONDON • WARBEY & SON LTD LONDON • ADHESIVE TAPES LTD LONDON • SELLOPRINT (LONDON) LTD LONDON • THE NEW MERTON BOARD MILLS LTD LONDON • PAPER SACKS LTD NORTHFLEET • SACK FILLERS LTD NORTHFLEET • KENT KRAFT MILLS LTD MARKINCH AND LEVEN • SON LTD GLASGOW • FIBRE PAPER MILLS LTD MARKINCH AND LEVEN

OVERSEAS E.S. & A. ROBINSON (CANADA) LTD TORONTO • E.S. & A. ROBINSON (INC) PHILADELPHIA • E.S. & A. ROBINSON (PTY) LTD JOHANNESBURG AND CAPETOWN • ADHESIVE TAPES SOUTH AFRICA (PTY) LTD JOHANNESBURG • PAPER SACKS SOUTH AFRICA LTD CAPETOWN AND PORT ELIZABETH • PAPER INDUSTRIES (PTY) LTD BULAWAYO SOUTHERN RHODESIA • PAPER HOLDINGS (PTY) LTD SALISBURY SOUTHERN RHODESIA • MULTIBAG (PTY) LTD DURBAN • ABPI DYKES LTD AUCKLAND



THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Head Office: Pine Street corner of Nassau, New York

Incorporated with Limited Liability under the Laws of the U.S.A.

STATEMENT OF CONDITION, DECEMBER 31, 1954

RESOURCES		LIABILITIES	
Cash and Due from Banks	\$1,445,717,408.84	Deposits	\$5,378,938,698.88
U.S. Government Obligations	1,435,026,215.27	Foreign Funds Borrowed	2,819,688.91
State, Municipal and Other Securities	574,194,387.39	Reserves—Taxes and Expenses	33,694,813.50
Mortgages	73,968,157.26	Other Liabilities	24,097,963.22
Loans	2,256,656,569.70	Acceptances Outstanding	102,486,330.98
Accrued Interest Receivable	14,623,963.13	Less: In Portfolio	31,170,917.71
Customers' Acceptance Liability	65,610,289.67	Capital Funds:	
Banking Houses	32,253,939.27	Capital Stock	\$111,000,000.00
Other Assets	10,080,586.98	(7,400,000 Shares—\$15 Par)	
		Surplus	239,000,000.00
		Undivided Profits	47,264,939.73
			397,264,939.73
	\$5,908,131,517.51		\$5,908,131,517.51

United States Government and other securities carried at \$399,770,124.00 were pledged to secure public and trust deposits and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation.

LONDON BRANCHES:

6 Lombard Street, E.C.3

46 Berkeley Square, W.1

OTHER OVERSEAS BRANCHES: Paris . Frankfurt/Main . Tokyo . Osaka . Havana . Marianao . San Juan, P.R.
Santurce . Panama . Colon . David . Cristobal . Balboa

Offices of Representatives:

Mexico, D.F. . Buenos Aires . Rome . Beyrouth . Bombay

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.

Quiet on the Potomac

Washington, D.C.

THE Eighty-fourth Congress, after listening to the annual report of the Republican President, has turned to the immediate task of organising under its narrow Democratic majority. The general feeling was that Mr Eisenhower again followed the example of a certain type of successful chairman. Most of the moderately progressive measures which make up his programme have had a long legislative history and have been drafted and examined and revised at session after session. The President is now seeking to crystallise the discussion in the form which, from past evidence, would seem the most positive that can command the approval of a majority. This is a different kind of leadership from that offered by his predecessor; Mr Truman believed in shaking up the pieces and injecting fresh ideas into the congressional system, thus forcing members to take up new positions.

A presidential style is an infectious thing, particularly if the President is a national idol whose name means more than any contemporary political theory. In this Administration a rather heavy air of dedication has replaced the jaunty enthusiasm of the New Deal. It is partly this which commands Mr Eisenhower to the southern Democrats whose length of service gives them most of the committee chairmanships and thus enables them to set the tone of the new Congress. He fulfils their idea of the figure a President should cut in the national life very much more than, for example, Mr Truman. Furthermore, although southern Democrats are often to be found in a "conservative coalition" with the midwest Republicans, particularly when pushed there by a dynamic Democratic President, they are by no means all implacably opposed to fresh federal activity of any sort. They are the kind of men for the most part who, if skilfully handled, would be prepared to give the President's ideas a fair hearing on their merits.

If the optimism which such reflections are inspiring in Washington is justified—it is hard not to feel sceptical about this—then Mr Eisenhower might, after all, fulfil the desire for a social armistice which in some measure guided both parties in their choice of presidential candidates in 1952. In this there are both opportunities and dangers for the Democrats. The frontier between the parties coincides so little with differences of conviction that the President's programme, by acting as a dissolvent of past rigidities, offers the Democrats an unusual opportunity of uniting their own party.

Whether the opportunity will be taken is a different matter. It would imply that an official Democratic stand

against the President should be made, not necessarily only where there is unanimity in the ranks but certainly only where there will be no defection by a distinctive group. This is the policy that Senator Lyndon Johnson, the new Democratic leader in the Senate, followed in the last Congress and which he describes as "a skilful set-up of the issues in such a way that the true middle-of-the-road character of the Democratic party could assert itself." The record suggests that under this kind of leadership the conservatives are willing to oblige the northern liberals over small points—such as opposing an occasional presidential appointment to which the liberals object and voting with them to kill a Bill that both wings of the party are against, even if for opposite reasons. But the Democratic conservatives are not likely to be much help when it comes to the aggressive building of issues, something which the liberals regard as an essential preparation for the next election.

★

The story of a Congress can usually be told in two ways. First, the form in which a measure comes on to the floor is decided by the character of the committee concerned. For example, the Senate Labour Committee is now headed by Senator Lister Hill of Alabama, one of the small but growing group of southern liberals. It has a Democratic membership—and the Democrats now, of course, have a majority on all committees—entirely friendly to the trade unions; there is also one liberal Republican (or two if one counts the senior Republican member, Senator Smith of New Jersey, about whose features there always lurks the thin smile of a contemplated compromise). On the other hand, in the House of Representatives the new chairman of the Education and Labour Committee is Mr Barden of North Carolina, a bitter opponent of trade unionism. Moreover, the Rules Committee in the House, which decides whether and how a measure recommended by one of the other committees is to come to the floor, is headed by Representative Smith of Virginia, whom the American Federation of Labour has labelled as one of its worst enemies. This arrangement suggests that the President will have difficulties if he continues to put forward men unwelcome to the unions for appointments to the National Labour Relations Board, which have to be confirmed by the Senate; on the other hand, it also suggests that legislation favouring the trade unions is unlikely to have much luck. There are many similar examples of the

Guaranty Trust Company of New York

Condensed Statement of Condition, December 31, 1954

RESOURCES		LIABILITIES	
Cash on Hand, in Federal Reserve Bank, and Due from Banks and Bankers	\$547,650,052.99	Capital (5,000,000 shares—\$20 par)	\$100,000,000.00
U.S. Government Obligations	990,949,761.82	Surplus Fund	200,000,000.00
Loans and Bills Purchased	1,369,320,780.12	Undivided Profits	100,598,028.39
Public Securities	52,548,095.39	Total Capital Funds	400,598,028.39
Stock of Federal Reserve Bank	9,000,000.00	Deposits	2,600,445,255.94
Other Securities and Obligations	58,024,405.87	Foreign Funds Borrowed	975,000.00
Credits Granted on Acceptances	44,949,206.50	Acceptances: Less Own Acceptances Held for Investment	47,407,754.86
Accrued Interest and Accounts Receivable	12,597,053.23	Dividend Payable January 17, 1955:	
Real Estate Bonds and Mortgages	1,002,070.43	Regular	4,000,000.00
Bank Premises	8,164,636.56	Extra	2,500,000.00
		Items in Transit with Foreign Branches	2,505,880.09
		Reserve for Expenses and Taxes	26,784,672.16
		Other Liabilities	8,989,471.47
Total Resources	\$3,094,206,062.91	Total Liabilities	\$3,094,206,062.91

Securities carried at \$141,235,190.74 in the above statement are pledged to qualify for fiduciary powers, to secure public moneys as required by law, and for other purposes.

LONDON OFFICES

Main Office: 32 Lombard Street, E.C.3

Kingsway Office: Bush House, Aldwych, W.C.2

PARIS

NEW YORK

Incorporated with limited liability in the State of New York, U.S.A.

BRUSSELS

importance of personalities.

The second and related factor which governs the history of a Congress is how an issue is presented ; this must be done by those sponsoring the measure in such a way that enough of the other members, whatever their party, feel that in the last instance they must stand up and be counted in support of the Bill in question. Of all the overlapping groups in the new Congress, the liberals are perhaps in the most difficult position ; this must be particularly frustrating for them, because the election added to their numbers—in the Senate, for example, by the unexpected triumphs of Mr Neuberger in Oregon and Mr McNamara in Michigan. Unless they are to make impotent demonstrations “for the record,” the liberals must formulate their proposals in such a way that they lose as few Democratic votes as possible and win enough liberal Republicans to counterbalance Democratic losses.

Organisation of the Eighty-fourth Congress

THE SENATE

48 Democrats, 47 Republicans, 1 Independent

President.—Mr Richard Nixon, Vice-President of the United States, Republican, has a casting vote.

Majority Leader.—Senator Lyndon Johnson, Democrat of Texas, keeps to the middle of his party's road.

Minority Leader.—Senator William Knowland, Republican of California, disagrees with the President on Far Eastern policy, but has the duty of keeping the President in touch with the Republicans in Congress.

Chairman of the Republican Policy Committee.—Senator Styles Bridges of New Hampshire, a more reactionary and less intelligent conservative than the late Mr. Taft.

DEMOCRATIC CHAIRMEN OF CHIEF COMMITTEES

Foreign Relations (deals with treaties, foreign aid, etc.).—Senator George of Georgia, a conservative internationalist and a revered leader who has served in the Senate for 32 years.

Armed Services (deals with the defence programme).—Senator Russell of Georgia is not sympathetic to reductions in military strength.

Appropriations (deals with all requests for funds).—Senator Hayden of Arizona is likely to be a more liberal spender than his predecessor, but this does not mean that he will be generous with money.

Finance (deals with tariffs and taxes).—Senator Byrd of Virginia believes that the principle of a balanced budget should be followed in practice; a liberal on foreign trade policy but nothing else.

There are 15 standing committees altogether in the Senate and 19 in the House of Representatives (and a number of select and special committees in each). The Democrats will now have a majority on all of these. The chairmen of 22 of the 34 standing committees, most of them experienced in their duties, are from southern or border states and Texas, by providing the majority leader of both houses, has come into its own.

In the Senate the lone Independent, Senator Wayne Morse of Oregon, once a Republican, has been rewarded for the support he is giving to the Democrats with a place on the Foreign Relations Committee, long sought by him and much desired by others. It is his vote which has enabled the Democrats to take over control of the committees.

Senator Alben Barkley, who served as Vice-President under Mr Truman, is the fifth man in American history to come back to the Senate after holding that office. His venerated standing with the Democrats and the upper house has gained him a place on the Foreign Relations Committee and the Finance Committee in spite of his present lack of seniority.

The task of the reactionaries is somewhat easier. They can often tilt the angle of their intent so that old constitutional echoes draw the more open-minded of the southern conservatives into their camp. The most serious danger in connection with the foreign trade programme this year is that Republican protectionists will be able to inject into the debate constitutional doubts about the General Agreement on Tariffs and Trade, which the President has promised to submit for congressional endorsement. It is in presenting the issues propounded in the President's speech in such fashion as to touch off the prejudices of the least number of those whose votes are needed that the Democratic committee chairmen will show in day-to-day operation the degree of their willingness to co-operate with Mr Eisenhower.

In the last resort the fate of each individual item in a legislative programme depends on the relative strengths at the moment of decision of the various factors that determine

THE HOUSE OF REPRESENTATIVES

232 Democrats, 203 Republicans

Speaker.—Mr Sam Rayburn, Democrat of Texas, a beloved member who has already served seven terms, a record, as Speaker; he stands slightly to the left of centre and is the effective leader of his party in the House.

Majority Leader.—Mr John McCormack, Democrat of Massachusetts.

Minority Leader.—Mr Joseph Martin, Republican of Massachusetts, the ex-Speaker and a supporter of the Eisenhower line.

DEMOCRATIC CHAIRMEN OF CHIEF COMMITTEES

Foreign Affairs.—Mr James Richards, of South Carolina, an internationalist with some reservations, especially when it comes to money.

Armed Services.—Mr Carl Vinson, of Georgia, an able and respected advocate of military preparedness.

Appropriations.—Mr Clarence Cannon, of Missouri, an irascible but not very tight-fisted liberal.

Ways and Means (where all tax and tariff legislation must be initiated).—Mr Jere Cooper, of Tennessee, is suspicious of Mr Eisenhower's tax policy but enthusiastic about his foreign trade policy.

JOINT CONGRESSIONAL COMMITTEES

PROBABLE DEMOCRATIC CHAIRMEN

On Atomic Energy.—Senator Anderson of New Mexico.
On the Economic Report.—Senator Sparkman of Alabama.

the votes of a member of Congress. There is the call of party unity and discipline ; one of the interesting points in this session will be whether the conservative Republicans who were bullied into voting for the President's proposals last year will remain as amenable now that their leaders are no longer in control of the *machinery of Congress*. There are regional habits and interests. There are the traditions of the legislative chambers, the legislative history of the measure itself, the customs of the committee in which the member is sitting, and the member's own personal background.

In these circumstances it sometimes happens that one man who is a conservative in most things, but is known to respect the majesty of the presidential office, is looked to by others whose instinct is to vote for caution but whose wish is to do right by the country. Such a man was the late Senator Vandenberg of Michigan, and such a man in this Congress is likely to be Senator George of Georgia, who now restores distinction after too long an interval to the chairmanship of the Foreign Relations Committee. On many matters of domestic reform, as well as on the question of continued foreign aid and on other facets of living within the cold war, his voice will be apprehensively awaited alike by members of the Administration and by fellow-legislators.

Detering Aggression

AT his press conference this week, President Eisenhower continued the clarification of the Administration's present defence policy which he began in his recent letter to the Secretary of Defence. In that letter the President said that to-day the first objective of the United States must be to maintain sufficient military strength

to deter an enemy from attack and to blunt that attack . . . by a combination of effective retaliatory power and a continental defence system of steadily increasing effectiveness.

To keep the national economy strong and to preserve the lives of American citizens, the maximum use should be made of science and technology in military preparations in order to minimise the number of men needed. The United States should, however, be ready with mobile units to aid indigenous forces to deter local aggression. The President has now explained that he wants the United States to help establish such indigenous forces in the unsettled areas of the world so that they can assure ordered government and prevent rebellion. But if a friendly government asks for assistance, light United States contingents, such as Marines, would be able, and should be available, to meet the situation.

This is at least some answer to those who have been asking how the United States would be equipped to counter the local crises that seem likely to arise in Asia—and Latin America—without involving the world in a major war, if reliance is to be placed on air power and nuclear weapons rather than on soldiers. It is also some answer to those who feel that to reduce the number of Americans under arms at a time of international stalemate is to risk breaking that stalemate in favour of the Communists. But there will certainly be many more questions along these lines when Congress begins to consider the new defence appropriations. Indeed, the whole matter may be gone into as soon as the Senate Foreign Relations Committee gets to work on three pending treaties—the Manila pact, the treaty with Nationalist China and the Paris agreements on Germany. Whether or not the argument over military manpower comes up at these hearings, Senator Knowland will have an opportunity, if he wishes to take it, of opening a debate upon his case for a more aggressive attitude to Communist China.

Down But Not Out

ON the day before the new Congress convened, Senator McCarthy held his "swan-song hearing" as chairman of the Permanent Subcommittee on Investigations. His successor is Senator McClellan, a dour and incisive Democrat from Arkansas. Senator McCarthy remains on the subcommittee as senior member of the minority, but he loses the great powers that a chairman has to initiate investigations and select staff. Senator McClellan has already declared that he will run his subcommittee along new lines. Moreover, the Senate as a whole is worried about the methods of investigation used by Senator McCarthy and is prepared once more to consider, and perhaps this time to implement, a new code of fair procedure towards witnesses. Senator Hennings, a Democrat from Missouri, and Senator Watkins of Utah who led the fight to censure Mr McCarthy, are sponsoring new rules. These would do away with one-man hearings, would provide witnesses with a full picture of the case and would prevent the publication of testimony taken in closed sessions without approval of a majority of the committee.

Nevertheless, it would be premature to discount Senator McCarthy's role in the Eighty-fourth Congress. Already forty-one Senators have decided to call for a complete investigation of the Army's promotion and honourable discharge of Dr Irving Peress, a dentist with alleged subversive affiliations. It was this discharge, and the unwillingness of the Army authorities to furnish Senator McCarthy with detailed data about it, that unleashed the McCarthy-Army hearings. There is considerable evidence that the Army mishandled the whole affair and there are even rumours that Mr Stevens, the Secretary of the Army and Senator McCarthy's main target, may soon resign. Should he do so, the prestige of the Senator from Wisconsin would rise once again.

Finally, Senator McCarthy will use his enforced leisure to go to the country on the explosive emotional issue of Communist China and the captive American fliers. He is introducing a Bill to cut off all American aid to countries trading with Red China as long as Americans are held behind the bamboo curtain. With his usual shrewdness, Mr McCarthy has chosen a form of protest which is milder than the blockade preached by Senator Knowland and Admiral Radford and which may therefore rally much wider support.

Aid for Private Atoms

New York.

THE Atomic Energy Commission, recognising that none of the 100-odd firms studying the economics of nuclear power in the United States is willing to bear the full cost of experimental development, has finally decided to offer them assistance. It has called on them to submit, by next April, the terms on which they are prepared to assume the risk of constructing and operating experimental nuclear reactors. Federal aid is expected to take three forms: a free loan of the initial charge of fissile material;

provision for free research and development work in AEC laboratories; and payments to industry for technical and economic data.

This assistance can be of decisive importance. For example, for the 60,000 kW. pressurised water reactor now being built by the Westinghouse Corporation for the Duquesne Light and Power Company, some 15 to 20 tons of slightly enriched uranium will be required, at a nominal cost of \$100 a pound. For the Army's packaged reactor, which will have a power output of only 2,000 kW., the cost of the initial charge, which in this case is the more expensive highly enriched uranium, has been put at \$1 million. Much interest also attaches to a second AEC directive establishing a seven-year guaranteed price which the commission will pay private concerns for the plutonium produced in breeder reactors as a by-product. As these prices are secret it is not clear whether the commission is prepared to follow the "dual-purpose approach" and pay high prices—of the order of \$100 a gramme—for weapon-grade plutonium, or whether all plutonium will be priced at its theoretical commercial value of \$20 a gramme or less.

The impact of the AEC's assistance programme cannot be predicted without more detailed knowledge of what the commission's available funds are. A good deal will depend, moreover, on the comparative costs of atomic power and conventional sources of power; in New England, for example, electricity costs are the highest in the country. Consequently, the Yankee Atomic Electric Company, formed by eleven New England utility concerns and the Monsanto Chemical Company, will probably now go ahead with plans for a 50-100,000 kW "full-scale experimental nuclear power plant."

Armistice on the Waterfront

New York.

LAST year, strikes cost the New York docks over seven million hours of labour and during the longshoremen's strike in March more than a million tons of general cargo were diverted to rival ports. Now the rank and file of the International Longshoremen's Association have at last accepted a new contract from the shipping companies. The trade union has won substantial wage increases and optimists are predicting that there will be peace in the waterfront jungle. But this peace will have been gained at a heavy price. Despite tremendous efforts by the Waterfront Commission, set up by the states of New York and New Jersey, and the attempts of the American Federation of Labour to start a new dockers' union, the old, crime-infested ILA emerges victorious.

The ILA has secured exclusive rights to organise dock labour over the next two years in exchange for a no-strike guarantee and for a promise that it will observe arbitration procedures. The men who tried to break the stranglehold of the ILA have been driven out and will be denied even the right to work. Moreover, there is nothing in the new contract to prevent lightning strikes that arise from vicious struggles between different gangs within the union. The shipping lines must bear part of the blame for this outcome of the long struggle to clean up New York's dockland. Though they claim that they kept to strict neutrality, the

companies—the Cunard Steamship Company among them—gave the impression that they wanted peace at any price. Their readiness to bargain with the ILA strengthened the latter's hand in its fight against the AFL.

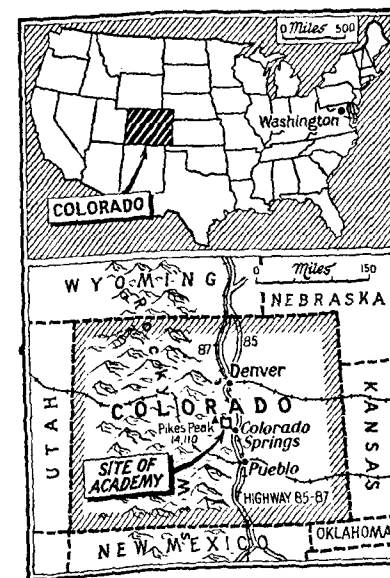
The leaders of the ILA insist that they can deal with the notorious elements in the union without outside interference, but basically the whole problem of crime and coercion on the docks now reverts to the Waterfront Commission. It is introducing new regulations providing for the use of regular groups of longshoremen with registration numbers. This is an attempt to eliminate the infamous "shape-up" system under which hiring agents, often under gangster supervision, pick men for any given job from among a large crowd. The commission is hoping, in the long run, to "decasualise" dock labour by striking off the rolls some 15,000 men who work on the docks when their regular jobs are slack. Whether this measure would survive a challenge in the courts is doubtful, since the right to seek work is one that the Constitution guards jealously. Moreover, although the ILA itself is prepared to see a reduction in dock labour, it will do nothing to help the Waterfront Commission.

Springs in the Air

FROM A CORRESPONDENT IN COLORADO

UNTIL the advent of the war, Colorado Springs lay like a newer, sun-drenched Newport on the plain just east of famous Pike's Peak, redolent of pinewoods and retired millionaires. Its introduction into the military age was rather involuntary. An army camp and a military airfield came first; then it was selected for headquarters of the Second Air Command by an Air Force general who allegedly chose it because "Pueblo's too smoky, and Denver already has a general." Ultimately Colorado Springs became the headquarters of the Air Defence Command, charged with the primary defence of the continent under General Benjamin Chidlaw.

In a huge cavernous installation at the Springs is the nerve centre of defence of the whole North American continent, with push-button communication available within seconds to the farthest-flung outpost of the warning and defensive net which has been thrown around the United States and Canada. Thus this formerly sleepy resort has had, since midway in the last war, a military population equal to



or outnumbering its prewar civilian population of about 30,000.

Colorado Springs, thus precipitated into the military age, decided that it liked the military atmosphere, particularly the increased and steady income that came with it. In 1948 and 1949 there was much talk in Washington that the Air Force, then just separating from the army, would sooner or later need a Sandhurst of its own. A Colorado Springs restaurant owner, Mr Joseph A. Reich, saw an item to this effect in a newspaper and took it to the President of the Colorado Springs Chamber of Commerce. What followed is an epitome of an American public relations campaign at work.

★

At first, Mr Reich could get no one to take him seriously. But he finally "sold" the Chamber on beginning a campaign to bring the future Air Force Academy, should it materialise, to Colorado Springs, by arguing that even if the campaign did not succeed, it would give the town national publicity invaluable to a resort. However, once the project got into the hands of the Chamber's military affairs committee, it was taken with the utmost seriousness. This committee had been created by the Chamber early in the war to deal with the onrushing military incursion, and to establish rules of procedure for relations between the military and the town.

In the end the wellnigh impossible came true. The site of the proposed academy, on which architects and engineers are now hard at work with a preliminary congressional authorisation of \$125,000,000, is just north of Colorado Springs. The final choice was made by Mr Harold E. Talbott, Secretary of the Air Force. More than one hundred sites had been eliminated in preliminary surveys. His choice overruled objections by certain critics who said that no air academy ought to be established at an altitude of 6,500 feet above sea-level. Two other towns in Illinois and Missouri did not want the academy although they were among the final sites considered. But Colorado Springs unanimously did want it, and said so on every conceivable occasion and in every possible way.

Its representatives established a permanent Washington headquarters. They were always around whenever the Air Force wanted to know something. They spent \$15,000 on an elaborate survey of the proposed terrain by an engineering firm and more than \$50,000 in all. The site they chose is a pleasant parklike savannah centred just east of the Pike National Forest. The ranch is fronted by through railway lines and a national highway which is the chief traffic artery north and south along the eastern face of the Rocky Mountains. Backed against the Rockies, the buildings of the new academy will present an impressive picture.

The State of Colorado has appropriated \$1,000,000 to buy the land, and the 4,500-acre Cathedral Rock Ranch, named for a tall spire of granite behind its buildings, has become the nucleus of the academy grounds. Colorado Springs looks forward happily to a \$125,000,000 building programme and to an annual payroll of \$100 million flowing into the city's economy when the academy is established. Now the town dreams of new worlds to conquer. Already there is talk, for example, of an alternative capital of the United States to be established somewhere between Denver and the Springs, for safety in case Washington is threatened by inter-continental war.

The Promised Land

IN his Message on the State of the Union, President Eisenhower urged Congress to make revisions in the McCarran-Walter Immigration Act, because it contains provisions "in respect to aliens which are inequitable in some instances and discriminatory in others." The President's request climaxes a series of efforts by his Administration to render the process of immigration swifter and more humane. Although the detention centre at Ellis Island has been closed as part of a general reorganisation of the Immigration Service, many of the rules governing immigrants, aliens and naturalised citizens remain exceedingly onerous. Dr Oppenheimer has recently pointed out that under the McCarran-Walter Act, which was passed in 1952 over President Truman's veto, such men as Dr Einstein and Dr Fermi might never have been admitted to the United States. Regulations which prevent foreign scientists from visiting American congresses, or keep Mr Arthur Miller away from the European premières of his plays, will not enhance American prestige abroad.

Mainly because the immigration procedures have been riddled with security regulations, the Refugee Relief Act of 1953 has not, so far, had much effect. Under this Act, 209,000 refugees were to be admitted to the United States in a three-year period beginning in August, 1953. Only about 15,000 visas have been issued so far. Two weeks ago President Eisenhower appointed Mr Edward Corsi as a special assistant to the Secretary of State for refugee and migration problems. It will be his task to find out whether immigration has been held up by a genuine lack of housing and employment facilities, or by Mr McLeod, who is the chief security officer at the State Department, and who tends to see a potential foreign agent in every refugee.

Efforts will also be made to show in the courts that certain provisions in the McCarran Act that differentiate between the rights of native-born citizens and naturalised Americans—for example, the provision that a naturalised American is in danger of having his passport withdrawn if he chooses to work abroad for any length of time—are unconstitutional. Unfortunately, Congress seems in little better a mood to heed the President's suggestions this year than it has been previously. Mr Kilgore, the new head of the Senate Judiciary Committee, is sympathetic, but Mr Walter, the co-sponsor of the Act, will still be on the lower house's immigration sub-committee.

Machine Voting

FROM A CORRESPONDENT IN OHIO

LAST November's election was notable for the unusually high proportion of narrow victories and for the number of recounts that were demanded. One of the most important of these close contests was in Ohio, where the incumbent Democratic Senator, Mr Thomas Burke, has now accepted the verdict of the recount, that his seat was won by the Republican candidate, Mr George Bender, formerly a Congressman. But the check of the ballots exposed errors and irregularities in the system of vote-counting that have shaken public confidence.

The trouble began, ironically, in the community that calls itself "America's best-governed city," Cincinnati. There an effort was made to repeal the system of proportional representation by which the city has elected its councils for almost thirty years. The official count of ballots showed that the "anti-PR" forces had won by 382 votes out of a total of about 150,000. But the "pro-PR" forces at once demanded a recount, which revealed that PR had in fact been retained by 790 votes.

This reversal quickened the interest of Senator Burke, who had been defeated, according to the official state-wide count in the senatorial race, by only 6,041 votes, out of a total of some 2,500,000. His suspicions had already been aroused by the surprisingly large majority of 37,000 reported for Mr Bender in the Cincinnati area. The Senator demanded a recount in almost 7,000 of Ohio's more than 11,000 precincts, scattered throughout 25 of its 88 counties. Though Mr Bender's victory was confirmed, his margin was reduced to 2,970. Innumerable mistakes, many of considerable size, were also brought to light in the vote-tallying by precinct officials. In one county only one-third of the returns proved accurate.

★

Practically all of the errors, it now seems clear, were the result of incompetence or of carelessness, caused by fatigue. The polling booths in Ohio are put wherever the county authorities can find a convenient place—in suburban garages or cellars, in urban schools, storerooms, barber shops and the like. The legal complement of judges and clerks in each polling place is six, evenly divided between Democrats and Republicans. In addition, there may be several challengers and witnesses present. The "election officials" are not expert computers but faithful members of the party who receive \$15 a day for their efforts. Moreover, the ballots themselves make vote-counting a laborious process in Ohio cities. The "office-type" ballot now in use requires an X mark alongside the name of each candidate who is voted for. In addition, there is a constantly growing number of issues to be decided by referendum. In Cincinnati this year the conscientious voter had to mark 51 crosses on a total of seven ballots. The polls are open from 6.30 a.m. to 6.30 p.m. Counting may not begin until they close. Many election officials worked straight round the clock until dawn of November 3rd before their task was done.

The "scandal of the recounts" has stirred up Ohioans to demand that voting machines be installed. Facing the machine behind a screen, the voter simply pulls levers beside the names of candidates and issues, and his choices are recorded immediately and accurately. Already there are about 2,000 voting machines scattered through Ohio, but they are expensive, costing from \$1,200 to \$1,800 apiece. They must be bought out of limited county funds or through bond issues approved by the voters. More than 2,000 would be needed for the Cincinnati area alone. Proportional representation ballots, moreover, have defied the mechanical brain, although a new scientific marvel, employing the principle of photo-electric cells and a "scanning" process, is now promised, at half the cost of the familiar voting machine. Even so, thanks to taxpayer's resistance and the old tradition of jobs for party workers at the polls, it will probably be some years before all Ohio voters will be pulling levers.

MANUFACTURERS TRUST COMPANY

NEW YORK

Statement of Condition, December 31, 1954

RESOURCES		LIABILITIES	
Cash and Due from Banks.....	\$883,150,007.49	Capital (2,519,500 shares—\$20 par).....	\$50,390,000.00
U.S. Government Securities	985,651,522.72	Surplus	100,000,000.00
U.S. Government Insured F.H.A. Mortgages	83,600,091.08	Undivided Profits	38,823,757.44
State, Municipal and Public Securities.....	169,413,998.71		\$189,213,757.44
Stock of Federal Reserve Bank.....	4,511,700.00	Reserves for Taxes, Unearned Discount, Interest, etc.	23,173,063.97
Other Securities.....	41,048,465.89	Dividend Payable January 15, 1955	2,015,600.00
Loans, Bills Purchased and Bankers' Acceptances	830,056,311.02	Outstanding Acceptances.....	15,348,211.02
Mortgages	17,097,825.66	Liability as Endorser on Acceptances and Foreign Bills.....	19,795,965.56
Banking Houses	16,328,171.66	Other Liabilities	1,271,865.43
Customers' Liability for Acceptances.....	14,593,093.23	Deposits.....	2,801,859,811.05
Accrued Interest and Other Resources.....	7,227,087.01		\$3,052,678,274.47
	\$3,052,678,274.47		

United States Government and Other Securities carried at \$127,486,098.60 are pledged to secure public funds and trust deposits and for other purposes as required or permitted by law.

President: HORACE C. FLANIGAN

Principal Office: 55 Broad Street, NEW YORK

MORE THAN 100 BANKING OFFICES IN GREATER NEW YORK

Member FEDERAL RESERVE SYSTEM Member NEW YORK CLEARING HOUSE ASSOCIATION Member FEDERAL DEPOSIT INSURANCE CORPORATION

European Representative Office:
1 CORNHILL, LONDON, E.C.3

Far Eastern Representative Office:
326 DAI-ICHI BUILDING, YURAKUCHO, CHIYODA-KU, TOKYO
Incorporated with Limited Liability in U.S.A.

BANKERS TRUST COMPANY

NEW YORK

Condensed Statement of Condition—December, 31st, 1954

ASSETS		LIABILITIES	
Cash and Due from Banks	\$583,707,070.35	Capital	\$30,512,000.00
U.S. Government Securities	499,559,658.59	Surplus	105,000,000.00
Loans	1,029,841,535.46	Undivided Profits	52,550,849.80
State and Municipal Securities	84,362,948.66		\$188,062,849.80
Other Securities and Investments	21,936,291.46	Dividend payable January 15	1,830,720.00
Accrued Interest and Accounts Receivable	7,997,388.79	Deposits	2,028,542,720.63
Customers' Liability on Acceptance	37,616,352.08	Reserve for Taxes, Accrued Expenses, etc.	19,333,266.04
Banking Premises	14,434,838.94	Acceptances Outstanding	42,420,497.51
	\$2,279,456,084.33	Less Amount in Portfolio	2,940,349.21
			39,480,148.30
		Other Liabilities	2,206,379.56
			\$2,279,456,084.33

Assets carried at \$94,892,356.26 on December 31st, 1954, were pledged to secure deposits and for other purposes.
Member of the Federal Deposit Insurance Corporation.

London Office: 26, OLD BROAD STREET, E.C.2.
Incorporated with Limited Liability in U.S.A.

WHAT HAS ELECTRONICS TO DO WITH YOU?

Whenever you turn on your television, you make use of the intangible but vital science of electronics. Whenever you travel by ship or plane, you are brought safely through fog and night to port by radar.

The safety of your child's bicycle—the strength of your wife's nylons—may depend on tests made by delicate electronic instruments. Our modern civilization is dependent at every turn on electronics, and the Cossor Group of Companies has always played a major part in the practical application of this science to domestic and industrial affairs, at home and all over the world.



COSSOR

THE COSSOR GROUP OF COMPANIES • Highbury Grove • London • N.5

A. C. COSSOR LIMITED • COSSOR RADAR LIMITED • COSSOR (CANADA) LIMITED
STERLING CABLE CO. LTD. • BEST PRODUCTS LIMITED • BEAM INSTRUMENTS CORPORATION (U.S.A.)

The World Overseas

Libya's Nationalist Fling

THE Fezzan, which is Libya's third province but is no more than a criss-cross of remote wadis in the deep Sahara, is the newest replica in miniature of that familiar scene—a conflict between nationalism, however penurious, and the presence of foreigners, however much they help to foot bills.

The Libyan Prime Minister, Sayyid Mustapha ben Halim, has just been to Paris to negotiate new arrangements about a tiny French garrison that has survived in the Fezzan since the war; this it has done under a hand-to-mouth agreement which the Libyans gave notice of concluding early in December, and which they allowed to lapse on December 31st; by its terms the French have maintained two airfields, at Sebha and Murzuk, and a contingent of 400 men at Fort Leclerc, looking down on Sebha. In return for this small privilege, France has steadily rendered two services; it has paid 293 million francs a year into Libya's needy exchequer with the proviso that the bulk of it should be spent in the Fezzan, and it has afforded local services—medical, anti-pest, crop improvement, educational and well-boring services—that were far more lavish than a place so remote could have expected at any of the other hands available.

Some notion of the atmosphere in which the Paris talks took place can be gleaned from the fact that Sayyid Mustapha would negotiate only at prime ministerial level, so that M. Mendès-France had perforce to be present; so overworked a man had no time to relish a haggle and the talks lasted only a few days, but they were not fruitless. The two delegations seem to have agreed to negotiate a treaty that will provide for a scaled French withdrawal in due course and under certain guarantees; the details, which are to be worked out with a Libyan under-secretary who has stayed behind in Paris, will be settled at a second session in Tripoli. Presumably, they will include arrangements for the "reactivation" of Sebha in certain conditions, on the pattern of the Canal Zone agreement.

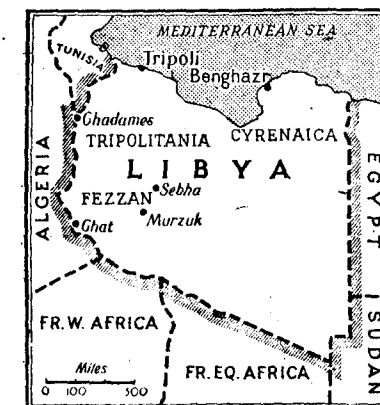
To outsiders, the matter has seemed trifling. The whole Fezzan contains little beyond 40,000 people, mostly underfed, and an estimated 2,000,000 date palms; it is on the way to no place, except the equally remote Tibesti, that cannot more easily be reached by some other route; no through air lines call and, on the helpful handkerchief maps served out in the war to troops and airmen who might get stranded, it is surrounded by dreary areas marked "region of sandhills" and "stony waterless table land."

Till fairly recently its inhabitants, who know little of world affairs, jogged along under family leaders, the most notable of whom became provincial governor when Libya

was granted independence in 1951. He was a man who had fled from the Italians into French Chad and thence helped to guide General Leclerc's army northward to fight on the Mareth Line in 1943; but he died in 1953, and since then a nephew educated in Egypt has chaired the local executive council and introduced several Egyptian technicians in place of Frenchmen whose term was up. No doubt these have not cared for the sight of the French flag fluttering over Fort Leclerc, and a new pattern of thinking long familiar on the Nile has therefore travelled westwards even at this remote latitude.

This Egyptian influence is common on the coast, and would be undermining the agreements with Britain and America reached respectively in August, 1953, and September, 1954, were it not that these two pills are gilded with

money in quantities that the Libyans cannot afford to forgo. The British pay for the bases they lease to the tune of £1 million yearly for development and £2.75 million towards balancing the budget; the Americans are due to pay \$40 million over sixteen years, beginning last year, and both give much indirect financial help



through the local expenditure of their nationals. It has been calculated that the total annual expenditure in Libya by the two governments and their personnel equals more than half Libya's national income as estimated by Uno; that income from their two military establishments alone is in most years 50 per cent greater than the total value of exports; and that merely on construction work, they have in several recent years employed 25 per cent of the entire male labour force working for wages.

By comparison with this outlay, that of the French has been insignificant. It is impossible not to conclude that the Libyans saw in denunciation of the Fezzan agreement a chance to have a rewarding nationalist fling without serious financial loss. The chief ills that they wanted to shake off seem to have been their chagrin at France's unwillingness to establish diplomatic relations and their pique at the slightly proprietary way in which the French contingent—it was hardly a garrison—patrolled the rare oases on the

Algero-Tunisian borders on the watch for helpers of the rebels in French North Africa. In any case, the stand they have taken will look well in the eyes of their fellow members of the Arab League.

What advantage the French have seen in clinging to so meagre an outpost is hard to estimate. The *fellagha* in Tunisia are supplied far less freely *via* Sebha and Ghat or Ghadames than directly from Tripoli, where the Néo-Destour runs an office and whence it transmits fugitives of the Tunisian Resistance Movement to two reception camps in Tripolitania. From the military standpoint, the long desert tracks from Ghat and Ghadames to the Tunisian and Algerian mountains can be more conveniently supervised from within Algeria than from distant Sebha. Admittedly, the Fezzan lies at the junction of four French dependencies, but France's presence there seems to have been prompted more by thoughts of prestige than of practical politics. For it was surely not worth clinging to so small a physical asset when a major French preoccupation is to stand well in Moslem eyes. Postponement of final settlement for a few weeks may be convenient to Paris, for it is difficult for France to deal at diplomatic level with Libya when one of the stumbling blocks to agreement in Tunisia is the latter's claim to be worthy of diplomatic representation.

Murder in Panama

FROM A CORRESPONDENT IN CENTRAL AMERICA

THE assassination of Colonel Remón, the "strong man" president of the republic of Panama, abruptly and unexpectedly increased the anxieties of the State Department in Washington, where there was already mounting concern over the troubled state of the Central American area. Although Panama remained comparatively calm after the murder, many observers are gloomy about the prospects for the republic's future political stability. Many Communist agitators and agents went underground in various parts of Central America after the fall of the Arbenz regime in Guatemala last June, and they are known to be experts at exploiting internal instability in these small countries. President Remón, himself a veteran policeman, had been particularly successful in checking their activities through his undercover police services. The vital importance of the Panama Canal makes it a matter of direct concern to the United States that the murdered president's successors should prove as effective in this respect as he was.

Colonel Remón, long known as a maker and breaker of presidents, had given Panama a period of comparative political peace since he became president himself in 1952. Under his administration, graft had been curtailed, the internal public debt substantially reduced, and with considerable economic progress being made the future looked good. Moreover, he had given much satisfaction to his people by re-negotiating the Panama Canal treaty with the United States. The new terms require the United States to increase its annual payments for the use of the ten-mile-wide zone bordering the canal—according to some reports, the present rental of \$430,000 a year is to rise to \$1,930,000. Many irritating discriminations against Panamanians

employed in the zone are to be ended, and canal employees will be required to make their purchases from local merchants instead of from tax-free commissaries in the zone. The formal signing of the new agreement was to have been a matter for great celebration in Panama. It must now take place under a shadow.

The new president, Señor Ramón Guizado, announced on Monday that the ceremony of signature would be held on January 25th. But with the "strong man" gone, there are possibilities of trouble if members of the Panamanian Congress take exception to points in the agreement. President Guizado, who was formerly vice-president, is a political question mark, and it is far from certain that he can assume the leadership that has been suddenly thrust upon him and obtain the co-operation of opposition parties. Panama's political history during this century does not make for confidence in this respect.

Colonel Remón's chief rival was the former president, Señor Arnulfo Arias, who, although 300 miles away at the time of the murder, was at once arrested with many of his supporters. Señor Arias, whose period in office was turbulent and who was finally ousted by Remón himself, is known to have a large following in the republic and to have been biding his time carefully in a posture of uneasy truce. Unless it develops that he actually had a hand in the assassination, which was apparently carried out by hired professional gunmen, Arias will undoubtedly lead an active opposition to the new president, and his supporters have not hesitated to use force in the past. Moreover, he is known to be very bitter towards the United States on the ground that the Americans backed Remón in 1952 and befriended his administration. This does not augur well for Panama's future relations with the United States, which deteriorated sharply during Arias's presidency, nor for the revised Canal treaty, even after its signature.

As yet, there seems nothing to link the murder of Colonel Remón with the new conflict between Nicaragua and Costa Rica (discussed on page 176); but it gave occasion for an additional exchange of insults between the heads of those two states, for the Nicaraguan government sent a message of condolence, which implied that the assassination might have been plotted in Costa Rica with the blessing of President Figueres—who at once issued a heated denial and a counterblast.

The Ruhr and the Arms Pool

THERE is considerable support among German industrialists for an arms pool and other forms of collaboration with the French. Nationalist slogans such as "German is the Saar" which are pasted up all over Bonn have no place in the board rooms of heavy industrial concerns whose interests range all over the world. Various ways of working with their French counterparts are envisaged. One which looms large in German eyes is the prospect of undertaking joint enterprises in the backward areas (with the British as well as the French and Americans). The two heads of the Federation of German Industries, Herr Berg and Dr Beutler, recently visited the World Bank, with the object of gaining a place for German technicians and equipment in international development projects financed

by that institution. And much the same purpose, among others, led Herr Berg and Dr Beutler to France to talk to French industrialists and traders when Dr Adenauer was negotiating with M. Mendès-France on the Saar and economic collaboration.

A share in developing North Africa, particularly the high-grade iron ore deposits, has been dangled again before the eyes of the Ruhr steel industry, by M. Mendès-France, and by M. Ricard, head of the French steel federation. This is a repetition of what happened when the French were "selling" the Schuman Plan to the Ruhr. In the meantime, however, only very few Germans are left who believe that North Africa offers them a great deal. Apart from the obvious difficulties such as lack of transport and skilled labour, fear of offending Arab nationalists deters the Germans, who gain at present by being free from the imperialist taint.

It may well prove that the German industrialists' idea of an arms production pool is different from that of its French political supporters, though perhaps not so far from that of French manufacturers. That Germans have strong objections to State interference in the enterprises which they cherish (and this attitude, it may be noted, makes them more anti-Nazi and opposed to large-scale rearmament than many critics believe). Having freed themselves from the system at home, they object to placing themselves under an international version of it.

On the other hand, German manufacturers are inclined to find free competition obnoxious, and here they part company with the liberal Dr Erhard. They believe in price agreements, vertical trusts, cartels, national and international and in a system of interlocking capital ownership, in which big firms or industrialists personally hold large blocks of each other's shares. One potent reason why the Ruhr supports the coal-steel pool, in spite of everything, is that the High Authority is permitting the steel industry to reform, on a limited scale, the vertical trusts which were supposed to have been broken up by Allied law.

German Help in Producing Arms

With these fixed ideas, it is understandable that the German industrial world should conceive the arms pool as a way in which individuals and firms would get together across the frontiers, rather than as an "arms community" on the Luxemburg model. Germans would like to contribute to arms production in three main ways. In the first instance, they could supply the sheet steel and similar material for the French to turn into tanks and guns. This would leave the Ruhr free to keep and even expand its exports to the under-developed countries. Secondly, the Germans could supply specialised finished goods, such as precision instruments, in which they excel; and thirdly, they could participate in arms factories outside Germany.

There is no basic objection among German heavy industrialists, on the whole, to more foreigners buying shares, or even controlling interests, in German firms as long as the movement does not go too far and provided there is a flow in the other direction as well. Objections to the "alienation" of German heavy industry have mostly come from German politicians and, latterly, from the trade unions. One reason why the German entrepreneurs and managers do not find it intolerable that twenty-five per cent of their coal and steel should already be in the hands of foreigners is that they realise that the western frontiers are political but not

economic. Before 1914 it was obvious to all that the Ruhr, Luxemburg, Lorraine and the Saar formed a natural complex, and to this day the idea of rejoining the area in the coal-steel community and by means of interlocking capital is not a strange one.

The movement continues. Only recently Herr Alfried Krupp has sold an important coalmining firm to a customer still further afield—the Italian State Railways. And nothing but political objections in Bonn, it seems, has so far prevented the sale of the Röchling steelworks in the Saar to a French combine headed by Schneider-Creusot. This kind of German collaboration with the West may not be the best, but it is far preferable to the forging of links with the East.

Back to the Third Republic?

BY OUR CORRESPONDENT LATELY IN PARIS

ABSENCE, it is said, makes the heart grow fonder and the dictum seems more applicable to electoral systems than to lovers. Less than ten years ago the system of single-member constituencies (*le scrutin d'arrondissement*) was almost unanimously rejected in France as the root of parliamentary chaos and parish pump politics. When the constitutional committee debated a new electoral law in 1946 only three voices were raised in defence of the discredited system branded by others as the epitome of all the vices of the Third Republic. The institutions and habits of the Third Republic, however, are now coming back into fashion and the government proposes to resurrect one-member constituencies. Time and absence have done their work. Indeed, in many quarters the once discredited system is now spoken of as the paragon of all the virtues.

The *scrutin d'arrondissement* prevailed, with brief interludes, throughout the Third Republic and had at the time a strong pro-rural bias. Since the electoral districts are now to be redrawn, however, there is no need to penalise industrial areas any longer. This method of voting, on the other hand, has one permanent feature in France: it weakens the hold of the party machine and puts a premium on popular local personalities. In contrast to the system in Britain, a simple majority is not sufficient to elect a deputy at the first poll and once again the government intends to restore the two-ballot system. At the first ballot an absolute majority is required; if no candidate gets a sufficient number of votes a second ballot is held and only a relative majority is needed to get elected. In the meantime, however, there is a week of bargaining and the field is left to the two or three candidates with the greatest chance of success. Except in periods of *fronts* on a national basis, this method tends to favour loose parties, with vague programmes, capable of all sorts of alliances.

After the war proportional representation was pushed forward under the banner of electoral justice and coherent national programmes. Out of the many forms of P.R. France chose one comparatively beneficial to large parties. The introduction of party lists increased still further the hold of the machine over the individual member. French departments were accepted as constituencies, though seven of them were split into smaller units. Each department or unit elected two or more members according to size and

proportional representation was applied only within each constituency and not on the national level.

Soon the new electoral law came under fire on the grounds that it violated the individual's right to choose and imposed party government on the country. In many cases the critics seem to have confused cause and effect. The tendency towards party rule is a modern trend not peculiar to France. Besides, after the war not only was the *scrutin d'arrondissement* discredited, but the parties backing it were politically bankrupt. The giants which emerged from the resistance to dominate the postwar scene—the Communists, the Socialists and the Christian Democrats (MRP) were all national parties, disciplined by French standards.

Indeed, the electoral law was altered in 1951 for quite a different reason. A Gaullist push coming on top of the Communist battering ram threatened the existing regime. Unchanged PR was likely to deliver the Chamber into the hands of the extreme parties. Under this pressure and after lengthy parliamentary struggles the centre groups rallied to devise a new hybrid law openly aimed at reducing extremism, in particular Communist, representation. Parties were allowed to group into alliances or *apparences*. If an alliance gained an absolute majority in a constituency it pocketed all the seats, which the allies divided among themselves proportionately; if no party or alliance reached it, the seats were shared by PR as before. No bones were made about the intentions of the reformers: in Paris, where the Communists were likely to benefit, the reform simply was not applied.

—The only justification for electoral cooking lies in its success. When the Italians, faced with the same danger, tried a similar *combinazione*, they failed the test. In France, at least the desired result was achieved: the centre parties returned to parliament with a majority. In fact, soon after, the danger itself receded. The Gaullists were conquered from within; the "dissidents" entered M. Pinay's government and the "orthodox" that of M. Laniel. The danger period for the regime is temporarily over. Is this the government's reason for reopening the electoral debate?

Election Prospects

The "liberation" phase ended long ago. Old parties have come back into the limelight and the discrediting of new institutions has added some lustre to the old. Yet, neither fashion nor the traditional Radical bias are sufficient explanations for the government's present move. True, M. Mendès-France has always been in favour of single-member constituencies and the Radicals, on the whole, are still likely to gain from the change. But the prime minister may have had a deeper reason for this move which took everybody by surprise. Next year a new Chamber will be chosen; time is needed to alter the law and M. Mendès-France with a crumbling majority must think of the future. He came to power by a "miracle," against the wishes of party machines. Even the caucus of his own party is hostile to him. The looser the party grip, the stronger may be the chances of his supporters, while the second ballot may provide an opportunity for pro-Mendès alignments.

The government proposes, parliament disposes and there is no guarantee that the government's intention will be carried out. In 1951, when the reform was less far-reaching, the Assembly was littered with bills, six months were

needed to pass one and a government was killed in the process. This is the occasion, if any, when the whip has little effect, since the deputy's political survival does not necessarily coincide with his party's interest.

Even if the project does become law this year, it is unlikely to perform miracles at the polls in 1956. Political ills are seldom cured by electoral prescriptions, this one in particular. It is too often forgotten how little the alteration of the electoral system has improved the stability of French governments. It requires a really good piece of what the French so aptly call *la toilette du souvenir* to believe that a two-ballot system in single-member constituencies is really the panacea for France.

Truce for Soviet Writers

THE second-ever congress of Soviet writers, held last month in Moscow, ended on a note of compromise. The authors and critics who on the morrow of Stalin's death made an impassioned plea for greater freedom did not win the day. But neither were they crushed nor expelled. A bargain was probably struck behind the scenes and the outsider was left with the impression that Soviet literature still has to wear the strait-jacket of "socialist realism," though it can be fitted more loosely than in Stalin's time.

The very organisation of the congress was a proof of a struggle within the party. The original announcement that a writers' congress would be held last autumn, after an interval of twenty years, came not very long after Stalin's death, when men of letters, prodded from above, were launching an all-out attack against "Zhdanovism," and against the adornment of the harsh facts of Soviet reality. But the congress kept being postponed, and in the meantime the diehards hit back, accusing the "rebels" of distortion, of intentional emphasis on the negative features of Soviet life. Since the domain of literature in the Soviet Union is not merely a question of aesthetics, these postponements and *volte-faces* must have reflected the changing balance of power in Moscow's leadership.

When the congress finally opened last month the odds were against the "reformers" and, hence, on balance, they did not fare too badly. True, those who revolted first against "writing to measure"—for example the critics Gurvich and Pomerantsev—are now probably on the index. But many of their early "heretical" strictures have now become common currency and were echoed by all throughout the debate. Furthermore, most of the authors who answered the appeal for more criticism and truth and then were attacked for it were not victimised at the congress. Thus, for example, the poet Tvardovsky, previously sacked from an editorial job, Ilya Ehrenburg, author of the highly criticised novel "The Thaw," and the even more strongly condemned woman novelist, Panova—all three have now been elected to high offices in the writers' union.

At the same time the strait-jacket, though relaxed, has not been taken off. All the "bourgeois-nationalist," "cosmopolitan," "formalist" and other deviations were duly condemned and any departures from the straight path



"Daddy, where does the light come from?"

From electricity, you tell him, which comes from the power station and is brought to the house by cables. When his nursery light is turned on, this electricity makes a wire in the lamp glow white, white hot.

To the child it is just one more marvel that the click of a switch brings him light. He takes the reliability for granted.

The Brush Group has a reputation for reliability throughout the world. The Jamaica Public Service Company, for instance, chose for its new power house at Hunts Bay, near Kingston, turbo-alternators, transformers and boiler plant motors supplied by Brush Electrical Engineering Co. Ltd. This installation provides power for homes and for irrigation. The system has to take the strain of irrigation power loads which vary considerably, according to the rainfall. This station, together with the Brush-equipped Gold Street station opened in 1925, helps to maintain the island's power balance in all seasons.

Brush Electrical Engineering Co. Ltd.

Mirreles, Bickerton & Day Ltd.

J. & H. McLaren Ltd.

The National Gas and Oil Engine Co. Ltd.

Petterson Ltd.

THE BRUSH GROUP LIMITED

Manufacturers of electrical equipment and diesel engines for industrial, agricultural, traction and marine purposes

DUKE'S COURT • DUKE STREET • ST. JAMES'S • LONDON, S.W.1 and throughout the world



Crystal Gazing

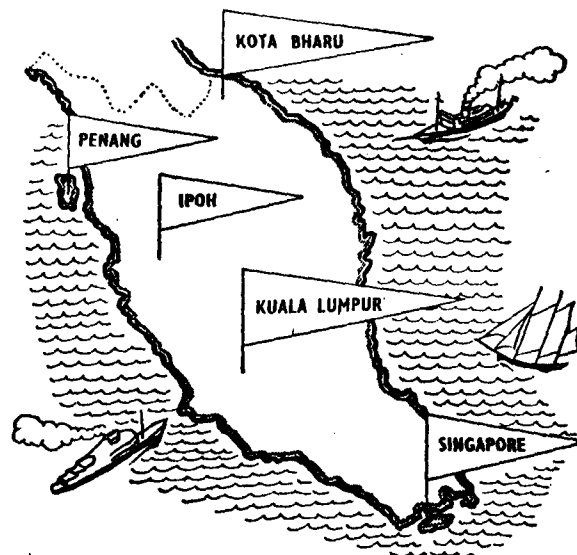
THE MODERN WAY of making salt—by boiling down brine in closed vessels heated by steam and under vacuum—yields fine, free-running salt crystals which consist of tiny cubes—excellent for the table but unsatisfactory for many important industrial uses. To produce other forms of crystal it has hitherto been necessary to simmer the brine in open pans—a process that has remained almost unchanged since the Roman soldiers introduced it to this country, two thousand years ago. This old method is wasteful alike in fuel and labour, and I.C.I. research workers have long been seeking something better. Now they have succeeded in producing salt crystals of an entirely new kind.

Known as Dendritic salt, these crystals have the advantages of 'open-pan' salt, yet they can be made by the modern, efficient, vacuum process which cuts the fuel bill by two-thirds. They are therefore considerably cheaper. Dendritic salt is moist and absorbent. It does not harden when stored, and it settles to the bottom or rises to the top when mixed with powdered foods. It can be used in humid tropical countries without trouble. For some purposes—curing sausage skins, for example—it is even better than open-pan salt. The production of Dendritic salt is but one of the fruits of I.C.I.'s £8 million-a-year research and development programme.

Imperial Chemical Industries Limited



SANDILANDS BUTTERY AND COMPANY LIMITED



Established over 100 years, Sandilands Buttery & Co. Ltd., with branches throughout Malaya, will be pleased to help in any problems concerning trade with:— **MALAYA**

SANDILANDS BUTTERY & CO. LTD., 2 Metal Exchange Buildings, Leadenhall Avenue, London, E.C.3. Tel: **MANSION HOUSE 4521**

Branches at: **PENANG, SINGAPORE, KOTA BHARU, IPOH, KUALA LUMPUR AND MEDAN, INDONESIA**

SOUTH AFRICA

Reduced
return fares by
**UNION
CASTLE**

33 1/3%
OFF
FIRST CLASS

20%
OFF
CABIN CLASS

by Mailships from Southampton during April, May and June 1955, with option of return in August, September or October.

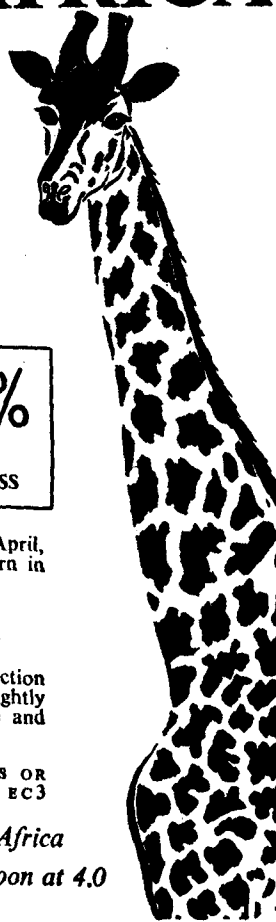
Reduced return fares from
£155 First Class . £117 Cabin Class.

ROUND AFRICA VOYAGES. 25% reduction in First and One-Class (Cabin) fares by fortnightly sailings from London during May, June and early July. Reduced fares from £177.

FULL DETAILS FROM TRAVEL AGENTS OR
3 FENCHURCH STREET, LONDON, EC3



Southampton to South Africa
every Thursday afternoon at 4.0



of "socialist realism" forbidden. The path itself, however, was defined in less narrow terms; novelists, poets or critics have been given more scope to exercise their talent together with a warning not to overstep the limits. The aim was not so much to overhaul the whole Stalinist system of controls as to get rid of its abuses, which were putting such a premium on skilful mediocrity.

One clue to the apparent stalemate may be found in the emphasis placed on international dangers. Speaking on behalf of the union, the writer Leonov reminded the delegates of "the serious and complicated period in which this congress is taking place." Another speaker echoed that "the leaders of atomic imperialism now debate permanently how to resurrect the destructive power of the fallen enemy, how to arm German generals with atom bombs." The Central Committee of the Party addressed the congress along the same lines. The writers were told in fact that, with clouds gathering on the international horizon, this is not the moment to venture too boldly into the uncharted territory of literary freedom. A truce, however, does not last for ever. The second writers' congress is likely to go down not as a turning point, but as an interesting interlude, an important episode of the transitional period.

Battle Over Italian Oil

FROM OUR ROME CORRESPONDENT

FOR some time past the surface of Italian politics has been sufficiently untroubled to keep out of the international headlines. More recently, however, oil has been poured on the waters with incendiary effect; for control of Italian oil is the stake for which the Italian State Monopoly and foreign trusts (mainly American) are now openly contending in round one of a battle which has been going on underground in all senses of the word for the past five years.

Italy is divided into three oil regions—the Po Valley, Sicily and the rest of Italy. In the Po, the National Corporation for Hydrocarbons, or ENI, as it is known here, was given exclusive rights to prospect for and exploit oil, methane gas and hot springs early in 1953 when the corporation was set up under the direction of Signor Enrico Mattei. A self-made man of modest origins, Signor Mattei was the leader of a band of Catholic partisans during the war. In 1945 he was appointed director for North Italy of the Italian General Petroleum Company (AGIP), but with orders to liquidate it. Mussolini's various government projects naturally had a bad press in postwar Italy, and, in any case, AGIP had not found any petrol and no methane gas to speak of.

Signor Mattei, young and determined (he is now only 48), took advantage of the chaotic conditions of the time and started building up the organisation. After initial disappointments, he found huge quantities of methane gas appointments, he found a modest deposit of oil. With and, subsequently, in 1949, a modest deposit of oil. With the support of Signor Vanoni, the present Minister of the Budget, and a few others, he gradually overcame official scepticism and hostility and created one of the biggest and best run organisations in the country. In 1953 AGIP,

together with a number of other similar bodies, was absorbed by ENI. Today, Signor Mattei has raised production of methane to 2,800 million cubic metres (there are over 35 cubic feet to the metre) and by 1956 hopes to reach the 4,000 million cubic metres mark which would be the equivalent of almost two-thirds of present Italian coal imports. A network of 2,375 miles of "metanoduct" distributes the gas to the consumers, mostly in industry. Practically all the big industrial groups in the North are "metanised."

Signor Mattei has also developed the sale of liquid gas for cooking and heating, and built up a large chain of petrol service stations. He has allocated funds for the construction of a Petrol and Methane Studies Centre near Milan and is planning to construct a synthetic rubber factory with a production of 30,000 tons a year (half of which is for export) at the well head of a rich methane gas deposit at Ravenna. This project will also undercut Montecatini, Italy's mammoth chemical combine, in the field of fertilisers. With such a record, Signor Mattei naturally ranks high in the Christian Democrat hierarchy quite apart from having served as an MP for some years.

It is an article of faith among Americans that there are rich reserves of oil in the Po Valley though the evidence for this belief is by no means overpowering. And since last June there has been a campaign to drive a wedge into Signor Mattei's empire. Pressure has been exercised by the Standard Company and by prominent American journals, including those of the Luce group. It now appears, however, that Signor Mattei has come off best.

Pigeonholed Proposals

For the rest of Italy (excluding Sicily) the legislation hitherto in force has had the effect of practically ruling out a serious survey, since everything found under the surface goes to the State. But a new bill, which will give prospectors a square deal has now reached the committee stage. The maximum concession will be 750,000 acres, except in the case of ENI which will be allowed as much as it can take on. There is, however, likely to be pressure for a more severe line towards foreign companies as the measure goes on its parliamentary journey.

Lastly, there is Sicily, whose autonomous government passed a special oil law in 1950, affording all comers generous terms. At least that is what the Sicilian authorities claim. ENI, on the other hand, maintains that its proposals for a joint body to work the petrol have been pigeonholed and that as regards concessions, it has only had the crumbs. The explanation given by ENI is that the regional government, which is in the hands of the Monarchists and right-wing Christian Democrats (with neo-Fascist support when required) has deliberately favoured the foreign trusts and the big Italian companies—none of them in the oil business—which are working hand in glove with them. ENI admits that the first people to strike oil in Sicily were the Italian subsidiary of the Gulf Oil Corporation, an American concern, but claims with some justice that it was AGIP who covered the ground before the war and mapped out the likely oil bearing areas. So far no oil is flowing. The Gulf Oil Corporation, however, puts the probable output at 150,000 tons a year, and the local optimists put the figure for the whole concession (near Ragusa) as high as a million tons. Whatever the future may bring, it is certain that the

Left, which already has 33 per cent of the votes, will raise the pseudo nationalistic cry of "Sicily for the Sicilians" at the regional elections next June, and that petrol may be the decisive issue at the polls.

Hope in Laos and Cambodia

WHILE southern Vietnam has been drifting into anarchy in a fierce spotlight of publicity, there has been a kind of haze over events in the two smaller Associated States, Cambodia and Laos. In Cambodia, enough has emerged to form a hopeful picture; and even in Laos, where the proximity of the "Democratic Republic of Vietnam" is a constant danger, there have been hopeful manifestations of official energy in the past few weeks.

Part of the haze has been due to a familiar tendency for important announcements to be followed by complete inaction. In Cambodia, for instance, it was announced last September that the notorious Nationalist rebel, Son Ngoc Thanh, had surrendered to the royal government with 300 armed men. Shortly afterwards, there were reports that Thanh was preparing to join the government in an unspecified capacity. King Norodom Sihanouk himself was said to have met Son Ngoc Thanh at Siem Reap, near the ruins of Angkor, in mid-October. Yet Thanh has continued to attack the king and his government, and recent dispatches from Phnom Penh have indicated that he is still a rebel against royal authority.

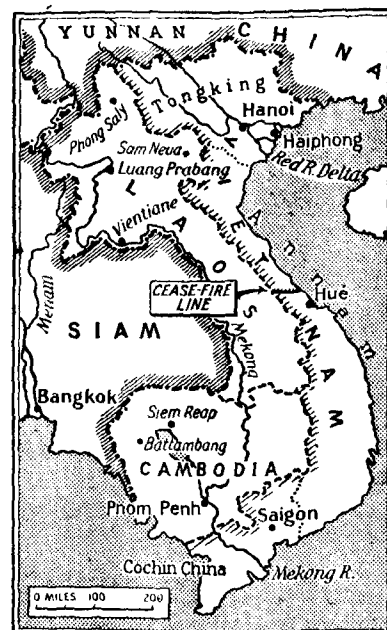
Although Son Ngoc Thanh apparently no longer disposes of an armed force, he still retains a considerable portion of the popular following he built up as a Japanese-supported Nationalist leader in 1945. To that extent, his future status is of importance to the country as a whole. His relative, Son Ngoc Minh, the Communist leader, is believed to have kept a number of armed followers with him in hiding in the mountainous region near the Siamese border. There is no doubt, however, that great strides have been made since the end of the Geneva conference in restoring law and order and in unifying the country under the king. The existence of groups of dissidents or bandits here and there does not affect the essential stability of the regime.

Vanishing Trick

Unless there are unforeseen developments it is unlikely that Cambodia will "go Communist" at the elections. These are due to be held this year, for constitutional reasons not connected with the Geneva agreement. The time-lag is probably too short for the Communists to achieve a decisive success. There are long-term fears, however, that the Communists may gain control of the powerful Democratic party through infiltration. Another disquieting factor is the "disappearance" of a large number of Viet Minh troops believed to have been operating in Cambodia before the Geneva conference. Officially, the evacuation of these troops was completed on schedule, by October 20th. But only 4,000 were evacuated, out of a total estimated at between 6,000 and 8,000. What has happened to the missing ones? Some, no doubt, are still with Son Ngoc

Minh, but many of the others may simply have passed into civil life in Phnom Penh or in Vietnamese-populated rural areas near the Cochinese border. How many of them will act as Communist agents is a question that may worry the royal government as the elections draw near.

In Laos too, an important-sounding announcement has been followed by inaction. In this case, the announcement was made by the "Pathet Lao" rebel leader Prince Souvannavong, who declared on October 28th that his "resistance" forces were ready to co-operate with the royal government to realise the unification of Laos. Since then, however, nothing has happened to fulfil the hopes aroused by this declaration or by the news that Souvannavong had made contact with his brother, the former Laotian prime minister, Prince Souvanna Phouma. Although the Pathet Lao movement is virtually a creation of the Viet Minh, there is no serious indication that Souvannavong is a doctrinaire Marxist. His Vietnamese wife, however, is a fanatical Communist and an influential figure in the movement. This factor, together with the prince's debt to the Vietnamese Communists, may lead him to resist offers that he should join King Sisavang Vong's government except on his own terms.



with the dissidents. The unpleasant reality is that Pathet Lao, the Communist state comprising the provinces of Phong Saly and Sam Neua, is still in existence, and that the rebel leaders show no inclination to surrender their hold upon it. The prime minister's programme, therefore, calls for "negotiations with the Pathet Lao government so as to induce them to work for the progress and prosperity of the nation without partition of the country." A further resolution is "to re-establish administrative power in Sam Neua and Phong Saly provinces and to accept the Pathet Lao personnel into the national community." Recent Viet Minh press comment has accused the Americans of dropping aid to royal Laotian troops hidden within the two provinces—a refreshing admission that infiltration can be a two-way traffic.

All told, then, the situation in the two smaller Indo-Chinese states is healthier than in the non-Communist half of the largest one. It would be rash to forecast the position eighteen months from now, but at least a good start has been made in stabilising the non-Communist regimes.



Mining in South Africa

Precision work in Switzerland

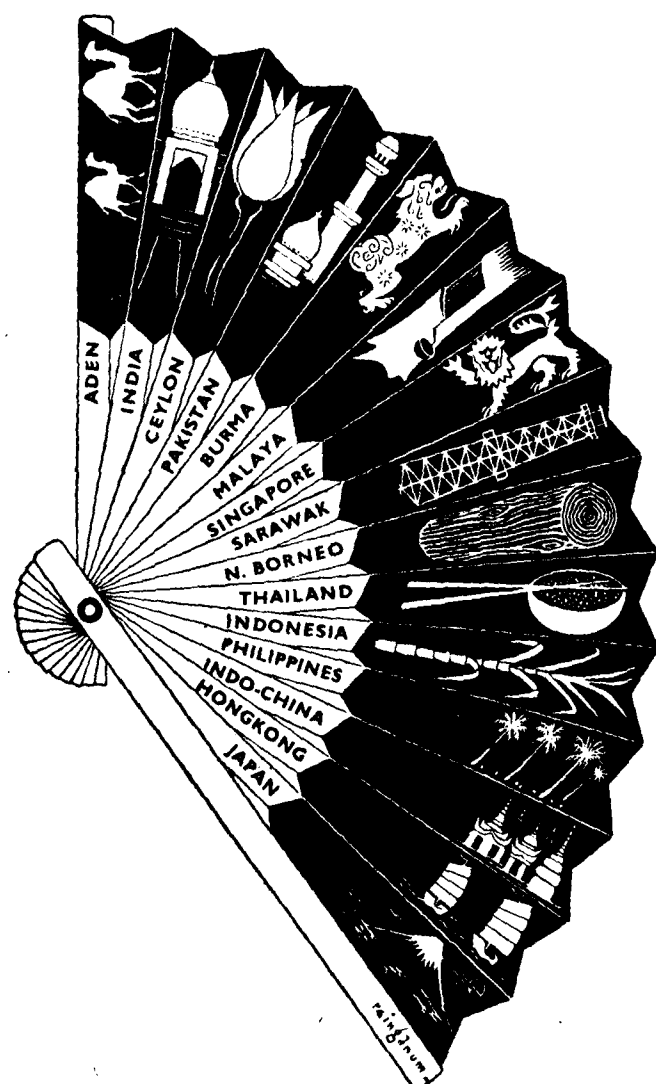


Atlas-Copco puts compressed air to work for the world

Beneath South Africa's Rand and the fabulous new gold-fields of Welkom, Atlas-Copco drills, drilling equipment and loaders are getting out the ores that give the world gold—and uranium. At the other extreme of Atlas-Copco versatility is a range of small pneumatic bench tools—rotary files, cutters, polishers and engraving tools—in use in light industries in Switzerland. From the massive power of mining equipment to the delicate opera-

tions of precision engineering, Atlas-Copco reliability is an international byword. In almost every part of the world, wherever compressed air is working hardest, Atlas-Copco is on the job. Atlas-Copco equipment covers every conceivable application of compressed air. Add to this the servicing and delivery facilities of allied companies* in 37 countries, and you realise why Atlas-Copco are among the world's leading compressed air specialists.

*Atlas-Copco embraces companies trading under the names Atlas, Atlas Diesel, Atlas Polar, Atlas-Copco, Copco, Delfos and Sampa. Enquiries in the U.K. should be addressed to THE ATLAS DIESEL COMPANY LTD., Beresford Avenue, Wembley, Middlesex.



Spanning the East

Branches of The Chartered Bank of India, Australia and China under British management directed from London are established in most centres of commercial importance throughout Southern and South Eastern Asia and the Far East. At all these branches a complete banking service is available and, in particular, facilities are provided for the financing of international trade in co-operation with the Bank's offices in London, Manchester and Liverpool, its agencies in New York and Hamburg and a world-wide range of banking correspondents. In London and Singapore the Bank is prepared to act as executor or trustee.

**THE CHARTERED BANK OF INDIA,
AUSTRALIA AND CHINA**
(Incorporated by Royal Charter, 1853)

Head Office: 38 Bishopsgate, London, E.C.2



Finance for Industry and Commerce

ICFC provides finance in the form of long-term loans on fixed terms, or share capital, to industrial or commercial enterprises established in Great Britain. Amounts range normally between £5,000 and £200,000.

The Corporation is ready to consider applications for capital to purchase additional buildings, plant and machinery, or to provide increased working capital to further the expansion of business. Consideration will also be given to new ventures which are soundly conceived and adequately sponsored.

Please ask for our new booklet—*"Capital for Business and Where to Find it"*.

INDUSTRIAL AND COMMERCIAL FINANCE CORPORATION LIMITED

Subscribers: The English & Scottish Banks.

HEAD OFFICE:
7, DRAPERS' GARDENS, LONDON, E.C.2
Tel: NATional 8621/5

BRANCHES:
BIRMINGHAM—214, HAGLEY ROAD. Edgbaston 4181
MANCHESTER—73, WHITWORTH ST. Central 5429
EDINBURGH—33, CHARLOTTE SQ. Edinburgh 30212

THE BUSINESS WORLD

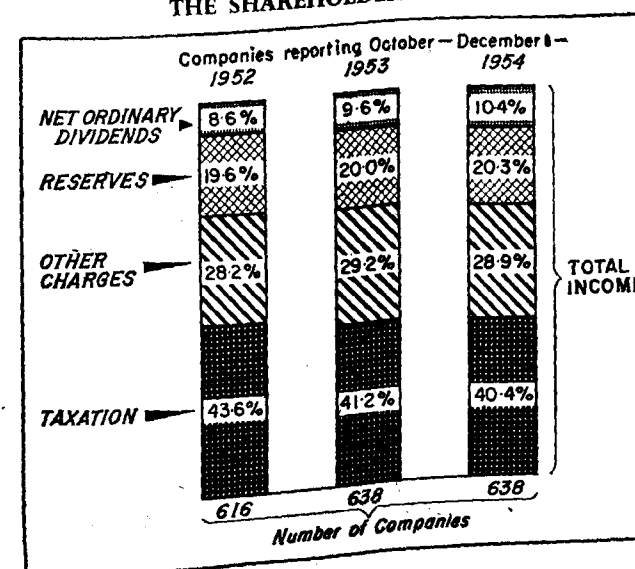
Profits Ahead

THE bull wandering loose in Throgmorton Street is a friendly brute. It is easy to see why. He has been feeding on the pleasant pastures of higher profits and dividends and they remain as green and as inviting as ever. In 1954 the accounts of 2,756 public companies showed an advance in trading profits of nearly 11 per cent, from £1,501 million to £1,663 million; the net ordinary dividends paid by these companies increased by £33½ million to £203½ million. Quarter by quarter the increase in profits accelerated until the 638 companies issuing their accounts in the last quarter of 1954 reported an increase of 14 per cent—the biggest of all. This raised their trading profits by £36.3 million to almost exactly £300 million. On the average, the profits reported last quarter related to a notional financial year ending at about the middle of August—a time when people were returning from holiday to booming

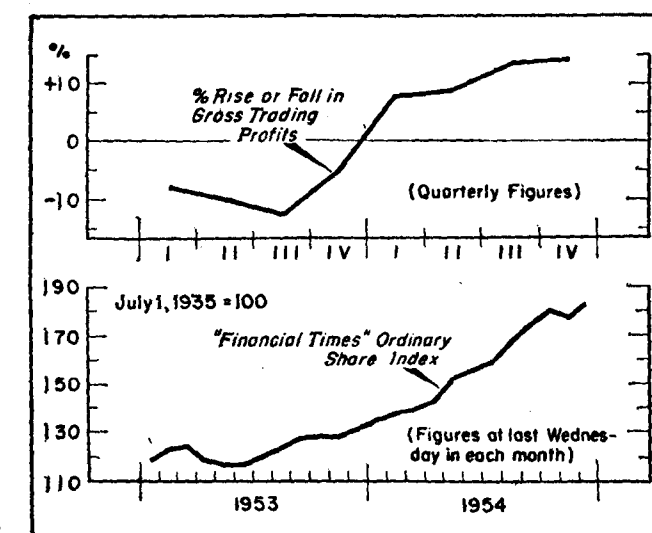
industrial production and no very troublesome shortages of steel or other constructional materials. The further increase in industrial output in the last quarter of 1954 has yet to be reflected in published company accounts.

What happened to the extra £36 million that these companies netted in their latest year? Nearly one-third of it—£11 million—was added to their tax bills. Just over £7 million was ploughed back into reserves and an extra £6 million in depreciation. All other charges went up by about £5½ million. Most of the remaining £6 million went to supplement the net dividends paid to ordinary shareholders to nearly £35 million. Dividends were pushed up a little faster than the rate at which net earnings were expanding. Last quarter's ordinary dividends, grossed up at the standard rate of tax, represent a return of just under 16 per cent on issued ordinary capital against just under 15 per

THE SHAREHOLDER'S SLICE



PROFITS AND SHARE PRICES



cent in the previous year. This comparison understates the true gain for ordinary shareholders, for there were many scrip issues last year. But the latest dividends represent no more than 6.4 per cent on the net worth attributable to the ordinary capital of these companies, and that return would be very much lower if it was related to the current value (as distinct from the book value) of their net assets.

These latest figures can be regarded as "true profits" in this sense: while they were being earned, prices stayed more or less steady, and the year's results were not seriously distorted by either inventory gains or losses. This broad stability of prices, coupled with a ready supply of raw materials, enabled British industry to ride the boom without adding noticeably to its stocks. Inventories of the 638 companies increased by less than one per cent—by £3½ million to £498½ million. Since work-in-progress must have expanded as production grew, it must be inferred that finished goods flowed more quickly to industry's customers. The reported increase in debtors in the 638 balance sheets from under £308 million to nearly £342 million seems to confirm that view. There was no active price inflation to encourage manufacturers to hoard goods and materials (some forms of steel perhaps excepted) and there was an active demand for everything they could produce.

Industry was able to finance itself to a greater extent by deferring its own payments; in the combined balance sheet of the 638 companies, the item "creditors, etc." increased from £461 million to £489 million. But manufacturers did not besiege the banks for bigger loans and they ploughed more profits into reserves and so improved their liquid balances to the tune of £40 million. But the bulk of their retained profits seems to have been invested in fixed assets. The

gross value of fixed assets went up by £96½ million to £1,019 million, of which some part represents a book increase resulting from the revaluation of assets at current prices. But booming trade, and no doubt the Chancellor's capital allowances, are encouraging British industry to do something more than merely replace its worn out equipment. For example, the motor industry is not likely to remain alone in its intention of stepping up the pace of capital investment.

Industry and the shareholders that own it can rarely have known such a promising new year. There is no sense of 1929 again, but a rosy (perhaps deceptive) conviction that full employment is to be had without undue inflationary perils, and that ever-expanding demand can be expected over the years. Their expectations for equities in the long term remain undiminished, and they are asking what will stop higher earnings, dividends and share values in 1955. On profits, at any rate, it seems possible to speak with confidence; profits will be very high this year, unless some remarkable change occurs in the British economy. They may not increase at quite the same spectacular rate as last year, when the gains were set against a year which bore traces of the recession. But industrial production is still rising; some grades of skilled labour are again seriously short; and industry's demand for raw materials has risen sharply enough to lead to shortages in some primary products.

How, then, will dividends move? A whiff of inflation in the economy usually adds to the cost of financing working and fixed capital. It also gives a boost to profits, as these are conventionally computed. But it seems unlikely that prices will rise in the next few months so rapidly as to tempt industry to rush out of cash and into stocks of materials and work in pro-

gress, or to harry their debtors and rely more heavily on their creditors. Unless inflation on that scale were to emerge, need investors have any serious second thoughts about their next dividends? With healthy profit and loss accounts before them, with a good chance that earnings will go on expanding and with order books comfortably full, few directors will have any excuse for refusing to distribute more to shareholders. In general, they will certainly pay out more.

Dividends and earnings prospects are not the only criteria—though they are among the most important ones—that influence the orders that the investor sends to his broker. He is also concerned with the next budget, election possibilities and the current preoccupations about a higher Bank rate. To judge by the present behaviour of the market—other than the gilt-edged

section of it—investors are not noticeably worried on any of these counts. Their hopes of an easy budget, with some reliefs in taxation, and of a Conservative victory at the polls have hardened almost sufficiently to be classed as basic assumptions. The Funds are marked down on repeated suggestions about dearer money, while industrial equities break through a new "high" almost daily. It would be easy to job back a generation and utter cries of alarm at this spectacle. But unless many sensible people are hopelessly wrong, this is not a boom about to go bust. Can the bulls be so far wrong when a couple of the joint stock banks surprise everyone by again raising their dividends? If banking stocks (or some of them) are after all genuine equities, is anything less than confidence justified for industrial shares at this stage of 1955?

Cigarettes on the Counter

WITH the present level of tax on smoking, no tobacco company would ever admit that it has had a wonderful year. But 1954 appears to have been better than most—at least, for most of the larger firms. Sales of cigarettes, which now make up a good five-sixths of the tobacco business in this country, have been running at their highest level since the halcyon days of 1946. Overseas sales are also up and profit remittances have been somewhat easier to make. The higher home prices for pipe tobacco, generally the least profitable line in tobacco goods, have run now for a full financial year. Bumper crops have been gathered and sold in the principal countries from which British leaf supplies are drawn; auction prices have, in general, tended to be a shade lower, and the quality of non-dollar flue-cured leaf has again improved. Finally, the Treasury has lately seen its way to loosen slightly some of the purse-strings on purchases of dollar leaf.

But costs have continued to eat into manufacturers' margins. The unions have been pressing hard for wage increases. Five separate wage claims have been granted in the last 3½ years, including two in the last thirteen months. Leaf, however, is the major item in production costs and although the average landed cost of leaf was a shade lower up to October, 1954, than in the year before, manufacturers were using leaf shipped in 1953 and earlier, which was more costly than leaf used in previous years.

The tobacco industry is now faced with more competitive conditions than since 1939. The prospect of easier leaf supplies last summer enabled the firms that were still keeping their supplies to retailers pegged by quota to raise them, bringing total supplies of cigarettes very close to what smokers want to buy at the present rates of duty; next week all remaining Imperial Tobacco quotas will be lifted completely.

The appearance of new cigarettes in recent months is the first sign of this return to a buyers' market. The Stephen Mitchell branch of the Imperial Tobacco Company in Glasgow has brought out a Three Nuns cigarette at 3s. 9d., which it is selling at present in Scotland and the north. Carreras has put its successful Dunhill cigarette into nation-wide distribution; this is a 3s. 7d. brand. Rothmans has abandoned its mail-order business and entered the home retail market with two Pall Mall brands, including a new type of filter cigarette priced at 3s. 7d. George Dobie and

TOBACCO SHARE PRICES AND YIELDS

	1953		1954		Latest	
	High	Low	High	Low	Price	Yield (per cent)
Imperial Tobacco (£1)...	60/3	49/4	63/9	49/3	60/6	6 12 3
Br.-Amer. Tobacco (10/-)...	43/4	33/9	50/10	36/1	52/-	4 7 6
Carreras (2/6).....	6/10	5/6	6/10	4/10	5/3	8 6 8
Dunhill (£1).....	99/6	72/6	106/3	88/1	87/6	7 8 7
Gallaher (10/-).....	29/-	21/-	40/3	24/3	40/-	5 0 0
Godfrey Phillips (£1)...	40/9	27/-	34/3	22/3	25/6	7 16 10

Son has introduced in Scotland a larger size Four Square cigarette, which it is marketing at the standard price. Godfrey Phillips is hoping to restore its fortunes with a Red and White Marcovitch cigarette, also at 3s. 7d.; its success in London and the south-east so far suggests that it may succeed. Most of the stop-gap brands using inferior grades of leaf that appeared on the market after the war when shortages of the popular brands were particularly acute have now faded away.

Changes in the tobacco market have also produced some amalgamations. A year ago Rothmans was taken over by Rembrandt, a South African firm. Previously Gallaher had acquired the business of Cope and Lloyd;

PROFITS, PROVISIONS AND DEPRECIATION

(£'000)

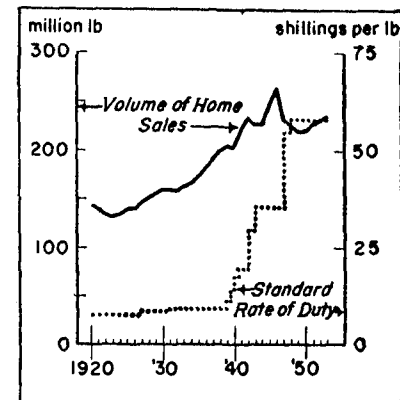
	Reports Published October to December, 1954		Reports Published Jan. to December, 1954	
	Previous Year	Latest Year	Previous Year	Latest Year
638 Companies			2,756 Companies	
Gross trading profits.....	263,672	299,981	1,501,295	1,662,923
Income from investments.....	13,621	15,691	96,018	108,486
Other current income.....	5,858	6,716	7,585	8,573
Non-recurring credits.....	19,684	13,215	76,267	66,220
Total Income.....	302,835	335,603	1,681,165	1,846,202
Repairs and maintenance.....	2,759	2,646	9,235	9,946
Depreciation.....	40,332	46,328	249,357	280,002
Income tax (excl. profits tax).....	99,775	111,498	592,468	637,427
Profits tax.....	24,990	24,200	132,230	138,847
Directors' emoluments.....	10,447	10,896	50,769	53,411
Administrative charges, etc.....	18,879	19,805	41,838	44,134
Contingencies, provisions, etc.....	15,741	16,495	89,209	85,382
Pensions.....	2,874	2,856	20,969	22,357
Minority shares in profits.....	966	1,439	18,072	19,958
Profits retained by subsidiaries.....	19,716	24,273	105,323	113,672
Debt interest.....	6,446	7,148	32,751	36,443
Preference dividends.....	5,551	5,732	32,334	33,715
Ordinary dividends.....	29,152	34,961	170,092	203,561
Revenue reserves, etc.....	20,285	24,390	114,848	148,940
Brought in (parent company).....	51,552	56,474	277,996	299,668
Carried forward (parent company).....	56,474	59,410	299,668	318,075

ANALYSIS OF BALANCE SHEETS

Published October-December 1954 (£'000)

	638 Companies		638 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Capital (Parent Companies):—				
Debt interest.....	157,979	168,770	922,633	1,019,103
Preference.....	182,554	186,466	268,740	308,105
Ordinary.....	354,732	399,963		
Reserves and Surplus:—	695,265	755,199	653,893	710,998
Capital reserves	157,151	160,240		
Revenues, and carry forward	410,494	438,903		
Total Capital, Reserves and Surplus.....	1,262,910	1,354,342		
Outside Interests in subsidiaries.....	26,229	30,290		
Current Liabilities and Provisions:—				
Bank overdrafts and loans.....	63,410	63,741		
Creditors, etc.....	461,311	489,267		
Future taxation	160,479	112,504		
Other provs.....	29,857	29,804		
Current Assets:—				
Stocks.....	495,056	498,464		
Debtors.....	307,690	341,834		
Gilt-edged secs.....	35,090	39,963		
Other marketable investments.....	115,276	119,111		
Cash.....	231,791	262,962		
Fixed Assets:—				
Land, property and plant.....	922,633	1,019,103		
Less depreciation.....	268,740	308,105		
Intangible Assets.....	49,979	51,163		
Total Fixed Assets.....	1,184,903	1,262,334		
Total Assets.....	1,944,196	2,079,948		

Carreras had added Murray and Sons, of Belfast, and R. & J. Hill to its group; and George Dobie had taken over two other pipe tobacco firms. The home market is



now predominantly supplied by four firms, Carreras, Gallaher, and Godfrey Phillips, with the Imperial group as a sort of benevolent big brother brooding over all the rest—big because its near-autonomous branches cater for almost three-quarters of the home market, and benevolent because probably it would be privately as embarrassed by any increase in that share of the trade as it would be by any serious falling off.

Overseas there has never been a lack of strenuous competition. There the principal British combatants are almost the same, with British-American Tobacco Company standing in for Imperial Tobacco. Foreign competition comes mainly from the United States, in certain markets, and from tobacco goods made locally, in nearly all markets. Most British firms have fallen in with this trend towards local manufacture, even in countries where they had not sold at all before. Shipments from this country are now only a fraction of the total sales of between 400 and 500 million lb by British-owned firms.

Since 1938 the industry has had to contend with a sixfold rise in the standard rate of tobacco duty, and a three- to fourfold increase in the average landed cost of its principal raw material—this includes the higher cost of dollar leaf bought since sterling devaluation. All eight duty increases have been automatically passed on to the smoker, but if duty is left out of account the increase in cigarette prices since 1938 has been no more than about 85 per cent.

Unit production costs have been kept down in several ways. Mechanisation has been speeded up—helped by the continued swing away from pipe tobaccos—and this has led to a steady reduction in the number of workpeople, particularly women, that the industry has needed to employ. A certain amount of saving has also come from the pruning of brands that sell only on a small scale. But manufacturers are wary of dropping too many. All the hundreds of brands that are sold on the home market have their devotees. Smoking habits are unpredictable. There are instances of brands that have become strangely popular after bumping along at a very low level for a number of years.

These measures were not enough, however. Rising costs, particularly following devaluation, have forced manufacturers from time to time to make minute reductions in the amount of tobacco used to make some of

their cigarettes. Variations have also been necessary when changes in duty did not coincide exactly with the new retail prices, rounded off to the nearest penny or halfpenny. Inserting filter tips also enabled more cigarettes to be made from the same amount of leaf but despite their much lower price sales of filter-tipped cigarettes have never been more than 2 per cent of total cigarette turnover.

★

What are the prospects for the tobacco shareholder? Ploughing back profits is just as necessary as it ever was. The manufacturer must wait well over a year to recoup the high prices he pays at tobacco auctions, and between six and eight weeks to recover his production costs and the steep duty that he has to pay before he can clear his leaf from bond. Since 1948 the capital employed by the five largest firms in the industry has grown by £175 million, or three-fifths; and all but £45 million of this has come out of retained profits.

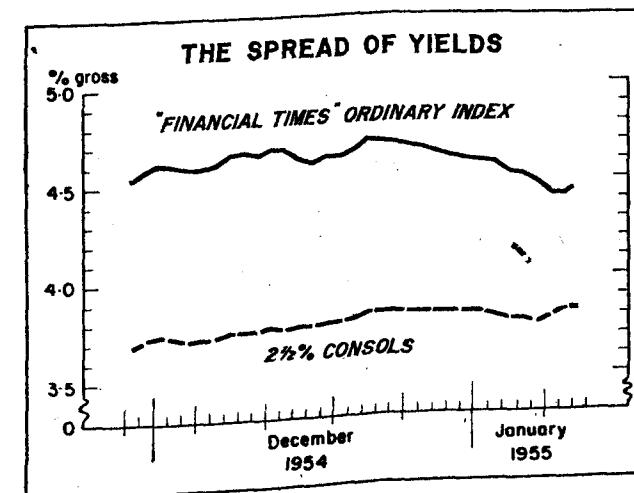
The pressure from rises in leaf and paper prices has eased off since 1951. But as soon as they get the chance manufacturers will start to build up their leaf stocks from the present minimum level, equivalent to about 12 months' supply, to the 24 months' supply that was considered normal before the war. One year was generally needed for the tobacco to mature, and two years for the blending of different tobacco grades to be maintained over different crop years. With a product that is as susceptible to weather as tobacco, it is necessary to buy freely when the crop is good and sparingly when it is poor.

The five big companies have over £100 million of short- and long-term indebtedness, some of which they may wish eventually to clear off, though most of this finances the duty element in tobacco manufacture. Tobacco firms have never accepted the present high level of the duty as permanent. The point of "market saturation" today, appears to be some 240 million lb, nearly ten per cent below the level of supplies that smokers eagerly snatched up eight years ago. With prewar rates of duty, tobacco statisticians claim that consumption might by now have reached 300 million lb. Extrapolations of this kind are always suspect—and a Chancellor (who has the biggest interest in the trade nowadays) would probably wait for his revenue to show signs of diminishing returns before he acted. But tobacco consumption in this country during the last fifteen years has increased by only a fraction of the growth shown in certain other countries where tobacco taxes are much lighter. Whether or not young people are smoking less than their predecessors, however, and whether or not there is a connection between lung cancer and smoking—a connection so far suggested more by statistics than by medical research—the tobacco companies will still want to plough back a large slice of the profits they make. "Imps" may be thought of as a first-class preference share with an excellent yield, but "Bats" have evident prospects of growth.

Business Notes

Pull Devil—Pull Baker

INVESTMENT markets have shown an unusual spectacle over the past week, a brisk, even impressive, rise in industrials coupled with a downward sagging in the gilt edged market. Thus the *Financial Times* index of industrials reached a new peak of 191.4 on Tuesday—a rise of 6.2 in a week—and the index of Government securities reached a minor trough at 103.06 on the same day, a decline of a mere 0.36 in a week. These diverging tendencies have sensible origins. The fear of slightly dearer money has still been around. Colvilles offer was in the offing, and the big institutional investors felt justified in holding off from buying gilt edged for a time. The same considerations did not apply to the industrial share market. There the profit and dividend outlook, the political background, and the budget possibilities, still seemed enticing. But the two sections of the market could hardly go on moving independently without a pause. And on Wednesday a break came; the industrial rise was retarded. The gilt edged market turned



firmer. Two separate tendencies reducing the yield on industrials and bringing it down towards that obtainable from gilt edged have been at work; one is long term, the other short. It is the short range movement—that arising from the doubts about money rates—that is depicted in the accompanying chart. Over a period of a year a movement has been in progress that has brought the yield on the *Financial Times* ordinary index down from 5.47 per cent to 4.42 per cent—fall of roughly a fifth. No parallel decline occurred in the yield on 2½ per cent Consols, which fell only from 3.89 per cent to 3.82 per cent—a trifling movement for a longish period. As industry has prospered and boards of directors have untied company purse strings, the investor has progressively been willing to accept a lower

current yield on industrials in the belief that better returns lie ahead. That growth of confidence is probably still at work, but it is not the full explanation of the market movement of the last few weeks.

Colvilles' Prospects

WHEN the Iron and Steel Realisation Agency and its consortium of powerful advisers sold Stewarts and Lloyds shares last June, it seemed that even the best could not excite the public. The ordinary shares of Colvilles come to market next week with the tables turned. It may be a slight exaggeration to say that any ordinary share offer would succeed in present markets; it is no exaggeration to say that something much less good than Colvilles—and Colvilles, though good, is less good than Stewarts and Lloyds—would be assured of success. The offer consists of the whole 10 million £1 ordinary shares of the company at 26s. per share, of which only 5s. is payable on application. The indicated dividend is 9 per cent (including a 3 per cent interim next July) and this is covered nearly three times by the estimated profit after depreciation, fixed charges and taxes. Therefore the dividend yield is £6 18s. 6d. per cent and—thanks to the rise in the market—the agency has for the first time been able to offer a steel equity on a yield basis below 7 per cent. The only Government stock tenderable is the Treasury 3½ per cent 1979/81—at £97 13s. 9d. per cent ex the February interest—and the only difference compared with the form of previous steel offers is that lists remain open for a single day—next Thursday.

STEEL YIELDS AT OFFER DATES

	Oct. 29, 1953	Jan. 18, 1954	June 24, 1954	Oct. 7, 1954	Nov. 18, 1954	Jan. 12, 1955
	%	%	%	%	%	%
United Steel	5.44	5.52	5.01	4.57	4.57	4.45
Lancashire	5.44	5.52	5.01	4.57	4.57	4.45
Stewarts & L.L.	5.44	5.52	5.01	4.57	4.57	4.45
Summers	5.44	5.52	5.01	4.57	4.57	4.45
Dorman Long	5.44	5.52	5.01	4.57	4.57	4.45
Colvilles	5.44	5.52	5.01	4.57	4.57	4.45
F.T. ord. ind.	5.44	5.52	5.01	4.57	4.57	4.45

* Yield based on 9 per cent.

† Yield basis 10 per cent.

§ Yield based on 8 per cent.

Colvilles is a compact Scottish group with consolidated net assets valued in its balance sheet at £22.2 million; capital expenditure since the war has cost £13 million, all of it financed out of the company's own resources. A further substantial programme is to be completed by

the summer of 1957 at a total cost of £22½ million. After its completion, fixed assets will still stand at a low cost per ton of annual capacity, but further developments are in contemplation including a new plate mill at Clydebridge. Of the expected capital expenditure, £12 million will come from the subscription by the agency of 4 million £1 5½ per cent preference shares (these are at present 5s. per share paid) and from the subscription also by the agency of £10 million 4½ per cent debenture stock at present 10 per cent paid. Colvilles has had no occasion so far to borrow outside. Indeed under nationalisation the company has been an indirect lender of funds to other steel companies and its accounts at October 2nd still showed a loan to the agency of £2.8 million.

It follows that a substantial part of Colvilles' development programme comes rather late; hence, although the expected 9 per cent dividend is well covered, the scope for further increases may be limited. Indeed the prospectus contains a specific warning from the chairman that the group will finance capital expenditure as far as possible out of earnings and that sums beyond statutory depreciation will be set aside for obsolescence and replacement. That does not mean that the ordinary shares at the offer price are unattractive. The yield on steel equities remains high compared with the return on other industrial shares, and if prices continue to rise Colvilles will rise with them.

"Big Seven" Dividends

AFTER the hopes quickly built up in the bank share market last week by the starting of a second round of dividend increases, the remainder of the season's announcements were an anticlimax. Only one more of the big banks made a second increase. Lloyds Bank, having last year raised its payment from the long-stabilised rate of 12 per cent to 14 per cent, has this year added a further 1 per cent. But the bank dashed hopes of still more for 1955 by announcing simultaneously a capitalisation of reserves so as to raise the paid-up portion of the £5 "A" shares from 20s. to 25s., after which the 1954 payment will be equivalent to the traditional rate of 12 per cent; it is intended, profits permitting, to maintain this rate for 1955. The Midland and Westminster banks, the two cautious abstainers of twelve months ago, duly declared final payments at the increased rates already projected—the Midland thus raising its payment for the year from 16 to 18 per cent and the Westminster from 18 per cent to the equivalent of 20 per cent. On the Westminster's capital in its new form (with the £4 "B" shares 25s. paid) this dividend is equivalent to 16 per cent—but the bank is pressing the sensible innovation of describing it in the "no par" guise of 4s. a share. The precedent deserves consideration by the other banks.

The District Bank, like its fellow in the North, Martins, has maintained its payment at the increased 1953 rate. So have Williams Deacon's and its sister in the "Three Banks" group, Glyn Mills, but both these banks followed their parent Royal Bank of Scotland by capitalising reserves during the year, so that their final payments are made on larger capitals. The Clydesdale and North of Scotland Bank, as expected, likewise follows its parent, the Midland

Bank; its dividend is raised from 16 to 18 per cent. Six of the big seven banks, it is interesting to note, have now regained or surpassed the peak rates paid in 1929; the exception is Lloyds, which before its three cuts in the early thirties was paying 16½ per cent.

The Profit Record

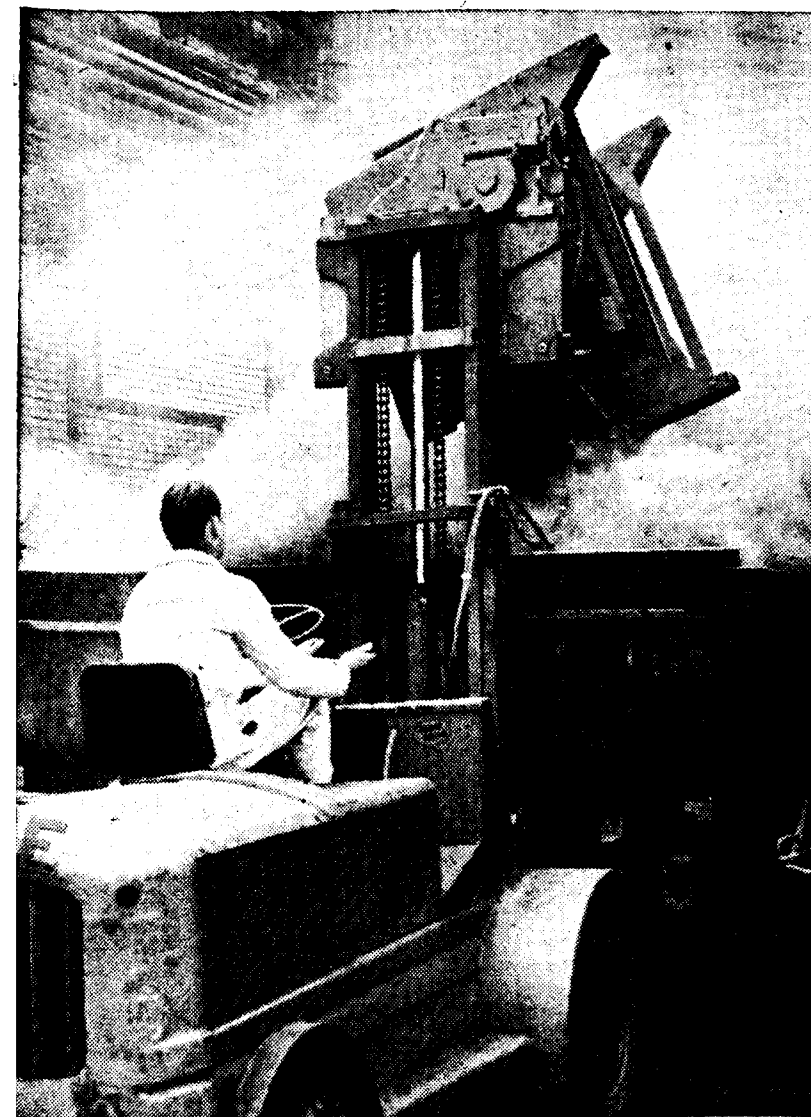
ALL the banks, as the table shows, have reported bigger profits for 1954, the increases ranging from 3½ per cent for the National Provincial (which for 1953 reported the exceptionally large increase of 15.8 per cent) to 12.7 per cent for the Midland (2½ per cent in 1953). For the big five, the aggregate increase is £830,000, or 8½ per cent, compared with 6.6 per cent in 1953, but it should be noted that a substantial part of that earlier increase was merely a reflection of the effects of the reduction of the standard rate of income tax. This year's increases in dividends cost about £630,000 net, but the gross cost including distributed profits tax is appreciably more than double that amount.

BANK PROFITS, 1951-54*

	1951	1952	1953	1954	Change in 1954
Barclays..	1,908,437 8.8	2,137,722 8.8	2,300,150 10	2,549,399 12	+10.8
Lloyds...	1,815,858 12	1,964,665 12	2,083,781 14	2,186,072 15	+4.9
Midland..	1,925,316 16	2,074,887 16	2,127,202 16	2,397,597 18	+12.7
Nat. Prov.	1,469,765 15	1,525,013 16	1,765,768 17	1,827,044 18	+3.5
Westminster..	1,405,453 14.4	1,446,546 14.4	1,474,736 14.4	1,623,197 16	+10.1
"Big Five" Total...	8,524,829	9,148,833	9,751,637	10,583,309	+8.5
Martins..	725,107 15	746,309 15	819,921 17½	918,477 17½	+12.0
District..	508,217 18½	515,672 18½	559,744 20	588,863 20	+5.2
"Big Seven" Total...	9,758,153	10,410,814	11,131,302	12,090,649	+8.6

* Figures in italics are percentage rates of dividend, calculated on present capital.

The year has undoubtedly been a profitable one for the banks, for although the average level of money and bill rates and of yields on newly-acquired investments has been substantially lower than in 1953, the banks have enjoyed a further expansion of their resources and have been able to employ the increment wholly in the best-yielding assets—investments and advances. The fall in revenues from money market assets must have been more than offset by the decline in the cost of deposit interest, while increased banking turnover and general financial activity produced a bigger revenue from commissions—and in some instances there seem to have been notable recoveries from assets previously



A Yale lift-truck with attachment, handling slag.

All over the world...

... Yale industrial lift trucks are handling heavy materials of all kinds, materials which formerly were lifted and moved with backbreaking, gruelling human effort. But, no matter where Yale trucks are used — no matter where Yale trucks are made; whether in the U.K., Europe, U.S.A., or anywhere in the

world — you can be sure that wherever you buy, they will be Manufactured from American design to the exact same high standards which have been synonymous with Yale & Towne since 1868. When you are considering equipment to solve your handling problems, insist on Yale, your guarantee of quality.

YALE

REGISTERED TRADE MARK

Materials Handling Equipment is Entirely Manufactured in the United Kingdom and Europe by:

THE YALE & TOWNE MFG. CO.

Wednesfield, Staffordshire, England

Velbert Rhld., Germany

and under licence by:

FENWICK S.A. St-Ouen, Seine, France

YALE & TOWNE

THE YALE & TOWNE MANUFACTURING CO., CHRYSLER BUILDING, N.Y. USA

EUROPEAN REPRESENTATIVES

FRANCE	Fenwick Paris
ITALY	Fenwick Milan
SPAIN	Fenwick Barcelona
BELGIUM	Fenwick Liège
SWITZERLAND	Forrer-Fenwick Zurich
HOLLAND	Van Eyle & Ruygers Rotterdam
DENMARK	V. Löwenier Copenhagen
NORWAY	A/S Löwenier, Mohn, Oslo
SWEDEN	A/B Löwenier, Stockholm
MOROCCO	Forges de Bazas Casablanca
FRENCH WEST AFRICA	Fenwick Dakar.



UNA BENDICIÓN...

OLD MARÍA sits making her lace. As stitch follows stitch she gives thanks for the electricity that lights her work. "Electricity", says María, "is *una bendición para el hombre* — for the benefit of Man."

Up at Los Peares, in the Province of Galicia, work is proceeding on a new hydro-electric power station. It is generating electricity for the growing industries in the North of Spain.

The electrical plant is being supplied by The British Thomson-Houston Co. Ltd., one of the nine famous A.E.I. companies. The equipment includes three huge generators, transformers, switchgear and control gear, much of which is already running.

A.E.I. are Associated Electrical Industries whose Companies make everything electrical from a turbine to a torch bulb.

AEI

for progress through electricity.

**Associated Electrical Industries
are a family of companies :**

The British Thomson-Houston Co. Ltd.
Metropolitan-Vickers Electrical Co. Ltd.
Birlec Ltd.
The Edison Swan Electric Co. Ltd.
Ferguson Pailin Ltd.
The Hotpoint Electric Appliance Co. Ltd.
International Refrigerator Co. Ltd.
Premier Electric Heaters Ltd.
Sunvic Controls Ltd.

written down. On the gilt-edged portfolio there has, of course, been a further appreciation. In the past year, at least, the favourable influences have enabled the banks to carry the burden of rising staff costs, premises and general charges in their stride.

Trade Record Exports in 1954

IT had been clear for some time that British exports last year would be roughly £100 million higher than in 1953, and the provisional trade returns for December show that the actual increase was £92 million—to a total of £2,674 million fob. Exports have never before reached such a high figure; that creditable achievement follows three years in which the value marked time at about £2,580 million a year. In volume, too, exports were the highest ever—probably 5 per cent higher than in 1953. The

UNITED KINGDOM TRADE
£ million.

	Imports c.i.f.	Exports f.o.b.	Re- exports f.o.b.	Trade deficit
1951	3,901.9	2,581.6	127.0	1,193.3
1952	3,477.0	2,584.2	143.9	749.0
1953	3,342.9	2,582.0	105.5	655.4
1954	3,382.5	2,674.0	100.5	608.0
<i>Change 1953/54</i>	<i>+39.6</i>	<i>+92.0</i>	<i>-5.0</i>	<i>-47.4</i>
Monthly averages or calendar month				
1951	325.2	215.1	10.6	99.4
1952	289.8	215.3	12.0	62.4
1953	278.6	215.2	8.8	54.6
1954*	281.9	222.8	8.4	50.7
1953 1st quarter ...	272.4	208.5	10.0	53.9
2nd quarter ...	291.7	210.0	8.0	73.7
3rd quarter ...	274.8	211.6	8.5	54.8
4th quarter ...	275.4	230.6	8.7	36.1
1954 1st quarter ...	273.7	224.4	9.3	40.0
2nd quarter ...	284.0	223.8	8.6	51.6
3rd quarter ...	279.3	221.0	7.9	50.4
4th quarter* ...	290.4	222.2	7.7	60.6
October	228.2	214.9	9.2	4.1
November	333.8	196.5	5.5	131.7
December* ...	314.5	255.7	8.4	50.4

* Provisional.

value of re-exports fell by £5 million to £100.5 million in 1954, largely because Russia stopped buying rubber in London. Imports rose by £39.6 million to a total of £3,382.5 million cif, but in volume they were probably only slightly higher than in 1953. The gross visible trade deficit thus fell in 1954 by £47.4 million to £608 million. December trade returns, however,

So far so good. The December trade returns, however, contain two features that may temper jubilation. Thanks to shipments of goods previously delayed by the dock strike, exports in that month rose sharply to an abnormally high figure of £255.7 million, bringing the monthly average in the fourth quarter to £222.2 million. But that average was almost the same as that of the third quarter, and it

was £8.4 million below the average for the fourth quarter of 1953. In previous years exports have always risen in the fourth quarter. Does the negligible rise last quarter mean that a backlog of exports was still waiting to be cleared, or does it point to a halt to the rise. The detailed trade figures may provide part of the answer ; in the meantime, the sharp rise in shipments to the United States in December may be a good augury for British exports to North America in 1955.

The other sign to watch in the trade returns lies in the import figures. Last year's stability in the volume of imports may seem surprising in a year in which Britain produced, consumed and exported more goods than ever before. In fact there was a marked rise in the volume of some imported materials, such as non-ferrous metals, metalliferous ores and crude minerals, chemicals, fuels and pulp, but those increases were offset by smaller imports of certain foodstuffs, particularly cereals, and other items. There are some signs that the growth of production in several fields was at the expense of stocks, though that is a dark corner on which official statistics shed little light. Stability of imports as a whole, however, can hardly continue indefinitely, and a rise may have begun. In the fourth quarter of 1954 the average monthly value of imports was £11.1 million higher than in the third quarter, an increase that may not be fully explained by the distortions of the dock strike or by changes in price.

Britannia and the Seven Seas

THE British Overseas Airways Corporation has asked the Minister of Transport for permission to place an order in California for nineteen Douglas DC 7C aircraft (known as the "Seven Seas") at a total cost of £15 million or more. Its reason for wanting this type of aircraft is essentially simple; it will be the first to be capable of flying the North Atlantic non-stop. Airlines regard non-stop flight as a key development across the Atlantic; they have noted the success of the first non-stop coast to coast flights in the United States; and also the effect of these services on the traffic of airlines that do not operate non-stop schedules. BOAC had originally planned to meet non-stop competition across the Atlantic with the Comet III which, although it could not do the non-stop crossing, would have had its own special advantages over piston engined airliners like the Seven Seas.

Although BOAC is forced to seek permission to buy American primarily because of the failure of the Comet, its action is going to arouse considerable resentment in the British aircraft industry. It reflects the corporation's anxiety to avoid being wholly dependent on the Bristol Britannia—an anxiety that has its roots in the protracted development of that airliner. The first versions of the Britannia were not designed for the North Atlantic, and cannot do the flight non-stop. The long-range version, the Britannia 300 LR, will, the makers expect, be ready for operation early in 1957, but this clearly depends on the successful introduction of the first version. This is expected to receive its certificate of airworthiness this summer, but a number of points, including some with a vital bearing on winter flying, remain to be cleared up.

Douglas, meanwhile, is offering BOAC delivery of the Seven Seas in October, 1956, a few months after it goes into service with the first customer, Pan-American. Since the aircraft is simply a bigger version of the existing DC 7s its development and testing is expected to be largely a matter of routine, whereas development of the Britannia for airline service is likely to be long and costly. If all goes well with the long range Britannia, and it flies non-stop across the Atlantic, there is not much doubt that its operating costs would be lower than those of the Seven Seas.

There is bound to be much speculation, too, about the implications of buying the piston engined DC 7C on BOAC's policy towards its successor, the turbo-prop DC 7D. About 40 per cent of the parts are likely to be common to the two aircraft; BOAC has considerable interest in its development, and may indeed play a leading part in it. BOAC is plainly pursuing a hedging policy; after its painful experiences of the past twelve months it could hardly do otherwise.

Last Lap in Gatt Talks

THE Geneva review of the General Agreement on Tariffs and Trade has now entered its final stage—a stage that may last several weeks. The earlier hopes of ending discussions by mid-February have been abandoned and some of the realists in Geneva are now beginning to talk of end-March as a possible date for the new agreement to emerge. In the present phase of the discussions the clauses of the agreement which had been handed over for study and review to a sequence of working parties, groups and sub-groups are being collected and put together again. Concrete amendments have been formulated and are now being considered at the highest delegation levels.

This is also the stage at which the politicians in their respective capitals are letting fly—partly to encourage and fortify their delegations in Geneva, partly to serve the domestic political causes that may be affected by the Gatt review. Mr Howe in Canada has spoken sadly of every country wanting more trade freedom for itself and more restrictions for everyone else and has even suggested that the General Agreement might collapse. He has also pointed his remarks by leading a delegation to Washington where the Canadians have made the strongest representations against the fundamental conflict between the United States' Gatt obligations and the American legislation calling for restrictions on the imports of commodities supported by the US Government. At the other end of the Gatt spectrum, Mr McEwen in Australia has indicated that his Government's patience is nearing exhaustion and that Australia may decide to get out of Gatt. These tantrums need not be taken too seriously. They are the kind of exaggerations to be expected at this stage of the proceedings.

The review has now reached a point at which it can be confidently predicted that a new and somewhat improved agreement will emerge. It will not be the "regutted" Gatt which the United Kingdom Government had asked for in the opening session of the meeting. The crucial provisions relating to quantitative restrictions on imports for balance of payments recover are unlikely to be greatly

changed. The principal changes will probably be those in the rules for the "underdevelopeds." These are being simplified and also improved by a new definition of the countries to which they are intended to apply. Apart from this, however, the new Agreement will bear very close resemblance to the old. The main change will lie not in the text of the Agreement but in the manner and spirit in which it is administered. Improved administration will be provided by the permanent organisation which will be set up as a result of the Geneva Conference. More effective administration will be secured by the unanimity of views on the basic doctrine of the Agreement that now exists between the principal signatories. The US-UK-Canadian-German-Benelux-bloc which did not exist before, will henceforth make its influence felt.

OEEC Preliminaries

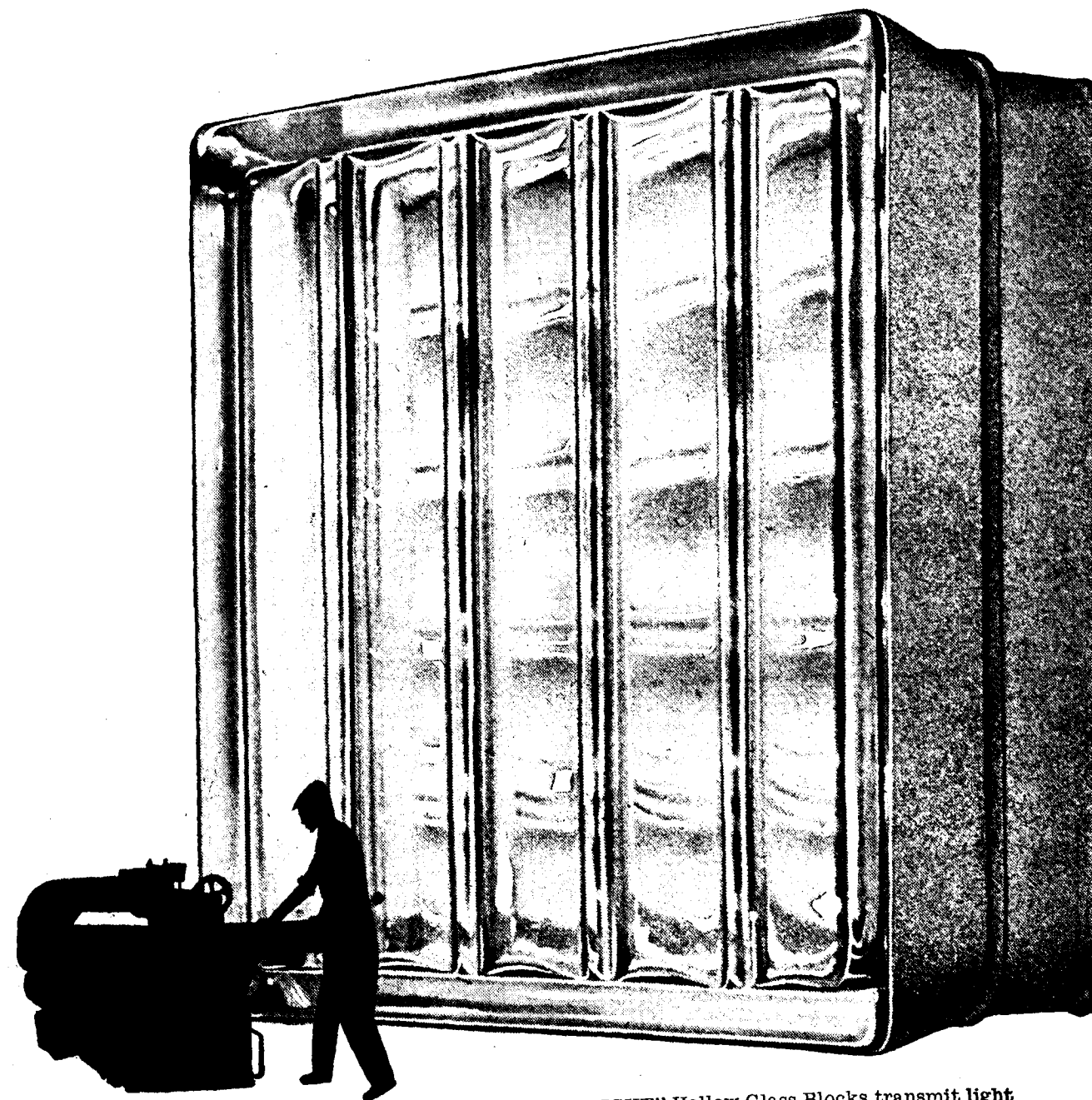
A USEFUL preliminary canter over the course to be run at the OEEC Ministerial Council meeting towards the end of this week was provided by an Anglo-American meeting at Lancaster House on Tuesday. The occasion of this meeting, attended by Mr Harold Stassen and Mr Randolph Burgess, was also used to bring home to the United States Administration some of the growing reservations harboured by the United Kingdom Government on what has become known as the American "aid by dumping" programme. Its basic generosity and the good it is doing to the ultimate recipients cannot be questioned; but the damage it is causing to regular channels of trade has already become a major issue in the Gatt discussions at Geneva, and the opportunity of pressing the point home was not missed.

These Anglo-American discussions covered most of the important items that are to be discussed at this week's OEEC meetings. They include the report of the ministerial group on convertibility and the recommendation of the Steering board for trade that a target for 90 per cent liberalisation of intra-European trade should now be accepted. The way seems clear for a decision in principle by the council on the establishment of a European Fund to replace the EPU once the principal European currencies have become convertible. But, much to the disappointment of Germany, it is already clear that some further extension of the European Payments Union beyond June 30th will be required. Thus, in addition to working out the details of the new European Fund, the managing board will have to consider the terms on which EPU should be extended. It is expected that the new Fund will not only inherit the convertible assets of the EPU, but that its initial resources will be increased by contributions from member countries.

Omelette Unscrambled

IN the act of selling the capital of nationalised steel companies to private investors, the Iron and Steel Holding and Realisation Agency, necessarily and reasonably, enlarges and rearranges their capital structures. Stewarts and

"INSULIGHT" lightens labour



"INSULIGHT" Hollow Glass Blocks transmit light to the dark heart of a building or a room, diffusing it over wide areas in places where ordinary glazing would be undesirable. They cut the racket of the machine shop, the roar of traffic, to a subdued murmur. They hold warmth in and cold out. They keep private places private. In fact "INSULIGHT" Hollow Glass Blocks do the work of walls—but walls of light.

'INSULIGHT' HOLLOW GLASS BLOCKS

PILKINGTON BROTHERS LIMITED

FOR FURTHER INFORMATION ON THE USE OF GLASS IN BUILDING, CONSULT THE TECHNICAL SALES AND SERVICE DEPT., ST. HELENS, LANCs. (TELEPHONE ST. HELENS 4001) OR SELWYN HOUSE, CLEVELAND ROW, ST. JAMES'S, LONDON, S.W.1 (TELEPHONE WHITEHALL 5672-6). SUPPLIES ARE AVAILABLE THROUGH THE USUAL TRADE CHANNELS. "INSULIGHT" is a registered trade mark of Pilkington Brothers Limited.



Fly and Relax

... in the comfort of pressurised Super D.C.6 and Conqair Liners—enjoy Sabena's meals or refreshments free on board.

Sabena serves from LONDON & MANCHESTER over 86 Destinations and 32 Countries including

BRUSSELS	MADRID	NUREMBERG
ANTWERP	BARCELONA	DUSSELDORF
LUXEMBOURG	LISBON	HAMBURG
PARIS	ZURICH	AMSTERDAM
NICE	GENEVA	SALZBURG
MILAN	COLOGNE	PRAGUE
ROME	FRANKFURT	ATHENS
NAPLES	MUNICH	

Also the CONGO and direct service from MANCHESTER TO NEW YORK

BOOK THROUGH YOUR SABENA APPOINTED TRAVEL AGENT

SABENA BELGIAN WORLD AIRLINES

205, Regent Street, London, W.1. Mayfair 6442
Grosvenor Gardens, London, S.W.1 Sloane 3439
Air Terminus, Royal Exchange, Manchester, 2. Deansgate 6956
147, Bath Street, Glasgow, C.2. City 6018/9
7a, Newhall St., Birmingham, 3. Central 7434/5
Air Terminus, Brussels 11.90.60
422, Madison Av., New York 17. Murray Hill 8-5757
19, rue de la Paix, Paris OPERA 2840

SABENA



RONALD MORRISON & CO. LTD., EDINBURGH

ACCOUNTANTS WANTED

for the
ARMY EMERGENCY RESERVE

to spend
FIFTEEN DAYS IN CAMP

earning full pay and allowances
plus
a total of

£9

IN TAX FREE BOUNTY & EFFICIENCY GRANT

You can spend fifteen days with your friends, earning full Regular Army pay and allowances. As a member of the Army Emergency Reserve (Cat. IIA) you have no other duties during the year. If a grave national emergency should arise, you may be called up for service in the United Kingdom. You can be called out for overseas service only by Proclamation. Volunteers are accepted from 18 years of age and engagement is for two, three, or four years. If you have served before in a non-commissioned rank there is every possibility of your filling an existing vacancy or of being promoted as soon as a vacancy occurs.

**Lend your skill to Britain,
doing the job you know best**

Send this coupon now for details of how to join to:

**O.C. HEADQUARTERS,
ARMY EMERGENCY RESERVE
R.A.P.C.**

District Pay Office, Aldershot District, Hospital Hill, Aldershot.

NAME

ADDRESS

EO/563

Lloyds has passed through the mill of capital reconstruction twice since 1951—once on nationalisation, when the debentures were repaid and a complicated share capital came down to a single class of £11,786,000 ordinary stock, and again on denationalisation, when £8,214,000 of reserves were capitalised and a special dividend of £10 million from reserves was used to subscribe for the same amount of unsecured loan stocks. The full accounts show that this draft on reserves has left the cupboard far from bare. After the appropriations for the 52 weeks ended October 2, capital reserves stand at £9.2 million, an increase of £1.4 million, and the revenue reserves and undistributed balances at £11.2 million, a fall of £10.5 million. Total reserves at £20.4 million show a fall of £10.5 million, but remain formidable. Ordinary shareholders' funds at £30.4 million (£3 os. 10d. per share) stand substantially above the market price of a shade under 45s. per share.

With the equity in the hands of private investors, though the agency still holds the preference shares and the loan stock, the accounts wear a bright new appearance. Figures have been taken to the nearest £1,000, an abbreviation that hitherto only giants like Unilever have used. The consolidated balance sheet and profit statement—in three colours—has been simplified by a generous use of notes on facing pages. In one matter the group remains conservative. No chairman's statement is included, nor does the directors' report say anything about current trading—naturally it does not mention the £2 million contract just won in fierce competition to supply 490 miles of pipes to US bases in Spain. One figure that the accounts bring out is the present holding in Tube Investments. It will be recalled that the "liaison shares" with heavy voting rights were not reconstituted when Stewarts & Lloyds was de-nationalised. The present holding is £458,808 of market stock valued on the balance sheet date at £1.9 million—not a dominating holding in a total ordinary capital of about £7½ million.

Freer Steel Imports

AFTER some delay, the Government has now agreed to suspend import duties on a wide range of steel products until the end of September. It was advised to do so by the industry's central organisations about a month ago, in order to allow British customers who cannot get all the steel they need from here to buy freely abroad. The advice itself came none too soon; and whether this can quickly ease the fairly acute shortages of some kinds of steel remains to be seen. During the autumn the world market for steel has been hardening fast; and Continental deliveries for various kinds of steel are now nearly as long as British. Customers who begin buying abroad now may find it involves almost equal delays as well as higher cost, though some of those who bought abroad earlier, and in some cases have themselves been paying the duty as well as the foreign prices, have fixed useful contracts for themselves.

The industry itself is fairly confident that its own supplies, advancing well past last year's record, will cover demand with no more imports than last year. Imports are high now; but steelmakers expect them to decline in the second half of the year, as extra capacity comes in. Never-

theless, for the present they are choked with orders, and booked heavily for months ahead. They suspect that some of this is buying for stock, as past experience suggests—which makes the orders no less firm nor any easier to meet in a hurry.

Coal in Hand

AT the beginning of 1953, Britain had just under 16½ million tons of coal in stock, with about 1½ million tons of foreign coal still due to arrive this winter. Most consumers and merchants have rather less than they had a year before—indeed, distributed coal stocks were in all nearly 2 million tons down, and stocks held by the coal industry well over half a million tons lower. The industry is less ready than it used to be to guess at what might be "safe" levels of stocks for various dates through the winter: consumption has risen, while the statistics of stocks are collected from fewer of the industrial consumers. But coal supplies are considered likely to suffice for any normal weather in the remainder of the winter.

For 1955, with no promise and few hopes about any substantial rise in output, the National Coal Board is looking critically at its overseas balance. Last year it exported 13½ million tons and imported 3 million. Because British coal prices are low by world standards, it made a substantial premium on every ton it sold abroad; but not as much as it lost on each ton it had to buy abroad and sell at home prices. Even though British shipowners earn some of the freights and the Foreign Operations Administration may supply some of the dollars, this is dubious business for the Coal Board. The question of a substantial reduction has been raised with the Ministry of Fuel and Power, which decides how much coal should be exported.

To export coal in general while importing particular types can make commercial sense. To continue exports while importing marginal tonnages of the same ranges of coal may still be justified, to keep bilateral customers sweet and to hold on to markets it is hoped to regain. But when those hopes fade, and when the amounts one has to buy abroad to offset exports become substantial, the arguments for continuing to act like a great coal-exporting nation wear thin. The reduction of exports that is being talked about—about 3-4 million tons—would not incidentally enable the Board to dispense with imports. But with imports at about the same level as last year, it should be enough to support a continued increase in British consumption—even if the miners do no better.

COMMODITY REPORTS

Special and regular reports on the supply and demand position and on the price and market prospects for most commodities can be prepared for individual clients by our Commodities Department. Scope, length, frequency and cost are determined by clients' needs.

Further information from:

The Economist Intelligence Unit
22 Ryder Street, London, S.W.1
WHitehall 1511, Extension 12.

Council for Consumer Goods

THE British Standards Institution has made a fresh attempt to awaken interest in standards for consumer goods by establishing a new advisory council. Complaints have been made, mainly by distributors, that the views of the ultimate user—the retail customer—have not been getting a fair hearing at meetings where standards for consumer goods have been drafted. The main reason has been the impossibility of getting a strong and coherent expression of what the retail customer wants and expects from a standard article, be it a wash-boiler or a minimum quality level for textiles. An advisory committee consisting of representatives of the major women's organisations in the country has attempted to perform this function but it has been very plain that housewives, who are the interested parties in these standards, do not treat their organisations as trade associations and fail to give their spokeswomen the adequate briefing and backing that the industrial members of trade associations bring to these discussions.

To remedy this defect—in the hope of improving the usefulness of consumer goods standards—the BSI has set up a new advisory council on standards for consumer goods which includes several of the members of the women's advisory committee, a number of other ladies and an important batch of newcomers, independent or representative of retailers and distributors. It is argued that distributors must, by the very nature of their business, have a sound grasp of the views and requirements of retail customers and should therefore be equipped to speak in committee on their behalf.

The new scheme should provide a new and necessary assurance that the standards that are agreed will be useful from the consumers' as well as from the producers' point of view. At the same time, the Council will serve as a channel for complaints about the quality of consumer goods. This new body will offer no redress to shoppers who believe that they have been swindled, nor does it seem to countenance the elaborate conception of testing, examination and critical reporting on consumer goods that is usually understood when consumer councils are discussed. Its functions will not be easy to perform. It ought to be as practical as it can and refuse to lose itself in technical blind alleys. If it succeeds it will deserve all the encouragement that the consumer industries can give it.

Half-time in Wool

THE second half of the wool-selling season has opened cautiously. The weakening in prices of merino wools in December continued when sales in South Africa and Australia were resumed this month, but in later auctions prices held fairly steady, and prices of crossbred wools in New Zealand showed little change compared with the closing levels before Christmas. Sales at the London auctions this week reflected those trends. Crossbreds were firm at a small premium over prices in the dominions, and the fall of 5 to 7½ per cent in

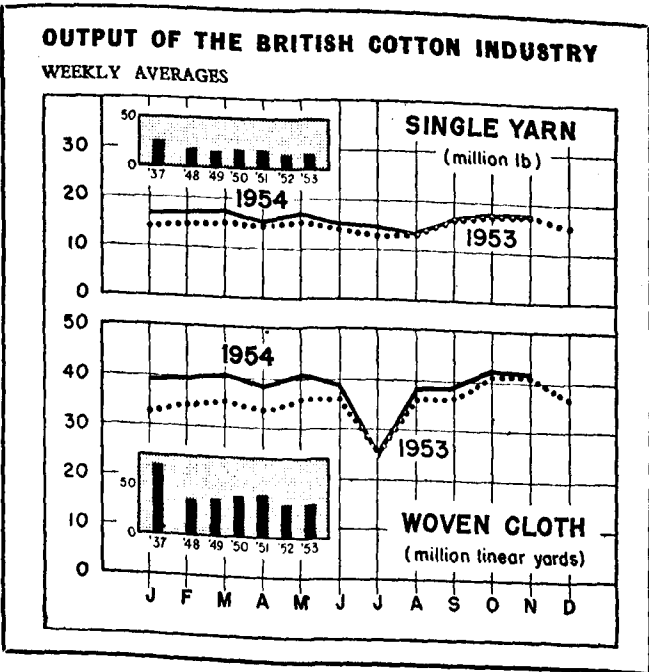
merinos, compared to the last sale in December, brought them into line with prices in the dominions. Firmness of crossbred prices may be partly seasonal, because supplies from New Zealand are not yet arriving in substantial quantities. The testing time will come in the next two months, when offerings in New Zealand will be heavy and the consuming industries should by then be well supplied.

The main reasons for the strength of crossbred wools compared to merinos are the gradual recovery in activity on the woollen side of the industry, which uses mainly crossbred wools, at the expense of the worsted side, and the substitution of crossbreds for merinos to keep down the cost of some worsted goods; those trends do not appear to be confined to this country. As a result, the difference between prices of merino and crossbred wools has narrowed steadily; a year ago merino 64's cost nearly twice as much as crossbred 50's, now they are only about 50 per cent higher.

The prospect for this half of the season will be influenced by several unknowns: the possible improvement in purchases by the United States and Japan; the extent of Russian buying; and—for crossbred prices—on whether the South American producers continue to price their wool above the world market. Prices may continue to fluctuate fairly sharply, for the plentiful supply of wool this season gives the consuming industries a freedom of manoeuvre in buying that they have not enjoyed for some time. But the probable size of the surplus does not suggest that prices will fall much below present levels.

Shell's Gas Turbines

SHELL's gas turbine development has entered a new phase with the decision to turn the tanker *Auris* into a floating research ship. In 1949, *Auris* became the first merchant ship to be fitted with a gas turbine engine. This replaced one of the ship's four diesel sets and as a result of sea trials, including a slow Atlantic crossing on turbine



power only, it was decided to build a new tanker to be powered by a single gas turbine. These plans have now been changed; trials with a single, powerful gas turbine will be carried out, not in a new tanker, but in *Auris* stripped of its present engines. Work is to be pressed ahead on the development of gas turbines giving direct mechanical drive to the propeller, much as they do in a turbo-prop aero-engine. This is a really big technical advance, for hitherto an indirect electric drive has been used which has involved an inevitable loss of engine efficiency. The Admiralty, which has been experimenting with gas turbines, appears to be thinking on the same lines.

The mechanical problems of direct drive remain formidable. It is a measure of the speed of gas turbine development that Shell now seems confident that they can be overcome. The company is interested in the progress of marine gas turbines as a fleet owner rather than as an oil supplier. Mr J. W. Platt, who this week announced the change in research plans, emphasised the same points in favour of gas turbines at sea that have already led to their pre-eminence in the air: the great reduction in the size and weight of engine for a given power output; and the reduction in maintenance from the exchange of a vibrating, reciprocating engine for vibration-free, rotating engine.

The Navy Salvages the 110

THE Navy's decision to place a substantial order for the missile-carrying de Havilland 110 all-weather fighter will be regarded with mixed feelings in the Air Ministry. The RAF rejected the 110 two years ago in favour of the Gloster Javelin, not on the grounds of its performance, which

was superb, but because the design was not considered sufficiently imaginative. The Air Ministry has subsequently been learning at first hand how the tantrums of an aircraft during its development stages can upset delivery schedules and the RAF's own defence plans. The development of the Javelin, with its advanced delta planform, was expected to be protracted, and the date for putting it into service has been tentatively fixed for next year. A number of aerodynamic problems remain to be solved before it can go into quantity production. After its rejection by the RAF, the de Havilland 110 had to be specially modified for operation, off aircraft carriers; with the Navy's order finally signed, delivery should begin in two years.

Borax Deal Off

DISCUSSIONS between Borax Consolidated and the American Group that proposed to buy the company at a minimum figure of £5 per deferred share are off—brought to a sudden end by the Borax directors. Some shareholders will regret that a promising opportunity for selling at a good price has been missed, but there will be shareholders and others who applaud the fact that an important British asset, the sterling area's only considerable source of boron and a big earner of dollars, is not to pass to foreign hands. There may well be some regrets that the board has taken from the beginning of December until the middle of January to reach a decision.

The Board bases its decision on two contentions—first that the offer of £5 per unit was inadequate and secondly that it was not in the public interest. To the latter, the

Second-Hand Car Prices

The table below shows the average price that would have been obtained on a two-year-old car during the past 2 years expressed as a percentage of its original cost, including purchase tax. The prices are those ruling at the end-quarter, so that the latest figures shown are an indication of relative price levels during the next few weeks. Care needs to be taken in comparing them with those of the end of the 3rd quarter, because while a 2-year-old car—in dealers' language—was then one registered in 1952, from the beginning of this year it will be one registered in 1953.

	1953				1954				List Price
	M.	J.	S.	D.	M.	J.	S.	D.	
Austin A.30.....	86	92	87	75	76	83	77	88	476
" A.40.....	72	74	72	59	50	52	70	78	650*
Bentley M.VI 4½ litre.....	95	92	88	71	69	78	97†	93†	4,393
Ford Popular (previously Anglia)	...	...	...	...	...	...	110†	107†	391*
" Anglia (new).....	91	90	88	74	75	81	77	85	511*
" Prefect (old).....	...	...	...	...	...	...	113†	109†	561*
" Prefect (new).....	114	121	115	97	79	83	80	89	667
" Consul.....	112	115	112	93	74	77	73	82	755
" Zephyr.....	83	88	84	72	74	78	75	85	650
Hillman Minx.....	111	116	105	88	65	63	57	64	1,616
Jaguar M.VII.....	95	102	97	84	81	88	84	97	530
Morris Minor.....	86	87	82	71	68	73	70	81	745
" Oxford.....	74	73	71	59	63	66	61	81	1,269
Rover 75.....	63	68	64	57	59	63	59	75	787
Standard Vanguard.....	...	...	...	...	89†	95†	90†	87	481
" 8.....	...	...	...	...	...	...	103†	100†	581
" 10.....	87	93	91*	76	76	80	79	89	702
Vauxhall Wyvern.....	78	82	86*	73	74	78	76	86	759
" Velox.....	...	...	...	...	...	...	...	...	...

* Model change. † One-year-old or less.

would-be purchasers, who have also issued a statement, reply that a change to US domicile was part of the terms of the deal. That would have needed Treasury consent. The Board might have left it to the Treasury to decide what is the national interest.

On the main point—that the offer was too low—the board has produced useful figures; these show that the United States Potash investment is worth £3.6 million, and that total net assets are over £14 million, excluding all the mineral deposits and the land and buildings outside the United States. It seems to establish that the deferred units are worth over £5 each and may explain why they still hold that price in the market. They also promise a final dividend of not less than 12 per cent, implying a total distribution of not less than 16 per cent (against 11 per cent) for the year that ended on September 30th.

The Board has acted with the best intentions, though it has hardly disposed of the bidders' contention that £5 was the minimum offer and they never had enough information to make a final bid. Shareholders have gained much from the affair—an indication of a largely increased dividend, a promise of "steadily improving rewards," a much fuller statement of assets than they had before, and a hint that the company may still apply to change its domicile if it does not succeed in getting tax relief in this country to cover the mining depletion allowances granted to it in America. The earlier advance in the share price to over £5 has been held. The board may be sincerely con-

The Economist Guide to Weights & Measures

This guide was compiled by the Statistical Department of **The Economist** for use within our own office; it is thought that it might serve a wider public and it is therefore being published at 10/6 (including postage throughout the world).

In 84 pages it provides facts and figures on the weights and measures of the world. For the most widely used units, tables of equivalents are given; for units that are used only in certain countries and trades conversion factors are given.

Applications for copies should be addressed to:

Weights & Measures
The Economist, 22 Ryder Street,
London, S.W.1.

vinced that all those boons would have been forthcoming anyhow, but shareholders will never feel ungrateful to the bidders.

EMI's American Purchase

ELECTRIC AND MUSICAL INDUSTRIES' purchase of a majority shareholding in the American company, Capitol Records, marks another stage in the long-standing rivalry between EMI and its main British competitor, Decca Records. EMI has made an offer of \$17.50 per share for the 248,435 common shares in Capitol which would give the company a controlling interest—and have offered to purchase the balance at the same price. EMI's expenditure therefore can run to \$8 million but the company does not expect to have to increase its ordinary capital to finance the purchase.

Shortly after the war, Decca acquired the right to distribute the Capitol catalogue in this country. This Decca-Capitol agreement runs up to June, 1956, so that EMI will not get any immediate advantage in this country—so far as catalogues are concerned—for at least 18 months unless it comes to some agreement with Decca. In America, EMI has a number of arrangements for selling its own recordings and for distributing those of American companies here. The oldest of them, with RCA-Victor, covers the sale of RCA catalogue in this country and of HMV records in America. Another covers the English distribution of Metro-Goldwyn Mayer records. Then, in 1953, EMI set up its own American distributing organisation to sell British Columbia records under the trade-mark Angel. The arrangements for EMI sales in the US have covered predominantly classical recordings. Capitol will provide, presumably, an outlet in the popular field. EMI lost the American Columbia catalogue in 1952, when Columbia transferred its rights in Europe to the newcomer Philips. Since then, competition in record sales has intensified in this country and in America. The last major change has been the entry of Pye Radio through the purchase of the small recording company Nixa, which has specialised in classical recordings but may broaden its field.

The £100 Million Look

Two building societies passed the £100 million target in total net assets last year. The Co-operative Permanent just lost the race with the Woolwich Equitable to reach it first. Nevertheless the growth in the Co-operative society's figures for 1954 was impressive: total assets were up by £19.6 million at £106.3 million. Last year's rate of growth was faster than in 1953. There was a record inflow last year of £27.2 million of share and deposit money—an increase of £6.7 million over 1953; of last year's total no less than £23.4 million came from share subscriptions. There was also a record outflow of mortgage advances;

these amounted to £24.7 million, an increase of £5.4 million over the 1953 total.

Such growth could not take place without running down the ratio of reserves to total assets. Even though an addition of £418,673 has been made to reserves and undistributed balances, the new figure of £3.8 million is only 3.59 per cent of total assets against 4.12 per cent at the end of 1953. The society has held the outflow of mortgages in check sufficiently to ensure that its liquid assets should rise. At £16.4 million they show a rise of £4.1 million and the ratio of liquid funds to total assets has risen from 14.92 per cent to 15.44 per cent—half of this being held in cash. An interim statement from the Woolwich bringing its figures up to December 31st although its financial year ends on September 30 shows that this society still leads the Co-operatives by a short head. Total assets of the Woolwich were £108.7 million, having risen by £19.5 million in twelve months.

SHORTER NOTES

The Road Haulage Disposals Board has sold 12,576 out of the 18,000 nationalised lorries that have now been put up for public tender. All the general haulage depots outstanding, and the vehicles and equipment that go with them, will be placed on offer in the early part of March. Including 1,400 lorries offered once already but not sold, this list covers about 149 depots and 5,830 vehicles on the trunk

and remaining tramp services not affected by previous disposals.

The Union Discount Company has announced a final dividend of 7½ per cent, making 12½ per cent in all for 1954. This compares with a rate equivalent to 9.63 per cent paid in 1953. Net profits rose by 37.3 per cent from £368,000 to £505,000. This brought the aggregate increase in the profits of the "Big Three" discount houses to £242,653, or 23.8 per cent.

North American hardwood to the value of £3 million fob can be imported into Britain this year. The quota is additional to supplies—amounting to just over £1 million in 1954—that can be imported for specific purposes.

Following the revision of strategic controls over exports, the Board of Trade has now published the consequential changes in export licensing control.

The figures for hire purchase in the radio and television market given in *The Economist* last week were transposed. The hire purchase share for radio rose from 38.99 per cent in October, 1953, to 52.89 in October, 1954, and in television the hire purchase share rose from 51.35 per cent to 65.99 per cent.

Company Notes

MARLEY TILE (HOLDING).

The boom in house building has put a lot more money in the pockets of the ordinary shareholders of Marley Tile. Their dividend for the year to October 31st at 25 per cent was double that paid in 1952-53. And, holding out the promise of still better things to come, that dividend was followed by the announcement of a 150 per cent free scrip issue. The scrip issue was coupled with proposals giving the participating preference stocks a more up-to-date look. With the building boom still racing ahead, it is not surprising that the company's 5s. ordinary shares have been put on a yield basis of 4 per cent at the current price of 31s. 6d. xd.

The bigger dividend has come from much higher net profits. The trading surplus increased moderately from £1,420,000 to £1,516,000, but, as taxation and other charges fell steeply, net profits advanced much more sharply—from £293,605 to £475,356. Shareholders have done well because the group had prepared itself for the boom in trade. It ploughed back the greater part of its earnings; it raised new money through the issue of a debenture by a subsidiary; and in 1952-53 it spent over £550,000 on capital account. While the boom was at

its height the company continued to add to its fixed assets, spending over £865,000 on them in 1953-54. The growth in fixed capital has gone hand in hand with an expansion in working capital and the group has been left short of liquid resources. Fortunately the group's new factories and extensions are coming into production quickly.

WESTINGHOUSE BRAKE AND SIGNAL.

Gradually, but only gradually, the directors of Westinghouse Brake and Signal are breaking with their long tradition of conservatism in dividend payments. In the last three financial years the ordinary dividend has been raised—though only in small steps. For the 53 weeks to October 2nd a dividend of 18 per cent, compared with 16 per cent in 1952-53, has been recommended. The more critical would say that this increase is long overdue and does not look over-generous compared with the rise in net profits from £431,540 to £743,062. The group, whose interests are concentrated on producing capital equipment for the railways, has been adding steadily to its capacity. Its sales have been expanding. Its earnings have been rising. With the trading surplus in the latest year going up from £1.5 million to £1.9 million. Its

order books are full. It has expanded its productive capacity and added to its commitments in working capital without imposing any strain upon its cash balances.

In reviewing the past year the chairman, Mr A. R. S. Nutting, finds only one danger spot—intensified competition from manufacturers on the Continent. This is important for a group which exports half of its output. But the prospect for the current year adds up in Mr Nutting's words to an order book "at a high level" and to "good results." But he still insists that the "board must conserve the financial resources of the company."

WEST RIDING WORSTED AND WOOLLEN MILLS.

This is a growing Yorkshire combine. In 1952-53 it added Wadsworth and Sons and in 1954 John Murgatroyd and Son to its list of mills. The combine is vertically integrated. But in the year to August 31st the directors had to report a decline in profit from a more broadly based business. Trading profits fell from £1,707,146 to £1,520,435. The chairman, Sir John Keeling, offers only half an explanation. He refers to "certain favourable factors that helped to swell profits in 1952-53 without specifying what they were. He also explains that while the mills remained at a high level of activity" profit margins were lower. He associates this drop in margins with the fall in the price of merino wool. Even so, the group's stocks were £200,000 higher at £4.8 million at the end of August. The company has a sto-

reserve of £310,000, covering about 12 per cent of the book value of its stocks.

Net profits also declined—from £762,455 to £602,078—but, allowing for a 40 per cent scrip issue, the ordinary dividend was raised slightly, from 17.1 to 17.7 per cent. Much bigger dividends in the early future seem to be ruled out by Sir John's statement that while sales have been well maintained profit margins are still narrowing. It will be reassuring for shareholders to learn that their chairman trusts they will not be "disappointed" with the current year's results. It would have been even more useful if he could have told them something of the state of the company's order book, which is presumably still healthy. At the current price of 60s. the £1 ordinary shares yield 5½ per cent, one of the more slender yields in the wool textile group of equities.

★

ASSAM COMPANY. The oldest British-owned tea company in India is proving the pivot of the most interesting struggle for control recently seen in the tea share market. The issued capital is £1 million in £1 ordinary units, widely spread among investors. An Indian buyer who has raised the price of the shares from 27s. a month ago to 43s. 6d. is believed in the process to have acquired a holding of the order of 40 per cent of the company. The figure must be accepted with reserve, for no one knows just what holding may have been acquired in the latest and most active phase of the buying. Probably Indian buying is also responsible for the present active market and steeply rising price of Jorehaut Tea Company. These are examples of a phase that had

been expected in the tea share market. Current financial results, and current values of tea gardens justify it. Assam Company closes its year on December 31st and the 1954 results are still far away, though the recent interim dividend of 3 per cent tax free against 2 per cent less tax, points in the right direction. So do the current figures coming forward from other tea companies.

Central Province Ceylon, though it closes its year on June 30th and has therefore not included the best of the high price period, still announces the best results in its history with a net profit before tax of £252,054, compared with £95,877. The final dividend of 20 per cent is payable on a doubled capital so that the total payments for the year are equivalent to 50 per cent on the old capital, compared with 17½ per cent. Several tea estates in announcing their crop figures to mid-December have also pointed out that though costs show a tendency to rise the prices realised at auction have much more than made up for that.

What should the attitude of shareholders of the Assam Company be? They will, like everyone else, feel regret that Indian nationalism should be producing an effort to acquire the tea investments. They will feel also a regret that Indian capital should, with the acquiescence apparently of the Indian Exchange control, be seeking to replace British investments rather than building up the capital assets for that under-developed country. But in terms of hard cash the Assam Company's units, though reasonable in relation to probable break-up values, are high compared with other tea shares. The company's long record is respectable, but not inspiring. It is scarcely reasonable to expect shareholders not to sell.

LONDON STOCK EXCHANGE

Next Account begins: January 19th
Next Contango Day: January 19th
Next Settlement Day: January 25th

ALTHOUGH gilt-edged stocks were depressed at the beginning of this week by the rise in bill rates and talk of dearer money, industrial equities made an extremely strong advance. That advance, was checked on Wednesday but prices hardened on Thursday. Although sales in the gilt-edged market were not heavy at the beginning of the week, uncertainty about interest rates brought prices tumbling down. War Loan, for instance, lost ½ on Monday and then lost a further ½ on Tuesday. On Wednesday, however, the fall in prices was checked and a few stocks closed with a few slight net gains. War Loan remained unchanged at 87½. Prices improved on Thursday when War Loan gained ½ of a point. The early weakness in the Funds was reflected in losses among the Dominion and Colonial issues. Banking and insurance shares were generally easier, but Hong Kong and Shanghai moved very erratically both before and after the announcement of the scrip issue. In the foreign market Far Eastern issues were dull and German issues were unsteady until Wednesday when renewed demand lifted the price of the Potash bonds.

Dealings in the industrial market, which had gone ahead before the week-end, were very active on Monday and the *Financial Times* ordinary share index rose from 188.5 to 191.3. It went up to 191.4 on Tuesday before falling back on Wednesday in the face of profit taking to 190.2. The market was unsettled by the heavy fall in the Funds and the overnight setback on Wall Street. Prices, however, were rallying towards the close on Wednesday and they remained firm on Thursday. Most stocks took part in these movements, but the most pronounced changes were recorded in the engineering and store groups.

Oil shares in an active market followed the pattern established elsewhere in the equity market. Tea shares were firm but rubber shares tended to wilt. Kaffirs were dull at first, cheered up a little on the quarterly reports and then began to lose ground again on Thursday. Coppers, apart from a brief rally on Tuesday, were generally easier.

FINANCIAL TIMES INDICES

	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
1955				
Jan. 5...	186.6	115.93	3.77	4.53
" 7...	187.3	115.91	3.77	4.52
" 10...	188.5	115.97	3.76	4.49
" 11...	191.3	115.81	3.79	4.42
" 12...	191.4	115.51	3.82	4.42
" 12...	190.2	115.54	3.82	4.45
1954, High.	184.0	118.10		
" Low.	131.1	111.78		
(Jan. 1)	(Jan. 5)			
1953, High.	131.5	112.55		
" Low.	133.9	105.68		
(May 20)	(Jan. 5)			
Total bargains				
1955	Jan. 5	6	12,912	
" 6	" 6	5	13,373	
" 7	" 7	10	18,836	
" 11	" 11	11	17,416	
" 12	" 12	12	15,141	

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954		Price, Jan. 5, 1955	Price, Jan. 12, 1955	Net Yield, Jan. 12, 1955	Gross Yield, Jan. 12, 1955	Prices, 1954		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Jan. 5, 1955	Price, Jan. 12, 1955	Yield, Jan. 12, 1955
High	Low					High	Low					
100½	99½	100/0/10	100/0/9	1 16 6	1 16 6	38/3	20/8½	15 a	STEEL & ENGINEERING	36/6	39/-	4 9 9p
100½	98½	Do. As'td. Exchequer 1960	98½	1 7 7	2 5 4	12/4	8/9	15 a	B.S.A. £1	10/6	11/-	6 14 6
100½	99½	Do. As'td. Funding '66-68	99½	1 16 9	3 4 0	24/7½	23/3	10 b	Cammell Laird 5/-	24/6	24/6	4 4 2
100½	99½	Exchequer 2½% '63-64	99½	1 10 4	2 13 6	73/6	49/9	10 b	Dorman Long £1	67/-	71/3	5 11 9
105½	101½	Exchequer 3% 1960	104½	0 18 5	2 6 11	45/6	34/6	12½ a	Guest Keen N'fold £1	44/3*	44/9*	5 11 9
105½	99½	Exchequer 3% '62-63	102½	1 6 9	2 13 8	30/1½	24/10½	12½ a	Stewarts & Lloyds £1	30/-	29/4½	6 16 2
101½	99½	Serial Funding 2½% 1957	100½	1 4 0	2 5 6	29/6	22/-	4 a	Summers (John) £1	29/4½	29/4½	3 15 11½
101½	100½	Serial Funding 3% 1955	100½	0 11 9	2 3 11	41/10½	23/9	15 c	United Steel £1	39/6	39/6	6 14 5m
101½	100½	War Bonds 2½% '54-56	100½	1 6 10	2 8 2½	32/-	21/4	15 c	Vickers £1	29/9	29/9	6 14 5m
101½	100½	Funding 2½% '52-57	100½	1 6 3	2 11 9½	32/4	24/9	12 b	Bradford Dycers £1	28/6	29/6	6 2 0o
102½	100½	War Loan 3% '55-59	100½	1 9 7	2 18 0	31/4	24/8	10 b	Brit. Celanese £1	27/6	28/-	5 7 2½
100½	95½	Savings Bonds 3% '55-65	100½	1 14 5	3 1 3½	41/2	25/2	4½ b	Coats (J. & P.) £1	41/6	42/6	3 15 4½
101½	97½	Funding 2½% '56-61	100½	1 8 10	2 22 5½	32/4½	23/8	10 a	Courtaulds £1	31/-*	31/7*	8 1 3x
98½	92½	Funding 3% '59-69	96½	1 19 5	3 7 8½	39/9	30/6	15b	Launce. Cotton £1	35/-	32/3	6 4 0m
101½	93½	Funding 3% '66-68	98½	1 16 9	3 4 0½	31/3	25/4	12½ b	Patons & Baldwins £1	35/-	32/3	6 4 0m
99½	95½	Funding 3% 1999-2004	95½	2 1 10	3 14 6½	25/10½	17/9	6½ b	MOTOR & AIRCRAFT	19/1½	19/4½	5 3 3
105½	100½	Funding 4% '60-90	103½	1 13 5	3 10 5½	12/5½	6/3½	4 a	Bristol Aeroplane 10/-	11/-	12/3	5 2 0
98½	90½	Savings Bonds 3% '60-70	96½	2 0 8	3 9 5½	30/3	20/9	7½ c	British Motor 5/-	21/10½	24/3	6 3 9
97½	90½	Savings Bonds 2½% '64-67	94½	1 18 7	3 2 4	83/6	35/9	12 c	De Havilland £1	48/-	51/6	4 1 7
106½	101½	Victory 4% '20-76	105½	1 17 0	3 13 5½	49/4½	23/10	3 a	Ford Motor £1	101/10½	105/-	4 15 3
96½	87½	Savings Bonds 3% '65-75	94½	2 2 11	3 10 0½	108/8	80/6	25 c	Hawker Siddeley £1	78/9	78/9	2 19 3½
99½	93½	Consols 4% aft. Feb. '57	96½	2 5 7	4 2 9½	81/3	44/-	12½ b	Leyland Motors £1	7/7½	7/7½	7 17 5
93	84½	Conv. 3½% aft. April '61	89½	2 4 0	4 0 4½	9/-	5/5½	12½ b	Rolls Royce £1	29/-	32/-	3 10 4
104½	99½	Conv. 3½% 1969	102½	1 15 9	3 8 0	30/6	22/9	22½ c	Standard Motor 5/-	41/1½	44/6	6 3 7
100½	99½	Conv. 2% 1958-59	99½	1 7 6	2 5 8½	50/6	32/-	7½ a	Boots Pure Drug 5/-	59/-	60/-	3 2 6½
69½	63½	Treas. 2½% aft. April '75	66½	2 2 2	3 17 0½	63/3	26/7½	45 b	Burmah £1	108/9	110/-	4 1 10
82½	74½	Treas. 3% aft. April '66	78½	2 2 10	3 18 3½	79/6	36/11	40 b	G.T. Universal 5/-	66/6	69/9	2 17 4½
101½	92½	Treas. 3½% '77-80	98½	2 0 11	3 13 1½	65/3	42/8	37½ b	Lyons (J.) 'A' £1	86/10½	84/4½	2 0 4½
101½	92½	Treas. 3½% '79-81	99½	2 0 9	3 12 7½	121/10	77/10	10½ b	Royal Dutch 100 B.	132/6	132/6	2 12 10
91½	82½	Redemption 3% '86-96	88½	2 2 5	3 12 6½	34/-	17/6	5½ a	Shell Reg. £1	127/6	126/3	3 11 11½
92½	84½	War L'n 3½% aft. Dec. '52	88½	2 4 4	4 0 9½	65/3	42/8	15½ b	Marks & Spen. 'A' 5/-	70/-	72/6	2 11 9½
69½	63½	Consols 2½%	66½	2 2 0	3 16 5½	84/7½	33/7½	17½ c	Woolworth 5/-	132/6	132/6	2 12 10
97½	88½	Br. Elec. 3% '68-73	94½	2 1 5	3 10 1½	125/10½	56/9	12 b	British Petroleum £1	453*	453*	2 7 3½
95½	87½	Br. Elec. 3% '74-77	93½	2 1 5	3 10 4½	121/10	77/10	10½ b	Burmah £1	34/9	34/3	5 6 3
101½	93½	Br. Elec. 4% '74-79	108½	1 17 5	3 14 9½	47/9	30/3	16 c	Trinidad L'hoids 5/-	34/-	34/6	5 11 4½
92	83½	Br. Elec. 3% '76-79	88½	2 0 8	3 12 11½	47/9	30/3	12 c	Cunard £1	47/-	48/6	4 19 0
97½	88½	Br. Trans. 3% '68-73	94½	2 3 11	3 13 6½	61/3	31/3	16 b	Furness Withy £1	65/-	66/6	3 6 2½
108	100½	Br. Trans. 3% '72-77	104½	1 18 5	3 13 9½	64/-	41/9	7½ b	Assoc. Elect. £1	62/6	66/3	4 4 6½
92½	84½	Br. Gas 3% '90-95	88½	2 2 7	3 12 6½	67/9	38/-	12½ b	Assoc. Port. Cem. £1	98/2½	102/6	3 8 4
103½	96½	Br. Gas 3½% '69-71	102½	1 16 9	3 8 10½	52/6	38/-	7½ b	B.I.C.C. £1	48/6	49/6	4 0 10
108½	99½	Br. Gas 4% '69-72	105½	1 16 2	3 10 1½	80/-	33/-	16 c	Bowater Paper £1	78/9	78/9	3 0 11½

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

Prices, 1953		Prices, 1954		Price, Jan. 5, 1955	Price, Jan. 12, 1955	Yield, Jan. 12, 1955
High	Low	High	Low			
92	84½	97½	90½	94*	94*	3 16 8
101½	97½	101½	97½	101	101	3 18 7½
98½	98½	106½	98½	104½	104½	3 14 0½
73½	68½	79½	71½	74½	75	4 0 6
95½	90½	99½	95	99	99	3 2 4½
81½	73½	87½	80	82½	82½	3 15 9½
104½	101½	104½	100	100	100	4 17 6½
...	...	109½	102	102	101	...
...	...	168½	171	162	161½	...
139½	119	170½	132½	164	163	...
176	136	198½	167	193½	194	...

Prices 1954		Last Two Dividends		ORDINARY STOCKS	Price, Jan. 5, 1955	Price, Jan. 12, 1955	Yield, Jan. 12, 1955
High	Low	(a)	(b) (c)				
BANKS & DISCOUNT							
51/9	42/3	5 a	7 b	Barclays £1	57/-	55/6	4 6 6
75/4½	58/9	7 a	8 b	Lloyds 'A' £5, 1 pd.	76/6	69/6	4 6 4
90/-	74/9	8 a	10 b	Midland £1, fully pd.	87/-	88/-	4 1 10
85/9	72/7½	8½ a	9½ b	N. Prov. 'B' £5, 1 pd.	86/6	83/6	4 6 3
3/9	79/6	8 a	8 b	Westminster 'B' £4, 11 pd.	96/-	94/6	4 4 8
68/6	46/-	7½ a	8½ b	Alexanders £1	63/6	60/6	4 2 8
52/6	40/10½	5 a	7 b	Nat. Disc. 'B' £1	53/-	57/6	4 3 6
57/9	44/6	5 a	7½ b	Un'on Disc. £1	54/-	58/6	4 5 6
50/-	37/6	4 a	4 a	Barc. (D.C.O.) £1	45/-	48/-	3 6 8
49/-	40/3	7 b	7½ a	Chart. Bk of India £1	47/-	50/-	5 16 0
INSURANCE							
16½	9½	50 a	85 b	Leg. & Gen. £1, 5/- pd.	16	16½	2 1 6
25½	20½	40½ b	20½ a	Pearl £1, fully pd.	23½	23	4 14 11
47½	35½	105½ c	112½ c	Prudential 'A' £1	43½	44½	4 11 11
BREWERIES, ETC.							
38/1½	125/-	10 a	33 b	Bass £1	134/1½	134/4½	6 9 3
28/10½	17/4½	25 c	10 a	Distillers 4/-	28/9*	28/6*	3 10 2
43/3	31/-	8 a	15 b	Guinness 10/-	42/6	44/-	5 4 7
96/-	60/-	15½ b	7 a	Whitbread 'A' Ord. £1	92/6	92/6	4 18 0

* Ex dividend. † Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield basis 40%. (e) To earliest date. (f) Flat yield. (g) Yield basis 14% as forecast by company. (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 9½%. (o) Yield basis 9%. (p) Yield basis 8½%. (q) Yield basis 22% gross. (r) Yield basis 37½%. (s) Yield basis 22.7% gross. (t) Yield basis 12.6%. (u) Interim dividend for 15 months. Yield basis 12%. (v) Yield basis 7½%. (w) Yield basis 17½%. (x) Yield basis 12½%. (y) Yield basis 11%, after capital bonus.

New York Closing Prices

	Jan. 5	Jan. 12		Jan. 5	Jan. 12
Balt. & Ohio	38½	38½	Am. Smelting	44	46½
Can. Pac.	30½	30½	Am. Viscose	43½	42½
N.Y. Cent.	33½	35	Cel. of Am.	24½	25
Pennsyl.	22½	23½	Chrysler	69½	69½
Amer. Tel.	174½	173½	Gen. Elec.	48	50½
Stand. Gas	15½	15½	Gen. Motors	97½	96½
United Corp.	6½	6½	Goodyear	103	105½
W. Union Tel.	80½	80½	Inter. Nickel	57½	58½
			Westinghouse	78½	79½
			Woolworth	50½	52½

THE ACTUARIES' INVESTMENT INDEX

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 203.

Comparative analysis of 638 profit and loss accounts published October-December, 1954 (£'000)

Industry	Breweries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(43)		(21)		(28)		(6)		(1)		(28)		(54)		(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	32,194	35,661	4,171	5,558	21,231	21,394	5,575	6,666	40	Dr. 129	9,597	11,335	19,301	24,449	8,251	8,568
Income from investments	1,859	1,992	56	74	275	348	46	171	10	23	255	263	223	195	306	347
Other current income	1	2	...	...	21	4	2	2	5	15	2	2	23	27	...	...
Non-recurring credits	1,711	778	767	446	1,375	1,262	81	961	...	9	510	284	886	682	273	163
Total Income	35,765	38,433	4,994	6,078	22,902	23,008	5,704	7,801	55	Dr. 82	10,364	11,884	20,433	22,353	8,830	9,078
Repairs and maintenance	1,516	1,422	652	754	4,255	4,959	409	417	...	11	1,910	2,336	2,457	2,686	1,044	1,199
Depreciation	2,880	3,242	652	754	4,255	4,959	409	417	...	11	1,910	2,336	2,457	2,686	1,044	1,199
Income tax (excl. profits tax)	12,216	12,930	1,432	1,996	6,838	6,581	2,207	2,606	...	2	3,400	3,890	6,759	7,899	2,923	2,698
Profits tax	2,843	3,068	411	426	1,770	1,388	741	874	...	2	888	891	2,283	2,004	689	548
Directors' emoluments	916	930	310	347	803	780	222	261	...	5	420	464	1,200	1,234	514	509
Administrative charges, etc.	1,884	2,039	305	331	538	558	51	49	...	25	202	259	727	681	25	51
Contingencies, provisions, etc.	1,757	1,887	258	190	1,005	777	89	138	...	1	317	669	957	1,012	245	276
Pensions	324	339	54	48	263	150	14	49	...	1	282	198	232	184	67	68
Minority share in profits	211	280	23	25	2,174	2,117	268	1,222	...	Dr. 16	399	623	1,028	1,248	967	773
Profits retained by subsidiaries	884	1,210	153	396	2,174	2,117	268	1,222	...	Dr. 16	399	623	1,028	1,248	967	773
Debiture interest	1,577	1,735	266	263	201	274	209	249	...	13	198	207	211	223	88	71
Preference dividends	893	944	308	280	590	601	243	249	...	10	198	207	211	223	88	71
Ordinary dividends	5,153	5,812	317	444	1,700	1,905	811	1,043	...	...	973	1,172	1,821	2,078	690	772
Revenue reserves	1,854	1,695	227	557	2,200	3,108	100	288	...	31	2,103	2,207	4,997	5,505	1,537	1,634
Brought in (parent company)	7,657	8,514	1,160	1,464	2,631	2,519	649	820	...	Dr. 109	2,207	2,339	5,505	6,360	1,634	1,674
Carried forward (parent company)	8,514	9,414	1,464	1,483	2,519	2,448	820	986	...	Dr. 109	2,207	2,339	5,505	6,360	1,634	1,674

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(6)		(10)		(16)		(43)		(14)		(82)		(5)		(8)	
	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year
Gross trading profit	3,498	4,326	4,210	5,679	6,741	8,207	58,798	75,950	11,109	12,126	36,798	37,158	1,858	1,088	3,255	4,031
Income from investments	131	132	58	92	173	239	379	652	...	171	222	938	253	238	47	43
Other current income	660	164	222	157	807	286	4,385	1,447	...	5,582	6,392	10	12	23	...	752
Non-recurring credits	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Total Income	4,289	4,622	4,490	5,928	7,721	8,732	63,563	78,049	17,092	19,043	40,316	39,970	2,337	1,422	3,282	4,826
Repairs and maintenance	471	548	1,280	1,367	993	1,052	10,085	12,237	...	514	636	5,506	6,345	280	538	578
Depreciation	1,406	1,687	1,381	1,739	2,488	2,994	24,004	30,010	...	1,738	2,153	14,425	15,448	785	1,224	1,760
Income tax (excl. profits tax)	464	594	608	647	654	725	6,888	6,585	...	480	501	3,235	2,602	153	265	334
Profits tax	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Directors' emoluments	180	158	225	238	425	485	1,445	1,586	...	316	338	1,772	1,820	42	206	216
Administrative charges, etc.	13	26	102	90	282	295	183	216	...	12,532	13,184	443	552	26	57	53
Contingencies, provisions, etc.	530	484	26	113	484	333	1,542	2,067	...	49	101	3,945	4,607	307	107	666
Pensions	47	19	181	202	234	268	743	860	...	...	...	227	252	3	53	54
Minority share in profits	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Profits retained by subsidiaries	52	310	74	41	238	464	9,353	12,259	...	101	236	2,068	1,242	151	44	Dr. 308
Debiture interest	13	12	520	530	80	93	225	249	...	18	18	218	227	...	37	236
Preference dividends	41	32	120	125	81	83	626	664	...	201	251	506	520	...	41	16
Ordinary dividends	297	422	373	469	972	1,123	5,097	6,203	...	656	774	3,109	3,534	255	61	708
Revenue reserves	315	834	430	528	240	208	1,972	3,501	...	818	879	3,501	3,555	368	1,480	2,772
Brought in (parent company)	902	1,362	Dr. 3,169	Dr. 4,038	2,954	3,459	7,572	8,198	...	2,388	2,585	7,522	7,948	371	2,772	2,486
Carried forward (parent company)	1,362	1,058	Dr. 4,038	Dr. 4,304	3,469	4,026	8,198	8,679	...	2,585	2,596	7,948	8,825	368	371	2,486

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS			
	No. of Companies		(8)		(9)		(8)		(6)		(88)		(21)		(116)		638 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	Prev. Year	Latest Year
Gross trading profit	588	911	1,907	2,188	3,922	4,715	10,817	11,530	3,886	2,514	297	1,894	15,628	17,162	263,672	299,981	13,621	15,491
Income from investments	8	9	22	27	137	130	157	116	298	301	18	18	7,802	9,113	5,858	4,716	13,215	13,215
Other current income	1	1	...	...	...	...	...	...	113	132	1	49	698	1,725	...	...	...	...
Non-recurring credits	222	237	515	135	794	302	155	49	583	1,093	45	...	...	...	...	...	...	...
Total Income	819	1,158	2,444	2,350	4,853	5,147	11,155	11,721	4,880	4,040	361	1,963	24,186	28,079	302,835	335,682	2,446	2,446
Repairs and maintenance	67	102	...	348	1,402	1,499	2,828	3,000	657	661	107	208	1,519	1,725	2,759	40,332	46,328	46,328
Depreciation	229	246	314	730	1,258	1,426	4,277	4,635	1,140	1,161	281	631	8,779	9,806	99,775	111,498	111,498	111,498
Income tax (excl. profits tax)	214	293	579	178	245	309	173	173	330	389	56	100	1,826	1,873	24,990	24,280	24,280	24,280
Profits tax	49	57	137	178	245	309	173	173	330	389	56	100	1,826	1,873	24,990	24,280	24,280	24,280
Directors' emoluments	95	98	191	181	241	251	141	109	114	110	30	38	634	685	10,447	10,879	10,879	10,879
Administrative charges, etc.	32	33	15	21	154	167	2	5	303	268	114	212	864	878	18,679	19,805	19,805	19,805
Contingencies, provisions, etc.	13	...	159	72	205	314	1,290	1,228	1,212	807	32	39	648	608	15,741	16,495	16,495	16,495
Pensions	...	...	12	12	33	28	15	16	13	13	8	14	64	78	2,874	2,856	2,856	2,856
Minority share in profits	...	...	2	33	5	3	...	...	2	2	...	...	...	...	...	...	...	...
Profits retained by subsidiaries	Dr. 11	18	324	344	77	15	743	376	3	27	...	...	626	1,660	19,716	24,273	24,273	24,273
Debiture interest	30	37	92	71	143	144	...	...	57	59	19	20	2,134	2,469	6,446	7,148	7,148	7,148
Preference dividends	49	46	43	47	109	109	21	21	11	11	14	15	1,131	1,170	5,551	5,732	5,732	5,732
Ordinary dividends	68	87	336	319	365	417	757	1,140	677	654	112	249	4,061	5,162	29,152	34,961	34,961	34,961
Revenue reserves	...	132	145	156	613	267	842	825	164	182	55	170	1,236	1,984	20,285	24,390	24,390	24,390
Brought in (parent company)	295	251	431	526	640	643	1,092	1,198	1,560	1,757	70	Dr. 397	Dr. 397	6,681	51,552	56,474	56,474	56,474
Carried forward (parent company)	251	260	526	364	643	841	1,198	1,391	1,757	1,453	Dr. 397	Dr. 130	7,148	6,899	56,474	59,410	59,410	59,410

Comparative analysis of 638 balance sheets published October-December, 1954 (£'000)

Industry	Breweries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(43)		(21)		(28)		(6)		(1)		(28)		(54)		(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	195,030	209,601	23,272	25,267	75,467	86,693	23,809	25,395	364	334	35,066	39,191	43,815	48,306	21,287	25,483
Trade investments	5,134	4,302	230	274	2,467	2,899	2,478	350	310	310	1,589	1,845	1,845	1,703	1,062	1,021
Stocks	38,050	37,692	20,653	20,582	63,738	56,144	7,448	7,990	711	1,154	17,480	19,408	37,268	33,681	11,612	11,630
Debtors	15,839	16,787	3,264	3,006	22,976	27,171	7,560	6,275	252	240	14,449	16,151	20,696	22,802	10,650	10,404
Net balances due to parent company	241	382	24	746	106	337	...	25	211	212	123	...	149	516	...	57
Gift edged	9,016	192	...	185	441	136	...	25	...	62	324	85	330	630	...	164
Cash	21,793	27,117	2,022	3,004	15,238	19,599	8,906	3,233	...	63	...	5,517	6,567	16,276	19,147	5,294
Other marketable investments	6,459	6,484	223	245	691	695	...	448	...	...	4,822	4,221	393	810	1,521	1,708
Intangible assets	6,148	6,119	1,848	2,527	1,706	1,279	10,179	11,954	334	407	663	616	1,282	1,176	964	766
Total Assets	296,506	317,554	51,728	55,090	182,470	194,923	54,785	57,670	2,245	2,660	78,771	88,323	121,723	128,471	53,143	58,378
Bank overdrafts and loans	1,192	765	4,756	5,275	10,854	10,547	1,157	870	...	614	1,228	1,137	3,370	2,284	1,007	1,241
Reserve for future income tax	12,267	13,612	1,617	2,189	6,880	6,929	4,809	3,287	17	...	3,839	4,229	8,380	9,144	3,319	3,227
Depreciation and obsolescence	28,579	31,735	5,274	6,034	24,830	28,358	871	901	105	99	13,790	16,461	17,649	19,760	5,825	6,982
Capital reserves and EPT refunds	21,742	21,384	5,582	5,575	10,128	16,702	14,110	12,168	42	42	3,772	4,980	9,541	9,249	2,807	2,800
Other provisions	5,224	5,061	888	448	5,876	6,321	1,170	1,239	...	...	204	195	1,133	1,420	1,235	1,155
Current liabilities and creditors	43,163	47,433	7,229	9,298	38,979	37,097	7,812	8,484	78	57	17,935	19,150	28,968	27,881	14,453	16,178
Revenue res. and carried forward	56,212	60,876	5,629	6,603	40,251	43,069	6,969	8,791	128	Dr. 27	16,806	17,348	34,717	27,477	15,484	16,579
Net balances due to subsidiaries	42	17	18	76	2,986	1,715	...	...	...	...	98	122	91	66	12	14
Minority interests	5,308	6,377	652	859	1,479	1,563	4,430	4,899	...	...	706	780	407	354	939	990
Debenture capital	40,382	43,937	6,096	6,113	5,876	5,971	2,793	3,641	400	400	8,452	4,388	2,574	3,062	...	...
Preference capital	28,933	30,190	7,598	7,566	17,643	17,642	7,046	7,045	1,275	1,275	6,230	6,228	7,012	7,184	1,896	2,093
Ordinary capital	63,462	56,167	6,839	7,057	16,478	19,003	3,119	6,345	200	200	11,431	13,305	17,681	20,590	5,466	7,119
Total Liabilities	296,506	317,554	51,728	55,090	182,470	194,923	54,785	57,670	2,245	2,660	78,771	88,323	121,723	128,471	53,143	58,378

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	Jan. 1st	Western Europe:	Jan. 1st
Production and Consumption.....	Jan. 8th	Production and Trade.....	Jan. 8th
Manpower.....	Dec. 18th	British Commonwealth.....	Jan. 8th
External Trade.....	Dec. 25th	Western Europe:—	Dec. 18th
Financial Statistics.....	This week	Prices and Money Supply	Dec. 25th
Industrial Profits.....	This week	United States.....	Dec. 25th
		World Trade.....	This week

World Trade

(Million US Dollars)

	Exports (f.o.b.)					Imports (c.i.f.)				
	1938	1952	1953	Annual Rate		1938	1952	1953	Annual Rate	
				April to June, 1954	July to September, 1954				April to June, 1954	July to September, 1954
WORLD										
Total (1)	20,837	74,184	74,907	78,425	...	23,557	80,188	76,399	80,300	...
STERLING AREA										
Total	5,626	18,767	18,580	18,649	...	7,784	21,980	19,961	20,468	...
United Kingdom	2,603	7,639	7,525	7,811	7,689	4,496	9,736	9,366	9,584	9,434
UK dependencies	866	3,580	3,221	3,455	...	903	3,804	3,586	3,412	...
Hong Kong	185	510	480	408	430	188	663	678	597	606
Malaya and Singapore	328	1,280	987	979	1,072	315	1,265	1,058	994	1,045
Gold Coast	52	216	226	404	...	50	187	207	191	...
Nigeria	47	337	351	450	...	42	317	303	308	...
Other sterling countries	2,157	7,548	7,834	7,383	...	2,385	8,429	7,009	7,472	...
Australia	530	1,687	1,977	1,604	1,358	527	1,979	1,471	1,893	2,087
Ceylon	104	315	329	350	427	86	358	338	307	...
India	621	1,295	1,116	954	1,190	575	1,686	1,190	1,219	1,241
Pakistan	...	532	439	359	274	...	611	349	253	386
Iraq	68	288	407	409	...	46	173	192	185	...
Ireland	119	284	319	269	353	203	482	514	502	495
Kuwait	...	565	650	695	760	...	146	160	...	...
New Zealand	225	671	659	841	497	225	774	538	590	...
Northern Rhodesia	50	231	266	...	...	28	134	163	...	...
Nyasaland	5	18	20	...	...	4	25	21	...	...
Southern Rhodesia	30	153	165	...	464	51	277	244	389	418
Union of South Africa	161	967	962	840	747	503	1,290	1,310	1,426	1,456
EPU COUNTRIES										
Total continental countries	6,588	19,169	19,431	20,737	20,748	7,804	21,846	21,338	23,446	22,864
Belgium-Luxembourg	733	2,445	2,251	2,284	2,153	765	2,444	2,405	2,545	2,514
Denmark	334	851	883	944	923	354	962	996	1,193	1,168
France	881	3,891	3,790	4,162	3,850	1,324	4,436	4,012	4,425	3,926
Germany, Federal Republic	...	4,002	4,389	4,944	5,348	...	3,814	3,771	4,341	4,552
Italy	553	1,386	1,488	1,505	1,558	593	2,330	2,395	2,434	2,098
Netherlands	594	2,130	2,152	2,260	2,352	803	2,251	2,383	2,652	2,897
Norway	192	565	509	593	567	292	874	912	990	953
Sweden	464	1,572	1,480	1,648	1,614	525	1,730	1,579	1,739	1,720
Switzerland	302	1,100	1,204	1,160	1,230	366	1,202	1,179	1,290	1,278
Turkey	115	363	396	291	233	119	556	532	568	421
Total dependencies (excl. sterling area)	719	2,823	2,883	3,000	...	780	4,334	3,953	4,130	...
Netherlands Antilles	187	731	715	784	...	253	953	868	966	...
NORTH AMERICA										
Total	4,020	19,957	20,382	21,843	...	3,259	16,116	16,878	16,831	...
United States	3,102	15,196	15,775	17,188	14,646	2,465	11,637	11,836	11,856	10,760
Canada (2)	918	4,761	4,607	4,455	4,269	794	4,478	4,842	4,975	4,518
LATIN AMERICA										
Total	1,841	7,107	7,591	7,835	...	1,539	7,588	6,484	7,015	...
Dollar countries	676	4,061	3,982	4,347	...	572	3,451	3,452	3,660	...
Cuba	143	677	654	684	...	119	667	529	...	...
Mexico	147	581	536	402	563	114	808	820	767	676
Venezuela	181	1,552	1,448	1,684	...	107	810	828	960	...
Other countries	965	3,046	3,609	3,488	...	967	4,147	3,032	...	...
Argentina	408	709	1,148	...	...	440	1,196	862	3,355	...
Brazil	289	1,409	1,539	1,279	1,490	295	2,010	1,320	1,535	...
REST OF THE WORLD										
Total	2,285	6,361	6,040	6,561	...	2,391	8,208	7,985	8,410	...
Egypt	147	417	394	395	258	185	628	503	423	469
Indonesia	381	916	820	764	925	275	924	753	666	634
Iran	146	152	...	77	...	79	165	...	198	...
Japan (3)	767	1,273	1,275	1,507	1,668	759	2,028	2,410	2,756	1,994

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:—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 8 days ended January 8th there was "above-line" surplus (after allowing for Sinking Funds) of £96,286,000 compared with a deficit of £10,852,000 in the previous week and a surplus of £18,161,000 in the corresponding period of last year—this brought the cumulative deficit to £259,076,000 (£447,532,000 1953-54). Net expenditure "below-line" last week reached £24,940,000, bringing the total cumulative deficit to £572,524,000 (£746,421,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to Jan. 9, 1954	April 1, 1954 to Jan. 8, 1955	9 Days to Jan. 8, 1954	8 Days to Jan. 8, 1955
Ord. Revenue					
Income Tax	1800,000	775,520	774,023	131,768	98,529
Sur-tax	132,000	65,800	64,600	15,800	14,500
Death Duties	164,375	125,300	141,900	3,500	4,900
Stamps	55,000	42,600	56,870	1,000	1,300
Profits Tax & E.P.T.	172,000	152,300	137,300	7,500	6,500
Excise	60,000	50,350	63,350	2,300	1,300
Special Contribution and other	1,000	870	980	100	150
Inland Revenue					
Total Inland Rev.	2384,375	1212,740	1239,023	161,968	127,179
Customs					
Excise	1062,500	823,203	869,854	25,523	27,167
Excise	719,000	553,690	583,303	4,935	12,235
Total Customs and Excise	1781,500	1376,893	1453,157	30,458	39,402
Motor Duties					
Motor Duties	77,000	29,932	31,251	11,451	10,652
Other (Net Receipts)					
Broadcast Licences	21,000	10,900	15,000	...	1,450
Sundry Loans	24,000	21,995	21,771	1,685	1,010
Miscellaneous	245,000	96,040	135,059	397	2,637
Total	4532,875	2748,500	2897,911	205,959	182,330
Ord. Expenditure					
Debt Interest	570,000	462,445	454,254	11,113	10,192
Payments to N. Ireland Exchequer	51,000	36,625	36,594	2,568	2,621
Other Cons. Fund.	10,000	8,202	7,767	2,466	2,345
Supply Services	3855,399	2662,874	2632,576	90,300	70,000
Total	4486,398	3170,146	3131,191	106,447	85,158
Sinking Funds					
Sinking Funds	36,000	25,866	25,796	1,350	886
"Above-line" Surplus or Deficit					
"Above-line" Surplus or Deficit	447,532	259,076	98,161	96,286	...
"Below-line" Net Expenditure					
"Below-line" Net Expenditure	298,889	313,448	18,043	24,940	...
Total Surplus or Deficit					
Total Surplus or Deficit	746,421	572,524	80,118	71,346	...
Net Receipts from:					
Tax Reserve Certificates	204,438	266,631	16,043	1,997	...
Savings Certificates	12,050	27,000	1,300	1,580	...
Defence Bonds	33,399	11,384	309	711	...

* Since end September the capital expenditure of the Post Office has been charged directly on the Exchequer (instead of being financed from the Savings Funds) and is consequently included in "below-line" expenditure and the total deficit. As at January 8th this item stood at £28,900,000.

FLOATING DEBT

(£ million)

Date	Treasury Bill		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts	Bank of England	
1954					
Sept. 30	4,872.5	...	...	...	5,194.5
Jan. 9	3,110.0	1,679.9	249.6	...	5,039.5
Oct. 9	3,350.0	1,990.4	287.0	...	5,227.4
" 16	3,380.0	1,591.8	295.1	...	5,226.9
" 23	3,410.0	1,544.0	307.9	...	5,261.9
" 30	3,440.0	1,514.3	274.8	...	5,229.0
6	3,450.0	1,483.1	272.3	...	5,205.4
13	3,470.0	1,452.1	273.0	...	5,195.1
20	3,480.0	1,548.1	291.8	...	5,319.8
27	3,480.0	1,571.7	271.2	...	5,322.8
Dec. 4	3,470.0	1,613.4	254.6	...	5,383.0
" 11	3,450.0	1,672.7	256.4	...	5,382.8
" 18	3,440.0	1,727.1	262.2	...	5,429.3
" 31	3,420.0	1,823.5	263.4	...	5,505.9
1955					
Jan. 8	3,400.0	1,771.4	264.7	...	5,436.0

THE MONEY MARKET

From Thursday of last week until Monday last the discount houses were actively engaged in repaying to the Bank the £55-£60 million borrowed at the year-end at the "penal" rate for periods up to ten days. These repayments were made without renewed stringency. Partly because of a lower take-up of Treasury bills—the offer on Friday last was down from £260 million to £230 million and the market's "proportion" from 68½ to 43 per cent—market supplies of credit were adequate throughout the week to Wednesday last.

The market lowered its bid for the 91-day bills on offer at last Friday's Treasury bill tender for the sixth week in succession—and by the unusually wide margin of 4d. per cent, to £99 10s. 4d.; it bid at £99 10s. 3d. per cent for the 92-day bills on offer on account of the incidence of Easter Monday. Anticipation of a higher Bank rate remains an important factor in the market's dealings.

Business in the London gold market has been more active at prices between 251s. 5d. and 251s. 6½d. a fine ounce.

The Bank return shows a further reflux of notes from circulation of £20.6 million. This brought the total reflux since the Christmas peak three weeks ago to £47.8 million and raised the reserve in the banking department to £64.5 million. The market's repayments to the Bank brought discounts and advances down by £50.1 million to £15.7 million, and bankers' deposits fell by £19 million to £262.5 million, the lowest level reached since August, 1953.

LONDON MONEY RATES

Bank rate (from 3½% 13/5/54)	%	Discount rates	%
Bank bills: 60 days	1½	Bank bills: 60 days	1½
3 months	1½	3 months	1½
6 months	1½	6 months	1½
Deposit rates (max)	1½	Deposit rates (max)	1½
Banks	1½	Banks	1½
Discount houses	1½	Discount houses	1½
Money Day-to-day	1½-1½	Fine trade bills:	
Short periods	1½-1½	3 months	2½-3
Treas. bills 2 months	1½	6 months	2½-3
3 months	1½		

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Officia- Rates	Marke' Rates : Spo'						
	January 12	January 6	January 7	January 8	January 10	January 11	January 12	
United States \$...	2-78-2-82	2-78-2-78	2-78-2-78	2-78-2-78	2-78-2-78	2-78-2-78	2-78-2-78	
Canadian \$		2-68-2-69	2-69-2-69	2-69-2-69	2-69-2-69	2-69-2-69	2-68-2-69	
French Fr.	972-65-987-35	976-976	977-977	977-977	976-976	976-976	976-976	
Swiss Fr.	12-15-12-33	12-24-12-24	12-24-12-24	12-24-12-24	12-24-12-24	12-24-12-24	12-24-12-24	
Belgian Fr.	138-95-141-05	139-37-139-42	139-40-139-45	139-40-139-45	139-37-139-42	139-42-139-47	139-40-139-45	
Dutch Gld.	10-56-10-72	10-58-10-58	10-58-10-58	10-58-10-58	10-57-10-58	10-58-10-58	10-58-10-58	
W. Ger. D-Mk.	11-67-11-84	11-74-11-74	11-74-11-74	11-74-11-74	11-74-11-74	11-74-11-74	11-74-11-74	
Portuguese Esc.	79-90-81-10	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	
Swedish Kr.	14-37-14-58	14-51-14-51	14-51-14-51	14-51-14-51	14-50-14-51	14-51-14-51	14-51-14-52	
Danish Kr.	19-19-19-48	19-37-19-37	19-37-19-37	19-37-19-37	19-37-19-37	19-37-19-37	19-36-19-37	
Norwegian Kr.	19-85-20-15	20-01-20-02	20-01-20-02	20-01-20-02	20-01-20-02	20-01-20-02	20-01-20-02	
One Month Forward Rates								
United States \$	Par-1/2 c. dis	Par-1/2 c. dis	Par-1/2 c. dis	Par-1/2 c. dis	Par-1/2 c. dis	Par-1/2 c. dis	Par-1/2 c. dis	
Canadian \$	Par-1/2 c. dis	Par-1/2 c. dis	Par-1/2 c. dis	Par-1/2 c. dis	Par-1/2 c. dis	Par-1/2 c. dis	Par-1/2 c. dis	
French Fr.	1-1/2 c. pm	1-1/2 c. pm	1-1/2 c. pm	1-1/2 c. pm	1-1/2 c. pm	1-1/2 c. pm	1-1/2 c. pm	
Belgian Fr.	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	
Dutch Gld.	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	
W. Ger. D-Mk.	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	
Swedish Kr.	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	
Danish Kr.	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	
Norwegian Kr.	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	Par-1/2 c. pm	
Gold Price at Fixing								
Price (s. d. per fine oz.)	251/5	251/5	...	251/6	251/5	251/5		

Your guide to Canada

The Bank of Montreal will give you first-hand information about business opportunities in prosperous, forward-marching Canada. Through its coast-to-coast network of branches the Bank keeps in close daily touch with Canadian economic life—as it has been doing for over 135 years of Canada's development.



BANK OF MONTREAL

47 THREADNEEDLE STREET, LONDON, E.C.2.
Head Office: MONTREAL
Over 626 Branches across Canada. Assets exceed \$2,500,000,000
Incorporated in Canada in 1817 with Limited Liability

COMMONWEALTH BANK OF AUSTRALIA

(AUSTRALIA'S CENTRAL BANK)

COMMONWEALTH
TRADING BANK
OF AUSTRALIA
(undertakes general
banking business)



COMMONWEALTH
SAVINGS BANK
OF AUSTRALIA
(the largest Savings
Bank in Australia)

Each of these Banks was established by the Australian Parliament and is guaranteed by the Commonwealth of Australia

Combined Assets - £1,980,000,000

All classes of Banking and Exchange business conducted
Branches throughout Australia and territories
Agents and Correspondents throughout the world

HEAD OFFICE—SYDNEY

Governor: H. C. Coombs

Deputy-Governor: E. B. Richardson

LONDON OFFICE—8 OLD JEWRY, E.C.2

Manager: L. U. Rusden

THE STANDARD BANK OF SOUTH AFRICA LIMITED

Bankers in South Africa to the United Kingdom Government. Bankers to the Federal Government of Rhodesia and Nyassaland, and to the Governments of Southern Rhodesia, Northern Rhodesia, Nyassaland 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.

SECURITY AND MORE

*Let your money
earn a tax-paid
return of*

2³/₄%

EQUIVALENT TO 5% ON AN INVESTMENT
TAXED AT STANDARD RATE

Interest accrues from day of investment.
Facilities for prompt withdrawal. For full
details, write or telephone:

**City Prudential
Building Society**

ASSETS EXCEED £7,000,000

17 HOLBORN VIADUCT, LONDON, E.C.1. TELEPHONE: CITY 8323
131/132 PARK LANE, LONDON, W.1. TELEPHONE: MAYFAIR 9581
AND AT BELFAST · BIRMINGHAM · BRADFORD · BRIGHTON · LEEDS
LIVERPOOL · MANCHESTER · READING · SWANSEA · WEMBLEY · WORCESTER · WORTHING

Have at you!



It would be over-dramatic to suggest that Insurance experts fling down the gloves to one another, and fight out duels to the death. But there are duels of other kinds.

Each Insurance Company is, in fact, the rival of all others. They are in constant competition—not only to obtain business, but to make the best use of the funds entrusted to them. That is as it should be—for competition fosters enterprise.

The Insurance expert has the delicate task of investing *your* money—and in doing so he tempers enterprise with caution. Thus he maintains the world-wide reputation of British Insurance—the absolute certainty that the contract will be fulfilled when the claim arises.

The conclusion is clear. Insurance is being responsibly, resourcefully—yes, even creatively—handled by practical people with *your* interests in the forefront of their minds.

British Insurance Offices

THE ROYAL BANK OF CANADA

(Incorporated in Canada in 1869 with Limited Liability)

Head Office, Montreal

JAMES MUIR,
Chairman and President

T. H. ATKINSON,
General Manager

Condensed Annual Statement

as on 30th November, 1954

ASSETS

Cash on hand and due from banks (including items in transit) ...	\$467,429,065
Government of Canada and provincial government securities, not exceeding market value ...	969,888,546
Municipal and other securities, not exceeding market value ...	288,188,034
Call Loans, fully secured ...	156,395,203
Total quick assets ...	\$1,881,900,848
Other loans and discounts ...	1,031,626,844
Mortgages and hypothecs insured under the N.H.A. (1954) ...	22,672,390
Bank premises ...	24,194,181
Liabilities of customers under acceptances, guarantees and letters of credit ...	59,349,565
Other assets ...	7,152,016
Total ...	\$3,026,895,844

LIABILITIES

Deposits ...	\$2,797,548,149
Acceptances, guarantees and letters of credit ...	59,349,565
Other liabilities ...	23,064,466
Total liabilities to the public ...	\$2,879,962,180
Capital paid up ...	41,809,863
Reserve Account ...	103,619,726
Undivided profits ...	1,504,075
Total ...	\$3,026,895,844

Over 800 Branches

In CANADA, ARGENTINA, BRAZIL, BRITISH GUIANA, BRITISH HONDURAS, COLOMBIA, PERU, URUGUAY, VENEZUELA, CUBA, HAITI, PUERTO RICO, DOMINICAN REPUBLIC, BRITISH WEST INDIES. Offices in NEW YORK, LONDON and PARIS. Correspondents the world over.

Auxiliary in France:

THE ROYAL BANK OF CANADA (FRANCE)
Paris

LONDON BRANCHES:

City Office: 6, LOTHBURY, E.C.2.
West End Office: 2/4, COCKSPUR STREET, S.W.1.
B. Strath, Manager. R. B. Murray, Manager.
W. S. Hunter, Asst. Manager. A. P. Harvey, Asst. Manager.
C. F. Stuart, Asst. Manager.

Established in 1845.
All classes of Insurance transacted including Fire, Life, Accident, Motor, Marine and Aviation. Represented throughout the world.



Head Offices

North John St. LIVERPOOL
Lombard St. LONDON

BANK MELLI IRAN

(NATIONAL BANK OF IRAN)

Incorporated by Law in 1927

HOLDER OF EXCLUSIVE RIGHT OF
NOTE ISSUE

CAPITAL FULLY PAID	Rials 2,000,000,000
RESERVE (Banking Dept.)	Rials 491,500,000
DEPOSITS	Rials 15,882,930,230

Governor and Chairman of Executive Board:
MR. ALI ASGHAR NASSER.

HEAD OFFICE: TEHRAN, IRAN

Over 190 Branches and Agencies throughout Iran

New York Representative

One Wall Street, New York

CORRESPONDENTS IN IMPORTANT
CENTRES ALL OVER THE WORLD

The Bank, through its Banking Department, offers complete banking service for Foreign Exchange Transactions, provides special facilities for Documentary Credits, etc., and with its numerous Branches in Iran deals with every description of banking business. Especial services for all kinds of information regarding import, export and trade regulations in force in Iran.

ADMINISTERS NATIONAL SAVINGS

THE ROYAL BANK OF CANADA

FOREIGN TRADE DIFFICULT

LONG-TERM EXPORT CREDITS ADVOCATED

MR JAMES MUIR DECLARES 1955 TO BE "YEAR OF DECISION" FOR CANADA

The eighty-sixth annual general meeting of shareholders of the Royal Bank of Canada was held on January 13th at the head office in Montreal. Mr James Muir, chairman and president, in the course of his address, said:

I believe that 1955 will be a "year of decision" in which our solution of immediate problems will have a tremendous capacity for good or evil in the years to come. During 1954 we have seen not only a defeat of inflationary forces in the economy but the reappearance, at least in a shadowy form, of the deflation boggy of the 1930's. In January, 1954, I referred to the fact that the inflationary boom had already become, for some sectors of the economy, a thing of the past. Since then we have seen a rise in unemployment and a reduction of some magnitude in certain components of the national accounts as well as in the gross national product itself. We have seen as well increased competition in home and foreign markets from the revived industry of the United Kingdom, Western Europe, and Japan.

GOALS TO AIM FOR

Within an overall climate of political and economic freedom, our policy decisions in government and business during 1955 should take due account of four inter-dependent goals of an economic policy directed towards the economic welfare of the community. The first of these is to ensure that our human resources are not wasted in involuntary idleness; that is, we should try to maintain a high and stable level of business activity and employment. The second goal is to ensure that our resources, when fully employed, are allocated in such a way as to produce the maximum volume of goods and services and to bring these goods and services to market in the proportions in which consumers want them. The third goal is to ensure that the distribution of the national product and income combines equity with the highest possible incentive to increase the total amount of product to be shared. The fourth and final goal is to ensure that all our policy decisions are consistent with an appropriate rate of economic progress and growth in the economy as a whole.

TRADE PROBLEMS SERIOUS

The problems posed by the high cost economy become more acute with every increase in the competitive threat of foreign industry to Canada's markets at home and abroad. Pressure for protective measures becomes more insistent as the immediate effects of sharpened competition become apparent. I am still of the opinion that Canada's future lies on the side of improving her competitive position rather than isolating herself behind heightened barriers to trade. This is the only policy consistent with her present and future position as a great trading nation.

However, all our export difficulties do not spring from high production costs. First of all, the price of our exports to foreign buyers depends not only on our own costs and prices in Canadian dollars, but on the price of Canadian dollars in terms of foreign currency. Since early in March,

1952, our dollar has been at a premium in US funds and at a corresponding premium in terms of all other currencies. It may be argued, of course, that this is merely the result of a strong balance-of-payments position, and that if we really needed the exports our dollar would sink in the free market to the level appropriate to our internal costs and prices. This would be true were it not for the fact that our overall balance-of-payments position depends not only on our exports of goods and services, but on capital flows, into and out of the economy, for investment in old and newly-floated securities. In recent years, the net flow has been strongly in favour of Canada.

All this is gratifying to Canadians in that it indicates a strong faith on the part of foreign investors in the future of our country. But the plight of Canadian exporters is in no way eased by this otherwise admirable state of affairs, for the resulting high price of the Canadian dollar imposes a tax on exports and a subsidy on imports.

Increased protection is no answer. The disadvantage of our dollar's high exchange value is general; it affects all Canadian producers. Protection helps only those Canadian producers who must compete in the home market against imports: it does nothing for our exporters except to subject them to a further rise in domestic costs and hence to a further limit on their ability to compete in foreign markets. If anything is done in response to the pleas of our producers for relief from the economic consequences of our high-priced dollar, it should not be more protection, or the return to a fixed exchange rate (both of which have been proposed), but simply the use of open market operations by the Central Bank to affect not only the rate of interest but the rate of exchange as well.

CREDIT FACILITIES NEEDED

The noticeable decline in exports since 1952 may also be attributed to a number of interrelated causes: price declines, increased competition from low cost producers abroad, the recovery of industrial capacity in war-torn countries, and the like. All these tend to alter relative cost and price relationships in the world market to Canada's disadvantage. But, in addition to the important matter of relative costs, a new factor has been injected by European suppliers who are able, with government support, to offer long-term financing to their customers in the world market. This type of financing is especially important in sales of heavy equipment; and, in one form or another, notably through the Export-Import Bank of Washington, it has been available for many years to American export houses. We are aware that some very large foreign orders for equipment, which might have been obtained by Canadian firms, were lost to competitors during the year, largely owing to relatively favourable terms of payment. In view of the importance to Canada, today and in the future, not only of maintaining exports, but of maintaining intact her industrial legacy from wartime expansion, it seems abundantly clear that definite action should now be taken to provide our traders with the credit facilities they

lack. These facilities might take various forms; but, in general, they could be provided by a corporation, owned partly or wholly by the government, with the power to discount export paper of longer term than chartered banks can handle. The essential function of such a corporation could indeed be provided very simply by widening the scope and operations of existing government entities now active in assisting trade and industry.

WISDOM CALLED FOR

There will be little need for a new "ministry of economic progress" so long as we premise our economic policy on growth. We should, for example, consider what policy is best in the long run, not for a nation of 15 million but for one of say, 30 million.

We must start today to create the economic environment that will both encourage, and enable us to take full advantage of, that growth in population and capital without which we cannot realise the great potentialities that lie in our wealth of natural resources.

How we meet our problems in this year of decision will profoundly affect the direction and rate of Canada's growth. If the decisions we make are in keeping, both with the realities of the present and with those of that greater Canada which can be seen in outline even now, we may safely leave our doubts behind and, by making the decisions appropriate to greatness, bring greatness itself within our grasp.

ASSETS EXCEED \$3 BILLION

T. H. Atkinson, the general manager, in commenting on the bank's financial statement, noted that the bank's assets have shown an expansion of \$131,039,655 during the year, and for the first time in the history of any Canadian bank, they exceed the three-billion mark—the year-end figure being \$3,026,895,844. Such a substantial total reflects a very great volume of transactions entrusted to our branches and indicates that this bank stands pre-eminent in the opinion of the public. Deposits by the public have increased to \$2,797,548,149, another new high in Canadian banking. Loans increased to a total of \$1,188,022,047, and earnings are again at a new high, having increased \$1,960,903 to a total of \$20,913,511.

Our foreign branches have made further progress and the results have again been most satisfactory. We have opened one branch outside Canada during the past year and in the near future will open three more which will bring the total of our foreign branches to 74. These 74 information centres abroad can be of inestimable value to exporters by assisting them through first-hand knowledge of local markets. During the past 55 years we have built up an enviable reputation abroad and are very much an integral part of the business life of the countries where we operate; in fact, in some cases we are considered a local bank rather than a foreign one.

Branches of the bank now number 813, of which 71 are in countries outside Canada. The report and accounts were adopted.

BASS, RATCLIFF AND GRETTON, LIMITED

68TH ANNUAL GENERAL MEETING

The sixty-eighth annual general meeting of the ordinary stockholders of Bass Ratcliff and Gretton, Limited, was held on January 10th at the registered offices of the company, High Street, Burton-on-Trent. The chairman, Mr C. A. Ball, presided, and was supported by the following members of the board: the Rt Hon Lord Gretton, OBE, Mr A. G. Manners, Mr W. P. Manners, Mr P. D. Manners, Mr F. F. Toone, Mr W. R. Soper, Mr I. M. Lewis and Mr R. D. R. Bateman, MBE, ACA, with Mr T. H. Charles (secretary), and Mr I. M. Taylor representing Messrs Whinney, Smith and Whinney (auditors) in attendance.

The secretary read the notice convening the meeting, and the auditors' report.

The chairman said:

Gentlemen, I have to submit for consideration and adoption the report of your directors, together with the audited statement of accounts for the year ended September 30, 1954.

These were sent to you on December 17th last and have, therefore, been in your hands for the statutory period, and with your agreement, I propose to take them as read.

With the recession of trade in various parts of the country the year has not been without its difficulties. I think, however, you will agree that considering the specific decline in the brewing trade, heavy taxation and the continued upward trend in wages, fuel and freight costs, the results shown constitute a real achievement, particularly as they have been arrived at during a year of exceptionally bad weather conditions.

PRUDENT COURSE

I feel stockholders will agree in view of the remarks in your directors' report relating to capital expenditure made, and to be made, that the course we have adopted in husbanding our resources is a prudent one, and particularly so in view of the uncertainty of the times through which we are passing; you may rely upon it, however, that your directors will diligently maintain their close examination of all possible economies and press the expansion and efficiency of the business wherever practicable so that I feel we can face the future with reasonable confidence.

I should like once more to record our appreciation and thanks for the services and loyal co-operation rendered during the year by officials, staffs and all operatives of our group without which these results could not have been attained.

I now beg to move that the report of the directors and the balance sheet for the year ended September 30th last be adopted, that the half yearly dividend paid on December 31, 1953 and June 30th last on the 5 per cent cumulative preference stock of the company and the interim dividend of 10 per cent on the ordinary stock paid on June 19th last be approved, and that a final dividend be and is hereby declared of 33 per cent on the ordinary stock making with the interim dividend already referred to a total dividend of 43 per cent for the year all less income tax, such final dividend to be paid on or after the fifteenth day of January, 1955.

The report and accounts were unanimously adopted.

The retiring directors, Lord Gretton, Mr A. G. Manners and Mr F. F. Toone were re-elected, and after the remuneration of the auditors, Messrs Whinney, Smith and Whinney, had been fixed, the proceedings terminated.

FIRST GARDEN CITY

The fifty-first annual general meeting of First Garden City, Limited, was held on January 6th in London, Sir Eric Macfadyen, MA, JP, chairman, presiding.

The following is an extract from his circulated statement for the year ended September 30, 1954: The profit is £15,302, after providing £23,000 for taxation. The general reserve is raised from £102,500 to £105,000. The balance of profit carried forward, after providing for the 5 per cent dividend on the classes of stock is £11,967, which is £30 more than last year.

To meet a want which had been increasingly felt by ourselves and other users of current since the power station passed out of our control, we have revived our former electrical contracting and installation department. This renewed activity appears to be appreciated in the town.

The water supply undertaking continues to be run with efficiency. The Fuller pumping station has now been brought into full operation and has freed the site of the original station on the Baldock Road for other use. Supply is ample and the purity of the water is above reproach. Routine chemical and bacteriological analyses are maintained.

The development of the town proceeds steadily. Six of our factories carried out extensions during the year. The UDC made further progress in the Grange neighbourhood where 902 subsidised houses have now been completed and occupied. We provide sites for 77 owner-occupied houses and are now meeting a steady demand. Roadmaking, the laying of new water connections, etc., for these developments keep the company's staff fully occupied. The frustrations of the war and postwar period are beginning to be forgotten and signs of accelerating progress are manifest. The report was adopted.

MOUNT ISA MINES

The twenty-second annual general meeting of Mount Isa Mines Limited was held on January 6th at Brisbane, Mr G. R. Fisher (man of the company) presiding.

The chairman, in the course of his speech, said: The net profit for the year was £2,096,274 compared with £1,668,663 for the previous year.

From the profits for the year the directors have recommended the payment of a final dividend of 10 per cent, absorbing £575,731, in addition to the interim dividend of 10 per cent paid on July 16, 1954, of £575,731. The total dividend disbursement for the year amounted to 20 per cent or £1,151,462.

PRODUCTION AND OPERATIONS

Ore treated for the year was 645,083 tons silver-lead-zinc ore and 565,897 tons of copper ore, making a record total of 1,210,980 tons. The grade of silver-lead-zinc ore milled was 5.8 oz silver, 7.35 per cent lead and 6.3 per cent zinc compared with 5.8 oz silver, 7.4 per cent lead and 6.4 per cent zinc for the previous year. The grade of copper ore milled was 4.16 per cent copper compared with 3.56 per cent for the previous year.

Lead production at 37,926 tons was 610 tons less than last year's production. Silver production was 3,090,936 oz compared with 3,195,374 oz for the previous year. Zinc concentrates production at 40,198 tons was 1,630 tons lower than the previous year. Copper production at 20,407 tons exceeded last year's production by 14,930 tons, but it should be noted that production of copper in the previous year did not commence until February, 1953.

Total operating costs, including delivery of lead bullion and blister copper into ships' holds at Townsville, but excluding all charges

for ocean freight, refining and lead bonus payments, were 85.1 shillings per dry ton of ore treated, compared with 90.6 shillings for the previous year. Increased production rate has been a major factor in the reduction of operating costs.

In August, 1953, a general increase in rail freights came into force. The increase in Mount Isa freights was from 5 per cent to 12½ per cent. This caused a very substantial increase in the company's expenditure, and our rail freight now costs approximately £1,500,000 per year.

ORE RESERVES

The general manager reports that after allowing for extraction for the year, writing off ore deemed to be irreclaimable, and making adjustments to tonnage and grade, the total estimated reserve of silver-lead-zinc ore at June 30, 1954, was 9,900,000 tons. The copper ore reserve was 3,700,000 tons. A small increase was reported in the silver-lead-zinc ore reserves, but a reduction of 211,250 tons, after allowing for extraction, was reported in copper, with an increase in grade from 3.9 per cent to 4.2 per cent.

Diamond drilling has indicated that substantial tonnages of copper ore exist outside present ore reserve limits, but confirmation by further exploration work is required before this ore can be included in published reserves.

THE OUTLOOK

From all information available it appears that the world demand for the metals which we produce will be maintained at a satisfactory level, and that remunerative prices will be obtained at least during the current financial year.

The report and accounts were adopted.

BUKIT KAJANG RUBBER ESTATES LIMITED

The annual general meeting of Bukit Kajang Rubber Estates, Limited, was held in London on January 11th, Mr Jack Addin-sell, the chairman, presiding.

The following is an extract from his circulated statement: The year under review covered a period of low prices for rubber resulting in proceeds from sales averaging 5d. per lb., less than for the previous year. There was also a fall in the crop harvested of 141,237 lb., but in spite of this the drive to reduce costs was successful to the extent of about 3d. per lb., of which ½d. per lb. was in respect of the reduced export duty at the lower price level.

The profit before taxation was £13,055 against £21,014, and the comparison would have been more but for certain arrears of replanting cess refunded during the year. After providing for taxation, the figures are £8,238 compared with £14,131.

The decline in prices, which had already fallen 9½d. for our 1952-53 crop, continued into 1953-54, reaching its lowest point in March last when the London price of spot rubber fell to around 1s. 4d. per lb., since when the market has fortunately shown a steady improvement to over 2s. per lb. In the circumstances the directors feel justified in recommending a dividend of 4 per cent.

During the year 1954 a further 57 acres of old seedling rubber on Bukit Kajang estate has been replanted, but it was not found possible to undertake any new planting or replanting on Rengo Malay owing to continued bad security conditions. The board has long realised the necessity for accelerating the rate of replanting.

The report and accounts were adopted.

TATE & LYLE, LIMITED

AN ANALYSIS OF INCOME AND EXPENDITURE IN 1954.

	£	Proportion of each £1 of Income
GOODS AND SERVICES PURCHASED FROM OUTSIDE:—		
Raw Materials (including Duty of £11,855,576)	96,793,895	16.4
Fuel and Power	1,562,149	3.1
Packing Materials	4,455,472	2
Other Refining Expenses	1,051,510	2
Overhead Expenses (including Advertising £61,983), Selling and Distribution	3,912,887	8
	107,775,913	
VALUE ADDED OR NET OUTPUT:—		
Wages, Salaries, National Insurance and Employees' Benefits	5,638,581	11.1
Provided for Renewals of Plant and Machinery and Depreciation of other Fixed Assets	1,065,138	2.1
United Kingdom Taxation on Profits (after crediting £105,000 being Contingent Liability to Taxation no longer required)	2,013,823	4
Amount placed to Reserves	1,261,172	2.1
Dividends to Ordinary and Preference Stockholders (Net)	733,898	1.1
	10,712,612	
TOTAL	£118,488,525	£1 0 0
VALUE OF EXPORT SALES (including £7,313,661 Drawback)	38,846,776	6 6½
VALUE OF HOME TRADE SALES AND OTHER INCOME	79,641,749	13 5½
TOTAL INCOME	£118,488,525	£1 0 0

THE ELY BREWERY CO. LTD.

The following table shewing the summary of the financial position of the Company was included in the Directors Report and Accounts for the year ended 31st August, 1954.

"AT A GLANCE"

Year	Profit Subject to Taxation	Taxation	Taxation Over-provided and Refunded	5% Pref. Dividend Gross	7% Pref. Dividend Gross	Ordinary Dividend Gross	Bonus Issues	Book Value of Net Assets per 5/- Ordinary	Earnings on Ordinary	Total Assets
1948	£238,613	£140,500	—	£8,249	—	£69,000	£25,875	7/-	31%	£2,483,598
1949	190,155	98,500	—	9,647	—	75,900	13,800	9/8	30%	2,878,558
1950	177,790	88,000	—	25,940	£10,487	41,400	34,500	9/10	23%	2,576,839
1951	159,066	105,000	—	17,233	10,625	43,987	49,226	9/4	20%	2,590,196
1952	193,186	118,000	£2,600	22,792	10,625	47,131	117,824	8/3	24%	2,686,036
1953	191,953	110,000	61,000	24,363	16,221	48,813	143,633	10/6	22%	3,195,323
1954	231,222	113,000	18,194	—	—	64,802	29,625	9/9	24%	3,235,714

Year	Staff Pensions Paid	Staff Pensions Future Provision	Amortisation and Depreciation	Sundry Creditors	Total	5% Pref.	7% Sec. Pref.	Ordinary	Surplus
1948	£1,689	£15,000	£1,000	£144,474	£155,000	£165,000	—	£690,000	£325,133
1949	1,747	2,500	10,000	135,401	1,035,852	345,852	—	552,000	511,751
1950	2,511	1,500	12,750	164,949	1,049,652	345,852	—	552,000	532,961
1951	2,172	1,500	13,000	142,707	1,084,152	345,852	—	552,000	504,109
1952	2,133	1,500	19,500	153,804	1,204,596	424,401	—	552,000	404,185
1953	2,014	2,500	19,250	157,568	1,312,321	487,241	—	552,000	745,893
1954	3,056	2,500	19,750	177,276	1,387,604	487,241	159,755	740,608	744,742

Accounts for 1950—15 months.
Accounts for 1954—14 months.

NUMERICAL DETAILS OF SHAREHOLDERS REGISTER.

TOTAL SHAREHOLDERS 1947—1,642
1954—2,789.

INDIVIDUAL SHAREHOLDINGS AS AT 31ST AUGUST, 1954:

Ordinary (Shares 5/- Stock units 5/- each)	2,047
5% Cumulative Preference (Shares 1 Stock unit 1/- each)	2,309
7% Cumulative Second Preference (Shares 5/- Stock units 5/- each)	1,624

The layout and description is the copyright of L. Niddich, Esq.

MILK MARKETING BOARD FOR NORTHERN IRELAND

Applications are invited from suitably qualified persons for the under-noted posts in the Milk Marketing Board for Northern Ireland. The posts will be permanent subject to a probationary period of two years. Candidates must be of British nationality. Preference will be given to persons who served in HM Forces during the 1914-18 or 1939-45 Wars.

GENERAL MANAGER

Applicants must have had considerable experience in a senior administrative capacity, of the problems undertaken in a large-scale marketing organisation, preferably in connection with milk. The successful applicant will be responsible, subject to the directions of the Board, for the general control of all the Board's activities. Salary will be on the scale of £2,000 to £2,400 per annum.

ACCOUNTANT AND FINANCE OFFICER

The applicant must be a member of an Institute of Chartered Accountants, the Society of Incorporated Accountants or the Association of Chartered and Incorporated Accountants. Preference will be given to persons with experience of costing commercial processes and who have experience of the operation of mechanised accounting. Salary will be on the scale of £1,200 to £1,500 per annum.

ADMINISTRATIVE OFFICER

The successful applicant will be responsible to the General Manager for the administrative and clerical work of the Board. Applicants must have had considerable experience in a similar capacity, preferably in connection with the milk industry. Salary will be on the scale of £1,200 to £1,500 per annum.

TECHNICAL OFFICER

Applicants must hold qualifications in dairy technique and in the manufacture of milk products. It would be to the applicant's advantage if he has had experience in organising milk transport on a large scale. Salary will be on the scale of £1,200 to £1,500 per annum.

For any of the above posts the Board may pay a commencing salary above the minimum to specially qualified persons. Applications must be made on the prescribed form, copies of which may be obtained from the Acting Secretary, Milk Marketing Board for Northern Ireland, Castlehill Road, Belfast, Northern Ireland. The latest date for the receipt of applications will be January 31, 1955.

SENIOR EXECUTIVE

Shannon Duty Free International Airport requires a Senior Executive to control and develop its rapidly expanding retail, wholesale and mail-order activities. The position offers wide scope for a man interested in international trade, particularly with the United States. A record of successful modern management experience essential. A progressive four-figure salary will be paid and there will be in addition an annual bonus based on results. The successful applicant will have an Irish background and a sound education. Applicants should write in confidence to: Office 61, Shannon Free Airport, Ireland.

BRITISH NYLON SPINNERS LIMITED

Applications are invited from men aged 30 to 38 for an appointment on the commercial side of the Company. The appointment calls for sound commercial experience, gained preferably in a manufacturing organisation; as the successful candidate will be required to absorb some technical knowledge a degree in Science or Engineering would be an advantage. A period of specialised training will be given. The work will concern the commercial development of end-uses for the Company's products and offers considerable scope for initiative and original thought. Applications will be treated in strict confidence and should be addressed to the Personnel Manager, British Nylon Spinners Limited, Portypool, Mon.

CHAPPIE LIMITED, manufacturers of cat and dog foods, require the services of a man or woman graduate to undertake field and office control of the National Consumer Research section of their Market Research Department. An Economics or Sociology degree and/or knowledge of Statistics, especially sampling techniques, would be an advantage. The work entails assisting in the selection of staff, draughting of questionnaires, organising the field staff, office routine, checking field work, and appreciation of findings.

Salary will be in the range £780 to £900 and the post also carries pension, life assurance and sickness benefits under a non-contributory Social Security Plan. This post offers an excellent opportunity for a man or woman seeking first-class Market Research experience. Half the time will be spent in the office at Melton Mowbray and the remainder in the field. Applications should be sent to the Personnel Officer, Chappie Limited, Melton Mowbray, Leicestershire.

LEADING firm of Chartered Accountants in Lagos, Nigeria, require Chartered or Incorporated Accountants with good experience. Salary not less than £1,700 per annum, with excellent prospects and local income tax at low rates. Free furnished accommodation, provident fund, car and kit allowances, medical expenses. Passages paid, including family.—Write Box R. 935, c/o Streets, 110 Old Broad Street, E.C.2

APPLICATIONS are invited from Graduates (preferably female) in Economics or Statistics for interesting and varied work with a London firm of marketing consultants. The post calls for a high degree of resourcefulness and involves the collection and analysis of marketing information from published and other sources. Some experience of economic, statistical or information work necessary. Starting salary £500-£600 p.a.—Box 806.

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.

PRESS AND PUBLIC RELATIONS PRACTITIONER (woman) offers her services and organisation to firms or trade associations on fee basis. Ex-journalist, first-class P.R. experience and contacts. London office.—Box 807.

JUNIOR EXECUTIVE (38) requires situation giving scope and outlet for many years' commercial experience, mainly sales administration, some accounts. Pleasing personality and ability to mix well. Own car. Interested any non-static situation.—Box 808.

THE UNIVERSITY OF MANCHESTER

SIMON FELLOWSHIPS

The University offers a number of Simon Fellowships for advanced study or research in the social sciences. This term is used in a wide sense to include not only Economics, Government, etc., but equal fields such as Education, Jurisprudence and Social Medicine. Values within the range £700-£1,100 per annum (Simon Research Fellowships) or within the range of £1,150-£1,500 per annum (Simon Senior Research Fellowships) according to qualifications and experience. They are open to members of the public services as well as to persons with academic experience. Applications should be sent by March 1, 1955, to the Registrar, the University, Manchester, 13, from whom further particulars may be obtained, and who will be pleased to answer any enquiries regarding the scope of the Fellowships.

THE UNIVERSITY OF LEEDS

DEPARTMENT OF SOCIAL STUDIES

Applications are invited for appointment as Lecturer or Assistant Lecturer in Sociology; the salary on appointment to be according to qualifications and experience; the salary scales are at present under review. 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 February 26, 1955.

CITY OF JOHANNESBURG

5% REDEEMABLE STOCK 1959/62

Notice is hereby given that in order to prepare the Warrants for Interest due March 1, 1955, the Transfer Books of the above mentioned stock will be closed from February 1, 1955, until February 8, 1955, both dates inclusive.

For BARCLAYS BANK D.C.O.

(London Registrars of the above Stock)
G. A. D. HARRISON, Manager.

Circus Place, London Wall, E.C.2.
January 10, 1955.

GOLD COAST GOVERNMENT

ASSISTANT SECRETARIES IN MINISTRIES IN ACCRA

Applications are invited for several posts.
Duties: To assist senior secretaries in advising the Minister in the formulation of Government policy with possibly some general office administration, and to assist in the general supervision of the execution of policy decisions by Departments, etc.
The work requires accuracy, precision and lucidity in the marshalling of facts.

Qualifications: Candidates must be of not less than 30 nor more than 50 years of age, and must have had considerable administrative experience; for example, in the Home Civil Service or in that of some British overseas territory, in local government, or upon a military staff. A university degree is desirable; but in all cases high standards of general education and intellectual ability, and moral qualities of the highest order, are essential.

Terms of Service: The appointment will be on contract for two tours of not less than 18 months and not more than 24 months, with consequent leave at the rate of seven days for each month of residential service. An officer will enter the consolidated salary scale £990 x £50—£1,490, £1,530 x £60—£1,950 at a point commensurate with his age, qualifications and experience. A gratuity at the rate of £37 10s. (or £25 for a salary of less than £1,000) for each completed period of three months' satisfactory service will be payable on the final termination of the contract.

Free passages for officer, wife and up to three children under 18 years of age. Basically furnished quarters at rentals of £80-£90 p.a. Free medical and dental attention for officer and family.

Candidates should apply to the Adviser on Recruitment, Gold Coast Office, Melbourne House, Aldwych, London, W.C.2, for a form of application.

Note: Persons who applied for a similar vacancy advertised in December, 1954, will automatically be considered for these posts.

BRAINS' TRUST

Sir R. Boothby M.P., Alfred Robens, M.P., H. S. MacLay, M.P. and Geoffrey de Freitas, M.P., comprise the panel and will answer questions on:

"BRITAIN AND THE NINE POWER CONFERENCE."
Caxton Hall, Westminster, 7.30 p.m., January 25th.

ADMISSION FREE.

For tickets apply to:-

U.K. Council of the European Movement,
99a Park Lane, London, W.1.

SLIPPED DISCS

Reports of large increases in the sales of High Fidelity Equipment and Gramophone Records in America are in line with reports of similar expansion in Great Britain. British Hi-Fi Equipment and Records are equal to or better than anything produced elsewhere and we are the Leading Suppliers in this field. Send us for our comprehensive catalogue to: Classic Electrical Co. Ltd., The Hi-Fi Specialists, 352-364, Lower Addiscombe Road, Croydon, Surrey.

MANAGEMENT CONSULTANCY. A well-known company is prepared to train a limited number of suitable applicants for ultimate appointments as executives in management consultancy.

Applications are invited from men between the ages of 25 and 30 years who wish to take up a career in consultancy. They must be University Graduates in Economics or Engineering, preferably with some industrial or commercial experience; willing to travel home and overseas.

Salary paid during training appropriate to qualifications and experience. Please send details and indications of present salary level, in confidence, to Box No. 105, R. Anderson and Co., 14 William IV Street, London, W.C.2.

YOUR MONEY will make more money if you spend one shilling weekly on the *Investors' Chronicle*. Two free issues on request to 30 Grocers' Hall Court, London, E.C.2.

STATISTICIAN, with good knowledge of sales analysis, market research and business organisation, needed by firm of international repute in the Grocery and Confectionery fields. Good scope for the successful applicant. Age 26-35 years.—Box 809.

CANBERRA UNIVERSITY COLLEGE

Applications are invited for appointment to the vacant posts of SENIOR LECTURER OR LECTURER IN ECONOMIC HISTORY, SENIOR LECTURER IN POLITICAL SCIENCE (Public Administration), and LECTURER IN STATISTICS (in the Department of Economics).

Salary ranges are: Senior Lecturers, £A1,498-£A1,748 p.a.; Lecturers, £A1,098-£A1,448 p.a. (including a cost of living adjustment, at £A198 p.a.). Commencing point within the range will be determined in accordance with the qualifications and experience of the applicant.

Further particulars, conditions of appointment, and the summary form which must accompany applications may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1, or from the undersigned.

Applications close, in Australia and London, February 28, 1955. T. M. Owen, Registrar, Canberra University College, Canberra, A.C.T., Australia.

UNIVERSITY OF SYDNEY

AUSTRALIA

Applications are invited for the position of LECTURER IN HISTORY.

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.

Preference will be given to a candidate who has qualifications in the modern history of the Far East.

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 February 26, 1955.

UNIVERSITY OF SYDNEY

AUSTRALIA

Applications are invited for the position of SENIOR LECTURER IN EDUCATION.

The salary for a Senior Lecturer is within the range of £A1,500-£A1,750 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 February 26, 1955.

PREPARATION FOR EXAMINATIONS

UNIVERSITY CORRESPONDENCE COLLEGE provides home study courses for General Certificate of Education (all Examining Bodies), London University Entrance, and Inter, and Degree exams, for B.A., B.Sc., B.Sc.(Econ.), B.Sc.(Sociology), LL.B., Professional Prelim., Teachers' Diplomas, Law. The College, founded 1887, is an Educational Trust, highly qualified Tutors. Low fees. Prospectus free from Registrar, 80 Burlington House, Cambridge.

NOTICE OF SALE

GLOBE PRINTING COMPANY

Chartered Trust Company has been authorised by the respective owners thereof to receive offers for the purchase of all of the issued shares of the capital stock of Globe Printing Company or for the purchase of the assets and undertaking of that Company.

The Globe Printing Company publishes "The Globe and Mail" in the City of Toronto and is the owner of the land, buildings, plant, equipment and subsidiary company used and operated in connection therewith.

Prospective purchasers should apply to Chartered Trust Company, 34 King Street West, Toronto, for copies of the terms and conditions of sale and other relevant information.

All offers must be submitted to Chartered Trust Company, 34 King Street West, Toronto, before 3 o'clock in the afternoon, E.S.T., on the 10th day of February, 1955.

Dated at Toronto, Ontario, this 10th day of January, 1955.

CHARTERED TRUST COMPANY

By Macdonald and Macintosh, its Solicitors herein.

Copies of the terms and conditions are available at Loyds Bank Limited, Overseas Department, 6 Eastcheap, London, E.C.3.

PLENTY OF CAPITAL ideas in the kitchen are inspired by that wonderful Rayner's Indian Mango Chutney.

ECONOMIC ASSISTANT. Government Department (London) invites applications for unestablished post as Economic Assistant. Must have knowledge of economic affairs, literary ability and capacity to present facts and figures in non-technical language. Salary range (men) £490-£885.—Write, giving date of birth, academic qualifications and experience, to A.B.1050, London Appointments Office, Ministry of Labour and National Service, 1-6 Tavistock Square, London, W.C.1. Original references should not be sent. Only candidates selected for interview will be advised.

CURE CHAPS with bad appetites by giving them a little of Rayner's piquant Indian Mango Chutney.

The Economist: Annual Air Subscription Rates

Anglo-Egyptian Sudan: £5.10s.

Australia: £8.5s. (sterling)

Canada: \$21.50 or £7.14s.

East Africa: £5.5s.

Egypt: £5.5s.

Europe (except Poland): £4.15s.

Gibraltar, Malta: £3.15s.

Hongkong: £7

India & Ceylon: £6

Iran: £6

Iraq: £6

Israel: £6

Japan: £9

Malaya: £6.15s.

New Zealand: £9 (sterling)

Nigeria, Gold Coast: £5.5s.

Pakistan: £6

Rhodesia (N. & S.): £5.10s.

S. America and W. Indies: £7.15s.

Union of S. Africa: £5.10s.

U.S.A.: \$21.50 or £7.14s.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPERS, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland 2d.; Overseas 2½d.—Saturday, January 15, 1955.

UNIVERSITY OF LONDON

A lecture on "Les Tendances Actuelles de la Pensée Economique Française" will be given by Professor L. Baudin (Paris) at 5 p.m. on January 25th, at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. The lecture will be delivered in French. Admission free, without ticket. JAMES HENDERSON, Academic Registrar.

MANAGING DIRECTOR AVAILABLE

Managing Director, well-known company expects to be available shortly (owing to "take-over" negotiations) and would welcome proposals. Young and energetic with considerable administrative and merchandising experience in the marketing of branded consumer products. Only interested in business offering wide scope for drive and initiative. Salary relatively unimportant if opportunity exists (now or later) for capital investment. Would be particularly interested in company requiring reorganisation.—Please write Box 799.

MARKET RESEARCH

A Nationally known manufacturer of consumer goods, with Headquarters just outside London, requires a senior man in the Market Research Department. Essential qualifications include practical experience in initiating and controlling consumer surveys and the preparation of reports. Applicants should give full details of career, present position held, and salary required. All replies will be treated as confidential.—Write Box 802.

AN EXCEPTIONAL OPPORTUNITY FOR A QUALIFIED ACCOUNTANT

A large Insurance Group in the provinces requires a deputy Chief for its mechanised accounting and recording division with a view to early assumption of complete control.

Successful applicant would require a knowledge of punched card equipment and procedures, an interest in future developments in this field and ability to handle a staff approaching 400; it is hoped he would not be over 40 years of age.

Prospects are likely to satisfy the ambitious applicant and initial salary would be very largely a matter for negotiation with a view to attracting the right man; non-contributory pension scheme.

Letters giving qualifications and experience, which will be treated as strictly confidential, should be addressed to Box 805.

THE B.Sc.ECON. DEGREE of London University is open to all without University residence. It is a valuable qualification for ambitious men and women engaged in accountancy, secretarialship, banking, finance, commerce, public services. Wolsey Hall (est. 1894) provides postal tuition of a high order for the three (in some cases two) examinations, at reasonable fees. More than 1,000 Wolsey Hall students have passed London B.Sc.Econ. (Final) exams, since 1925.—Prospectus from C. D. Parker, M.A., LL.D., Director of Studies, Dept. P17, WOLSEY HALL, OXFORD.

The Brush Electrical Engineering Co., Ltd., requires an experienced man to take charge of its Organisation and Methods Activities. Applicants should have had several years' experience in this field, preferably in engineering and should be University Graduates and/or members of the Institute of Cost and Works Accountants. The post is a highly responsible one and the man appointed will be immediately responsible to the General Manager. A four figure salary will be offered and there are excellent terms of service including non-contributory superannuation. Please apply with full details to the Chief Personnel Officer, Brush Electrical Engineering Co., Ltd., Loughborough, Leics.

DOUGLAS GLASS

BRITAIN'S GREATEST PHOTOGRAPHER

48 Black Lion Lane, W.6. RIV. 7522.

A JOINT PARTNERSHIP that is bound to please is cold same with Rayner's delicious Indian Mango Chutney.

WOMAN ECONOMIST, M.A., seeks post London. Experience report writing, editing, public relations, conference work, economic and survey research. Fluent French.—Box 804.

COMPANY in N.W. London with several associated manufacturing companies requires Accountant (preferably Chartered) capable of assuming responsibility for financial side of business under Joint Managing Director. Applications from man with industrial and/or commercial experience preferred, but essential requirements are sound, up-to-date financial knowledge, and good personality and character. Age 35 to 40 years. Salary according to qualifications. Apply Box No. 370, Dorland Advertising Ltd., 18/20 Regent Street, London, S.W.1.

LADY EXECUTIVE, 32, experienced interviewing, excellent contacts printing, publishing, seeks responsible, interesting post. Loyal, hard-working Scot. Shorthand-typist, car driver.—Box 808.

EXPERT POSTAL TUITION

For Examinations—B.Sc.Econ., LL.B. and other external London University Degrees: Law Society; Bar; Accountancy; Banking; Secretarial; Civil Service; Commercial; General Certificate of Education, etc. Also many non-examination courses in business subjects. Write today for free prospectus and/or advice, mentioning examination (if any) or subjects in which interested, to the Secretary (G 9/2).

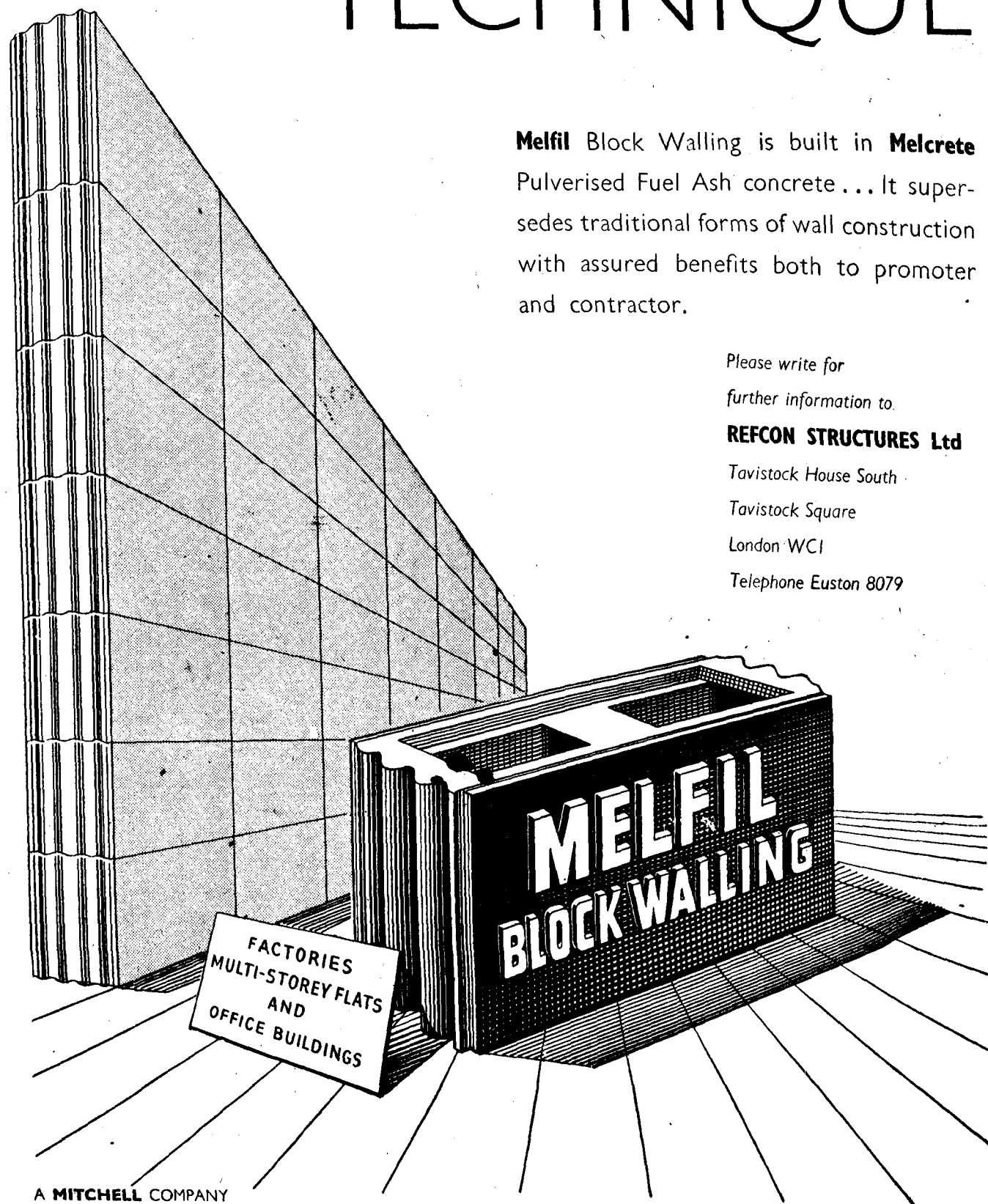
METROPOLITAN COLLEGE, ST. ALBANS

or call at 30, Queen Victoria Street, London, E.C.4.

A NEW BUILDING TECHNIQUE

Melfil Block Walling is built in **Melcrete** Pulverised Fuel Ash concrete... It supercedes traditional forms of wall construction with assured benefits both to promoter and contractor.

Please write for
further information to
REFCON STRUCTURES Ltd
Tavistock House South
Tavistock Square
London WC1
Telephone Euston 8079



A MITCHELL COMPANY

The Economist



FOUNDED 1843

JANUARY 27, 1953

ONE SHILLING

Timing the Election
Molotov Turns to Germany
Turk Among the Arabs
The Taxation of Personal Incomes
Sea Change for Shipping
Delays to Aircraft
Britain's Capital Formation

AMERICAN SURVEY: A Neutral Budget
THE WORLD OVERSEAS: Canadian Rescue Operation
BOOKS: A Great American Humanist

Annual Postal Subscriptions: by ordinary mail £3; by air see page 331
THE ECONOMIST • 22 RYDER STREET • ST. JAMES'S • LONDON • S.W.1

VOLUME CLXXIV • NUMBER 5813

THOUGHTS ON THERMAL INSULATION

Making a material difference

TO READERS whose knowledge of thermal insulation materials goes little further than the lagging jacket on the hot water cistern, these remarks are addressed.

Reactions to previous announcements in this series have indicated that the savings available by means of more effective insulation are widely appreciated, so let us go a little more deeply into the matter of insulating materials. Today they come in a wide variety of forms, from magnesia and asbestos slabs, pre-formed sections for pipe-work, insulation bricks, cork sections, etc., to a sprayed-on asbestos material which follows the contours of the surface to be insulated.

There are others, too, but the point is that these materials offer a versatility which, in skilled hands, can be turned to advantage. Generally speaking, one looks for an insulation material to do one particular job, but very often such material is dual in purpose. It will do two jobs at the same time—in the same application—at the same cost.

Look at it this way. Probably more insulation is used for keeping heat in its place than for any other purpose. But there are many situations where the correct choice will bestow other blessings. Take,

for instance, a records room, or a library. Here quiet from within and without is an essential, so insulation is used to keep down noise. At the same time, for the proper care of books and records, a steady temperature is required. The same insulation material does the two jobs.

All kinds of industrial installations call for insulation in some form or another to suit a given set of conditions. Perhaps a combination of fire-resistance with sound absorption; maybe a matter of keeping cold air in and condensation out; yet again, the material may be needed to withstand vibration and to resist corrosion, in addition to providing thermal insulation. All these needs call for a special kind of experience because, naturally, insulation problems concern cotton mills and oil refineries, ships and churches, power stations and cinemas.

Newalls have concentrated, these last 50 years, on building up a range of materials plus an application skill which, expressed in terms of thermal insulation in all types of industry, makes a very impressive record. This experience is available to any firm interested in insulation as a means to increased efficiency. Newalls are specialists in heat, cold and sound insulation. Write to us on any problem related to these.

Issued in the interests of a better understanding of thermal insulation in industry by:

NEWALLS INSULATION CO. LTD • Washington • Co. Durham

A member of the TURNER & NEWALL ORGANISATION

Offices and Depots at LONDON, GLASGOW, MANCHESTER, NEWCASTLE UPON TYNE, BIRMINGHAM, BELFAST, BRISTOL AND CARDIFF. AGENTS AND VENDORS IN MOST MARKETS ABROAD.

Small Homes

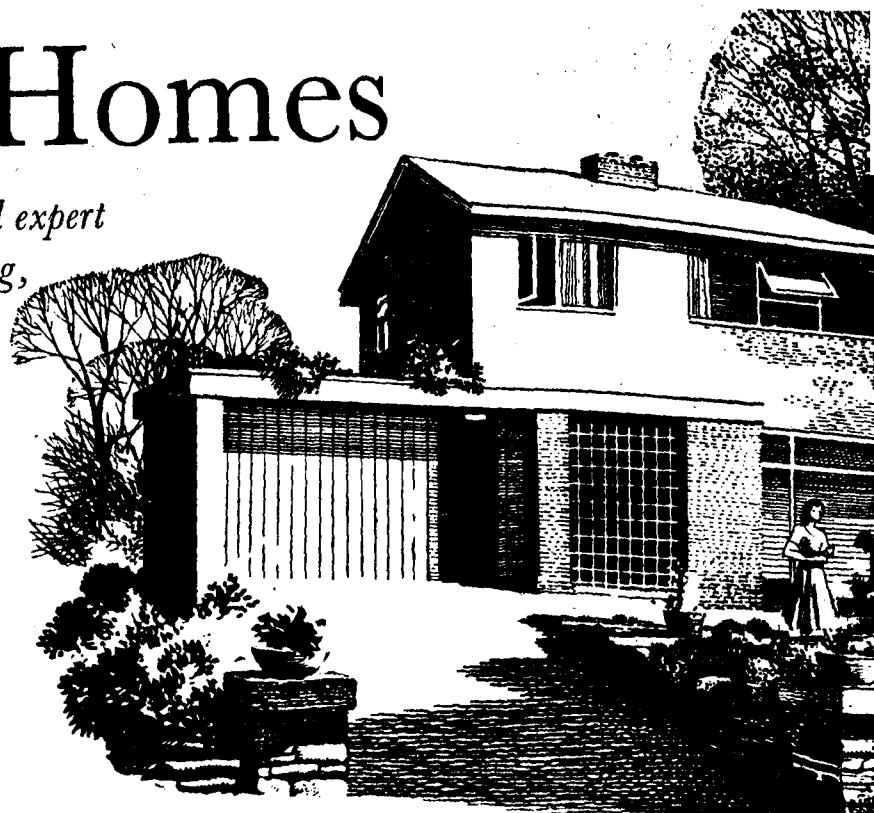
Practical photographs and expert articles solve your planning, building, equipment and furnishing problems

This special edition of IDEAL HOME Magazine deals in a practical, sensible way with all the problems of living in smaller homes. It contains something of value to every home-lover. You must place an order NOW!

This fully illustrated guide to a perfect small home includes . . .

Plans of ten small houses and bungalows. Making a four-room flat from one room. Adaptable furniture for two-purpose rooms. How to make a small home look large. Furniture and wall-papers for small rooms. Comfort in a caravan or a boat. Equipment for the small kitchen. Beauty and productivity in the garden.

**OUT TUESDAY
JANUARY 25th**



Drawn for Ideal Home by Rowland Hilder, I

IDEAL HOME
MAGAZINE—FEBRUARY ISSUE—TWO SHILLING



"BROOMWADE" is best, Bobby!

There's another way of compressing air, Bobby, the "Broomwade" way.

"BROOMWADE" Air Compressors are driving "BROOMWADE" Pneumatic Tools in every corner of the world; building bridges and roads, planes and ships, railway systems, factories and the machinery to equip them. "BROOMWADE" pneumatic equipment is playing a vital part in the world's industrial expansion.

The "BROOMWADE" organisation, backed by over fifty years' engineering experience of the highest order, is equipped to offer technical advice on any problem involving compressed air. A first class after sales service is maintained throughout the world.

"BROOMWADE"

Air Compressors & Pneumatic Tools

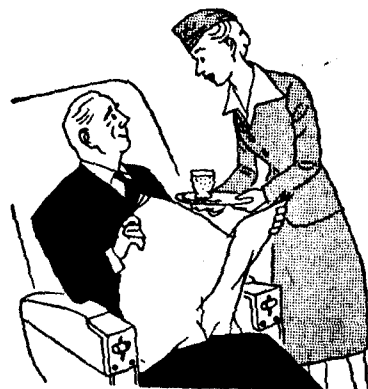
BROOM & WADE LTD., P.O. BOX NO. 7, HIGH WYCOMBE, ENGLAND
Telephone: High Wycombe 1630 (10 lines) Telegrams: "Broom", High Wycombe

"Yes Sir! You can now fly
TWA to USA at reduced
Thrift Season fares ..."

TRAVEL AGENT



"You enjoy the same superb
TWA service all
the way ... on the ground ..."



... and in the air, with the
same comfort and
individual attention ...



... but on your next trip to
America and back
when you fly TWA ...

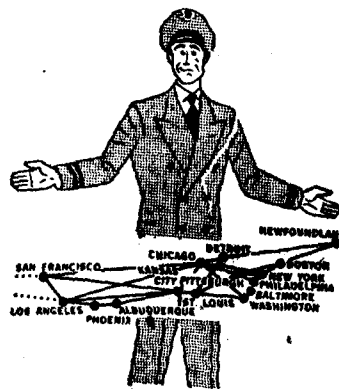
TRAVEL AGENT



... you'll be making the
worth-while saving
of £28 ...



... nearly £35 if you fly by
the thrifty TWA
Sky Tourist service ...



... TWA can fly you on to
any one of 60 major cities
inside America, too."

Now is the time to plan your trip to the U.S.A. TWA Thrift Season reduced fares are in operation until the end of March. Reductions apply to all TWA transatlantic services.

London to New York (RETURN FARES)	On Season (APR-OCT)	Thrift Season (NOV-MAR)	Saving
First Class	£257. 5.0	£228.12.0	£28.13.0
Sky Tourist	£186. 9.0	£151.16.0	£34.13.0

To dollar earners—TWA is the only airline flying from Europe which also serves 60 major U.S. cities in the principal markets of America. TWA knows America. Their specialised knowledge can be of assistance to you.

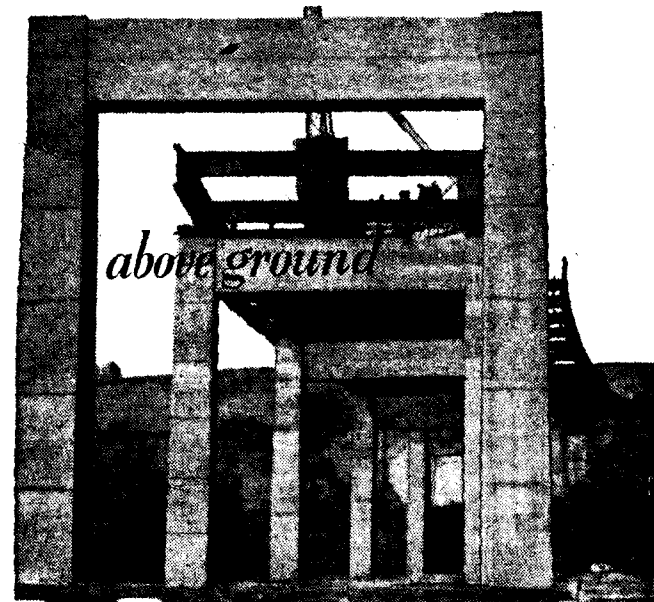
3 MILLION PEOPLE A YEAR

FLY TWA

TRANS WORLD AIRLINES

USA • EUROPE • AFRICA • ASIA

See your Travel Agent or 'phone TWA:
Trans World Airlines,
200 Piccadilly, W.1. TRAFalgar 1234.
TWA Manchester: BLAckfriars 4649.



and below

Cleveland's engineers are building structures which are designed to withstand the passage of time. Deep foundation work is a Cleveland speciality and is an integral part of the modern science of heavy structural engineering. To whatever depth or to whatever height—in any part of the world—Cleveland engineering means enduring strength.

CLEVELAND

Builders of Bridges & Fabricators of all types of structural steelwork



Make the sea trip
part of your holiday

...enjoy the tang of the sea and then that first thrill, reborn with every trip—as you walk down the gangway into France—the catch of the breath as you enter a new world. The gendarmes on the quay, peak-capped and cloaked—porters, blue-bloused and volubly French—even the engines seem to whistle in a foreign language. Then on to the train ... Paris, Basle and beyond. All combine to welcome you to something new—something exciting—the perfect start to your Continental holiday!

Services and fares from principal Travel Agencies or the Continental Enquiry Office, VICTORIA STATION, LONDON, S.W.1 or BRITISH RAILWAYS TRAVEL CENTRE, Lower Regent Street, S.W.1.

BRITISH RAILWAYS

Short Sea Routes to France

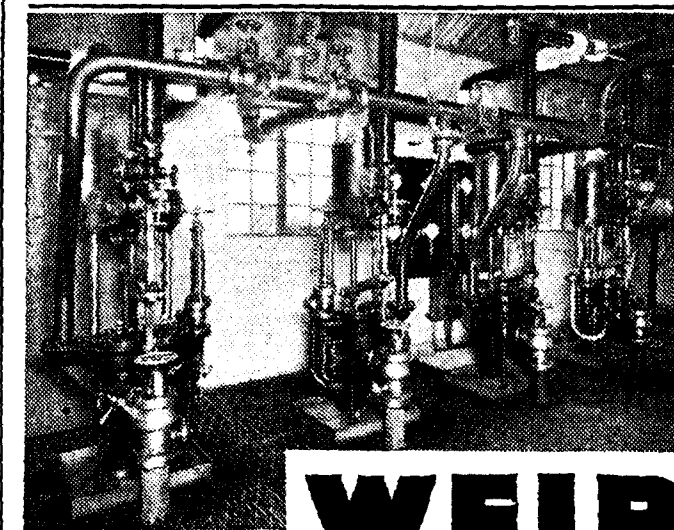
OFFICE MEMORANDUM

To: All Chairmen and
Managing Directors
From: W. McMillan,
Manchester Guardian

If your company has the problem of finding trainee executive staff, you will be interested in the Manchester Guardian series of full-page careers announcements. These begin on Monday, January 24th, and will appear every weekday for the following six weeks.

Signed:

W. McMillan
Advertisement Director,
Manchester Guardian.



WEIR
PUMPS

Direct-Acting

have a world-wide renown for efficiency, reliability and economy. They include designs for boiler feeding, general service pumps, oil fuel pressure and transfer pumps, etc., and are in constant demand for ships and all types of industry where reliability and efficiency are essential.

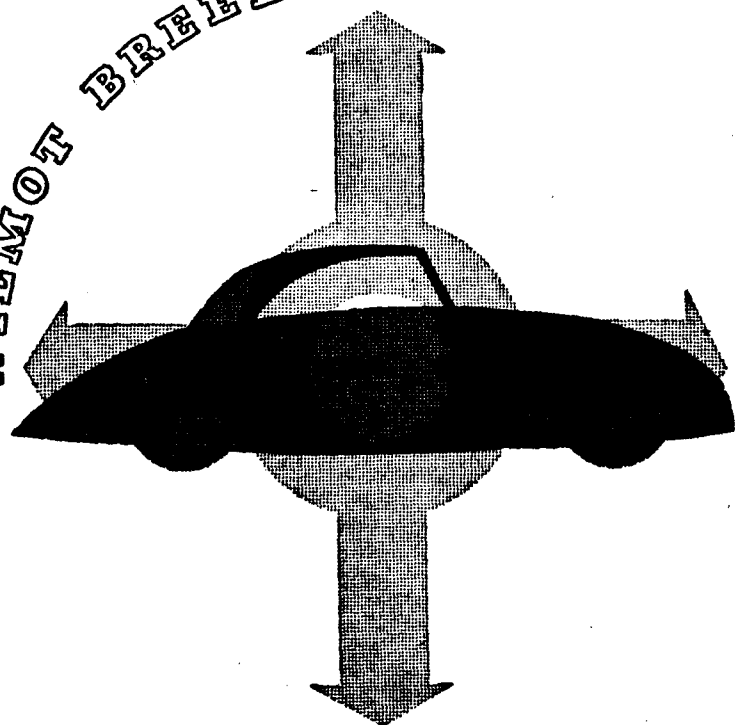
The Weir Organisation:

G. & J. WEIR LTD
DRYSDALE & CO. LTD.
WEIR HOUSING CORP. LTD
THE ARGUS FOUNDRY LTD
ZWICKY LTD.
WEIR VALVES LTD.



WILMOT BREEDEN

A. GAMES.



S

across the world
north, south, east and west
the driver of virtually every British car —
and many a foreign one —
receives constant, undemanding service
from the many Wilmot Breeden
components which contribute in no
small way to his comfort and safety.

Wide technical resources,
specialised modern machinery
and the keenness and skill
of our 6,000 workers give these
components a true fitness for purpose
with a reserve of quality against
the abnormal and the unforeseen.

WILMOT BREEDEN LTD

BIRMINGHAM LONDON MANCHESTER GLASGOW

The truth about the middle man

IN TEXTILES

THE 'middle man' in textiles is a genuine stock-carrying
wholesaler. He selects the pick of the products of scores
of factories and holds large stocks from which retailers
in all parts of the country order in small economic lots.

Each year some £864,000,000 worth of clothing and
household textiles is distributed through the wholesaler.
In any system of supplying the public with textiles, the
cost and work of selection, breaking bulk and distribution
must be undertaken. The textile wholesaler does this
in the most economical manner.



This is the FIRST of a series of four announcements
describing how the Textile Wholesaler helps the Manu-
facturer, the Retailer and the Nation.

Issued by

The WHOLESALE TEXTILE ASSOCIATION, 75 Cannon St., London, E.C.4
Tib. 307

-ABDULLA -

MAKE

THE BEST

VIRGINIA

CIGARETTES*

An eye for Colour

A wide choice of near-white fluorescent
tubes is available today. Each has its
own particular field of application, each
represents a suitable compromise between
the conflicting claims of accurate colour
rendering and high efficiency. An object
is only revealed in its true colours when
illuminated by a light containing those
colours, and to give accurate colour
rendering the light from a fluorescent tube
has to contain a controlled proportion of
all colours.

But the human eye is most sensitive to the
central or yellow-green range of the
spectrum, so that broadly speaking, the
higher the proportion of light emitted in
this region, the higher will be the efficiency
of the tube. Shades of red or blue will
not be shown to the best advantage, as
the proportion of light of the other
colours has been reduced.

Now, there are many industrial and
commercial plants where high efficiency
lighting is of much greater importance
than accurate colour rendering. There
are others where the matching of colours
plays an essential part. The Osram range
of fluorescent tubes has been carefully
planned to cover every need, and to
provide the highest possible efficiency
with the colour rendering properties
required.

A highly qualified lighting service is
maintained by the G.E.C. and specialists
are available at each of the Company's
branches to advise you, not only on this
question of colour and efficiency in your
fluorescent installation, but also on any
other lighting problem.

Osram
FLUORESCENT TUBES

A G.E.C. PRODUCT

THE GENERAL ELECTRIC CO. LTD.



"Yes, he said I needn't take on extra staff after all..."

"YOU KNOW when our orders were going up and up? Our accountant told me we might have to take on more staff. So we decided to call in the Burroughs man. It couldn't do any harm and his advice was free... As it is, I'm more than glad. He went into the details with our accountant, then showed us how we could mechanize our accounting at low cost—and save a lot of overtime. He certainly knew his job..."

The Burroughs man is always at your disposal without cost. He is an experienced adviser on all accounting and

record-keeping systems, and well qualified to work with your accountant and auditor.

He has a complete knowledge of mechanized accounting. But he won't propose changing your accounting methods just to suit certain machines. Rather, after a full analysis of your problem, he will make proposals for a rapid, economical and workable solution.

If he does recommend a new system, he will prepare a detailed plan for it and help you get it working smoothly. He will make sure you continue to get full benefit from any Burroughs machine you install.

Whatever your business, large or small—if you have an accounting problem, the Burroughs man can help you solve it. Burroughs make the world's widest range of Adding, Calculating, Accounting, Billing and Statistical Machines and Microfilm Equipment.

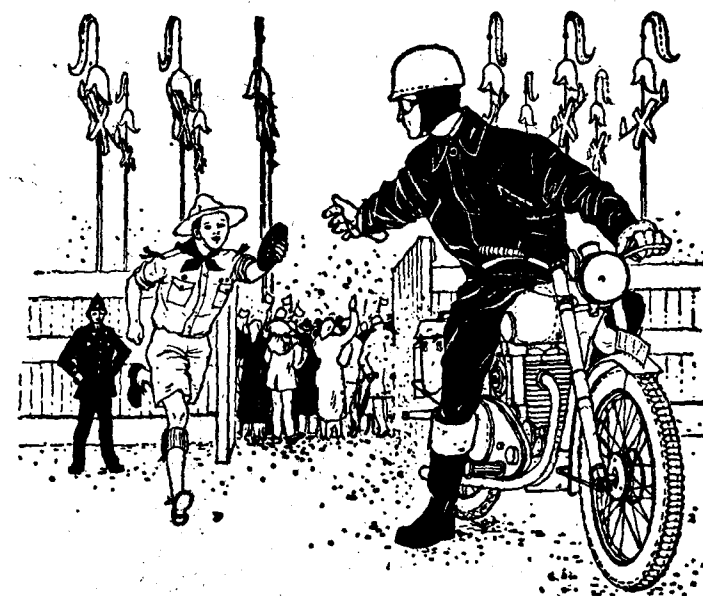
Call in the Burroughs man as soon as you like—you're committed to nothing and his advice is free. You'll find the number of your nearest Burroughs office in your local telephone book. Burroughs Adding Machine Ltd., Avon House, 356-366 Oxford Street, London, W.1.

FOR EXPERT ADVICE ON BUSINESS SYSTEMS



One Burroughs man solved this problem. The Phonotas Co. Ltd. (weekly telephone cleaning and sterilizing service) have 80,000 separate accounts, and until recently, in London and in provincial offices, figures were copied by hand. As this led to errors and delays, they called in this Burroughs man, Mr. J. G. Winterbottom (left). He showed Phonotas how, with just two typewriter-accounting machines and two abbreviated-description accounting machines, they could halve their accounting time, and obtain up-to-date figures—all without extra staff.

CALL IN THE
Burroughs
MAN



The WORLD was waiting

"The greatest piece of 'selling' of this country that I have ever seen in my life"

LORD LUCAS OF CHILWORTH,
speaking in the House of Lords

THE cast, the settings, and the costumes were there for only a day. There could be no re-takes. It was 'now or never' for sixteen camera crews, eager to capture the breathless moments of Coronation Day.

Twelve of the cameras were set, towering above the crowds, along the Coronation route. Beside each one stood an excited Queen's Scout—ready to rush each reel of exposed film to despatch riders at the street barriers. They in turn roared away westwards along almost empty roads towards the Technicolor Laboratories on the fringe of London Airport. There the entire staff of one thousand worked day and night to process 56,300 feet of film.

That was only the first stage in an elaborate distribution plan. Soon it would involve railways, aircraft, lorries and—in India and Pakistan—even mules and camel-trains. For millions all over the world were waiting to see A QUEEN IS CROWNED.



The Plan becomes reality

Processed, edited down to 7,717 feet, music and commentary recorded, and the first colour print ready within sixty hours of the Coronation ceremony—the making of this momentous film broke all records.

On Friday June 5th (only three days after Coronation Day) A QUEEN IS CROWNED had its world première in London and the first overseas prints were airborne. By midday on Saturday it was delighting packed houses in Canada and the United States. Meanwhile more prints set out for Australia and New Zealand, South Africa, India and Pakistan, Burma and Singapore, Norway, Sweden and Denmark, Finland, France, Belgium and Greece. During the next few days the commentary was dubbed into eight languages.

Within fourteen days of the Coronation, A QUEEN IS CROWNED was shown in every country of the world outside the Iron Curtain.

Into London came cabled comments from the Group's partners and associates overseas. From South Africa: 'Business double any previous film.' From New Zealand: 'Bookings absolutely fantastic.' From Australia: 'Greatest prestige film ever.' From Canada: 'Packed thrilled spellbound

applauding cheering house.' From Norway: 'Film causing traffic and telephone difficulties.' From Germany: 'Public enraptured.'

Ambassador extraordinary

Perhaps no other film has meant so much in goodwill for the British Commonwealth of Nations; has expressed so clearly the solidarity of a people. Certainly no other film has proved so decisively to the world that the function of Britain's film industry is something more than film-making.

Efforts made over the years to open more and more world outlets for British films were repaid in full. The complex machinery of film distribution worked perfectly.



We are proud indeed that the opportunity was ours—not only to make such a film as A QUEEN IS CROWNED, but also to carry it to the farthest corners of the earth in a way never before attempted.



THE J. ARTHUR RANK ORGANISATION LIMITED



a fingerprint of steel

Steel has a fingerprint So has granite, sulphur . . . all matter. No piece of matter can escape detection of its character and composition, no piece of matter can hide its fingerprints, now revealed by mysterious rays . . . Days of endless research can now be saved. These rays reproduce on a photograph valuable indications as to strength, durability, resistance to extremes of heat and cold, weak danger-zones of matter. They make discoveries which stun even the experts. They have helped to build stronger bridges with less steel. They reveal everything that matters! They are even used as a guide to spot the nature of sediment in cases of arterio-sclerosis, helping doctors to give better prescriptions in their strivings to prolong human life . . . Scientists in the Philips Laboratories developed the devices, by means of which these rays are now applicable in every industry, in daily life:

PHILIPS X-RAY DIFFRACTION EQUIPMENT

PHILIPS



CONTRIBUTE TO THE BETTER LIFE OF TOMORROW

For all information
please apply to the
Philips organization in
your country.

INCANDESCENT, FLUORESCENT, MERCURY AND SODIUM LAMPS • RADIO AND TELEVISION RECEIVERS • MEASURING APPARATUS • ELECTRIC DRY SHAVERS
HOUSEHOLD APPLIANCES • X-RAY APPARATUS • H.F. GENERATORS • WELDING MACHINES • AMPLIFIERS • CINEMA EQUIPMENT • RADIO
AND TELEVISION TRANSMITTERS • TELECOMMUNICATION EQUIPMENT • AUTOMATIC AND LINE TELEPHONY INSTALLATIONS • TAPE RECORDERS

The Economist

FOUNDED 1843

JANUARY 22, 1955

ONE SHILLING

Timing the Election	251
Molotov Turns to Germany	252
Turk Among the Arabs	254
The Taxation of Personal Incomes	256

NOTES OF THE WEEK

Peking's Blind Eye; Nervous Return; South Norfolk's Significance; . . . *Parcere Subjectis*?; Fairly Quiet on the Western Front; A Liberal German Arms Plan; The Sahara for the Saar?; Gestapo at the Grate?; Driving Tests Under Strain; Mr Manley Wins Jamaica; Atoms for Peace-lovers; Signor Togliatti on Top; Red Red Tapeworms; Frustrated Cities; Fugitive Virtue; Plea for St James's; Two Lessons from Costa Rica; Tidying up the Strategic Embargo.

BOOKS AND PUBLICATIONS	267
LETTERS TO THE EDITOR	270

AMERICAN SURVEY

A Neutral Budget 273
Questions of Security; Disposing or Dumping?; Unity on Both Sides; More for All the Boys; Is Leader a Leader?; Merger in Manhattan; Raising the Minimum; Shorter Notes.

THE WORLD OVERSEAS

Canadian Rescue Operation 281
German Labour in Ferment; OEEC Meeting in Paris; Kafue or Kariba?; Franco Experiments; Turkey's Economic Troubles; Rumania De-Rations.

THE BUSINESS WORLD

Sea Change for Shipping 289
Delays to Aircraft 291
Britain's Capital Formation 292

BUSINESS NOTES

How Near is Inflation?; Mutiny for the Bounty; Woolworth's Dividend; Fight for Assam; An Issue of Principle; Costlier Motor-ing; Talks with Brazil; Turkey and Bilateralism; Independent Air Enterprise; Materials for Packaging; Better Retail Trade Statistics; A Fuel Conundrum; Sterling Area Terms of Trade; Rise in Prices of Materials; Engine Bid from English Electric; Butter v Margarine; Oil in Balance; Shorter Notes. 295

COMPANY NOTES AND SECURITY

PRICES	307
STATISTICS	310

India—Progress and Plan

FOLLOWING PAGE 286

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

Timing the Election

WHEN Parliament reassembles next week, it will be entering upon an uneasy period both for its own members and for the country. The most absorbing question in British politics today is when the next general election will be; the dominant influence upon that, according to many people at Westminster, is that the great and the less great are looking in different directions. Sir Winston Churchill has his eyes fixed on the "last prize" of peace, while most younger Tories—those under seventy-five or so—have theirs fixed on the recurring prize of electoral advantage. Is there any way in which these interests might be reconciled, and what effect might that have on the interests of the British people?

Sir Winston's path is clearly that of single-minded statesmanship. He is reported to put the hydrogen threat to humanity first, and everything else nowhere; the only disagreement there can be with that is that most other people would put the hydrogen threat first, and several other things somewhere. That this should be the only disagreement shows how far the strength of the West has increased since May 11th of two years ago. Sir Winston's first principle today is that the free world's strength must be further built up by ratification of the Paris agreements; his second is that, once the agreements are ratified, talks should be held with the Russians; his third is that, "because of certain things that have happened," there might be a greater chance of success at these talks if he himself led the British delegation. All these three principles are likely to be supported—at any rate in public utterance—by a majority of the British people.

For professional Tories, however, they carry an awkward implication at the present time. The Tories feel that they have already deserved success at the next election, and that by wise choice of the date of dissolution their party leaders can now command it. There is no general consensus of opinion in the party about when the most appropriate timing for the poll would be; although there is agreement that it should be at one of the five periods when, the tacticians promise, large blocks of voters should not be inaccessible or on holiday—which means late February, late May or late October of this year, and late February or late May of next. The real source of Tory uneasiness is the feeling that, some time in the next few months, the appropriateness of one of these particular dates might become suddenly and blindingly obvious, and that the party leaders should then be free to act swiftly. But if Sir Winston were in the middle of one of the complicated stages of his pilgrimage to peace, they might have to miss this opportunity. This is the real reason for the irritation of certain Tories with the Prime Minister; it is not based on a hard appraisal of the telegenic value of octogenarianism, but on the vague suspicion that he might interfere with their election planning.

The public's interest in this is confused. It is certainly concerned for the preservation of peace; a case can be made out that hopes of this might be brighter if Sir Winston handled the eventual nego-

tiations with Moscow, but that is a matter of opinion. Some people will think that the public might also have an interest, unless Labour can swiftly find a policy, in the continuance of Tory rule; but that is a question on which opinions must be more sharply divided still. What the public clearly does need, however, and this is a matter that should transcend all differences of opinion, is effective government; and unfortunately it seems to be becoming increasingly clear that this means that it should desire a speedy dissolution of this now dragging and deadbeat Parliament.

Two months ago it was still reasonable to call upon Ministers either to resolve or to dissolve; today—after the Queen's speech and the way in which the railway strike was averted—the call to resolve rings a little hollow. Whether or not there is going to be an election this year, it is now quite clear that politics are dominated by the thought that there may be. The effects of this undeclared campaign grow daily more apparent. The Ministers of Transport and Labour may still wish to salvage something from the wreck of the railway settlement, but encouragement to them from Conservative backbenchers will stop short of any measures that would annoy the National Union of Railwaymen. The Chancellor may or may not have some economic justification for tax reliefs, but he will be under great pressure to grant them, in any event, for purely electoral reasons. The Minister of Agriculture bids fair to be the best holder of his office since the war, but across his coming price review will sound the rumble from South Norfolk.

These are the interests at stake. Does there seem any hope of reconciling them? It is not unduly cynical to suggest that two of them can be reconciled, that the aims of the Tory backbenchers and of their leader may already be nearer than those backbenchers suppose. It is easy to see how this reconciliation could work out.

Molotov Turns to Germany

MR MOLOTOV seems to be holding a kind of clearance sale. As ratification of the Paris agreements on Western European Union becomes more imminent, he digs ever deeper into his diplomatic basement, and every few days Moscow's shop window is filled with a fresh "unbeatable offer" or a "never to be repeated" bargain that used to be kept firmly under the counter. The western powers, and the non-Communist world in general, have lately been subjected to alternating threats and blandishments which come thicker and faster each week: invitations to conferences, diplomatic Notes in profusion, apparent concessions on general disarmament, threats to denounce treaties, accusations about gas and germ warfare, offers of co-operation in the peaceful use of atomic energy, and a crescendo of warnings that ratification will increase the

If everything goes well, the Paris agreements should have passed through the Parliaments of Europe by mid-March or mid-April. Soon after that the attempt to negotiate with Russia could begin. If Sir Winston is to lead his party into the election himself—and there is no real reason why he should not—polling day need not be deferred until after the negotiations have been completed. Indeed, there would be an evident advantage, in terms of election slogans if of nothing else, if the Tories should grasp their chance quickly. "If you believe in talks, vote for Sir Winston the peacemaker: if you believe in strength, vote for Churchill, who saw the need for it as long ago as Fulton." It would be a slogan no more dishonest than most, and much more attractive than some. But it would look better while the champion still sat on his charger, waving an olive branch—rather than after he had actually sallied forth upon his mission, and possibly run into a brick wall.

If this is the decision, however—and, apart from its obvious scope for popularity, there is no reason to believe that it is necessarily going to be—then it will be best if it is done quickly. The call will have to be delayed until after the Paris agreements are ratified; everything depends upon that. Given this, it may be very difficult to launch the campaign in time for an election in May or early June, which is one favourite date with the party tacticians; there is no reason, however, why it should not be launched in time for late October, which is another. October would be late enough in all conscience; it would mean another nine months of drift in too many ministerial affairs. The plea to put forward now is that, whether the peace campaign can be launched or not, the delay should be no longer than that. For uncertainty, which may be the spice of life, is already proving the barbiturate of effective domestic politics.

danger of war. The full range of Soviet diplomatic technique has never been demonstrated so impressively—or at such speed.

Last week, Moscow's beam was switched on to Germany. There was no pretence of using normal diplomatic channels; Mr Molotov had reverted to the familiar tactic of appealing to peoples over their governments' heads. He had, indeed, some excuse for doing so this time, for although his statement was addressed to nobody by name, it was clearly directed to the people of Western Germany, whose government Russia does not recognise. It was, in fact, so carefully designed to tempt the German palate that it was bound to alienate French opinion—a defect which Mr Molotov was perhaps too hurried or too worried to make good. And the statement was well timed both to

influence the forthcoming final vote on the Paris agreements in the *Bundestag*, and to reinforce the campaign of demonstrations against the agreements (described in an article on page 282) that is now being organised by the left wing of the German Social-Democrats and by the extremist Bavarian trade union federation.

What substance was there in the Soviet statement? A careful examination reveals one fact. There was nothing offered that Mr Molotov had not already proposed, or at least hinted at, the last time his attentions were focused on the Germans—that is, when he spoke in East Berlin on the eve of the Soviet Zone "elections" last October. All that he has now done is to dress up, in a more eye-catching manner than he adopted when electioneering for Herr Ulbricht, propositions which were little noticed at that time.

In essence, the offers now repeated are two. First, the Soviet government declares itself ready to "normalise" its relations with the Federal German Republic. Mr Molotov used the same phrase in his recent approach to the Japanese government. It presumably means the exchange between Bonn and Moscow first of trade missions (a lure doubtless meant to offset the German industrialists' incipient collaboration with the West) and then of diplomatic missions. Mr Molotov adds that this would make the reuniting of Germany easier; this fits in with the whole tenor of his statement, which serves notice on the West that henceforth Moscow will deal directly with the Germans, and force Bonn for its part to deal directly with the Ulbricht regime. Indeed, he does not say that there will be no Soviet recognition for Bonn if the Paris agreements are ratified; and there is no reason to think this omission accidental. Bonn will probably be wooed more fervently after ratification than before. Mr Molotov's present attitude towards a Japan that is already linked to the United States by a defence pact may well indicate his future attitude towards Western Germany.

The second offer contained in the new Soviet statement, with regard to all-German elections, is most obliquely worded. The Soviet government "deems it possible, in the event of the consent of the governments of the German Democratic Republic and the Federal Republic, to come to an agreement on appropriate international supervision." Although the western powers have long sought to pin Mr Molotov down to precise terms on the question of elections—their last Note, sent on November 29th, asked for clarification on this subject and has remained unanswered—the Russians still avoid giving any clear explanation. The Russian word Mr Molotov uses for "supervision" may be translated as signifying no more than passive "observation"; and it can be assumed that he hopes to stage a profitably long wrangle over interpretation. And even if the Russians were even-

tually forced to state their real terms, does anyone expect that they would allow any international observation of what went on in Eastern Germany of more than the very tenuous kind that the Geneva agreement provided for Indo-China?

To see a decisive concession in Mr Molotov's cryptic words about international observation would be all the more naive after his accompanying statement that any all-German electoral statute must take account of the existing East German law. This reduces all his references to "democratic rights" and "the electors' freedom to express their will" to double-talk. On paper, East German voters enjoy all such rights; in practice, they have less choice than Germans had in Hitler's day. Admittedly, some West German politicians claim that an all-German parliament could cope with a big block of Communist members; but this form of German *hubris*, which Mr Molotov is discreetly fostering, is extremely dangerous.

Again, there is nothing in the new statement suggesting that Moscow is ready to jettison the Ulbricht regime. Indeed, the East German Communist bosses have lately been assuring their followers that Russia will make no bargain with the West that involves abandoning them. And the most obvious feature of the Soviet offer to recognise Bonn is that it would force Bonn to recognise Ulbricht—and as "elder brother." Dr Adenauer's envoys in Moscow would find themselves playing second fiddle to the East German ambassador already installed there: and the way would at once be open for the talks between the two German governments which the Communists have sought for years. Even the Social-Democrats have repeatedly rejected this idea; while most Germans are attracted by the prospect of talking directly to the Russians in Moscow, few even among the perennial optimists relish the thought of talking to Herr Ulbricht on equal terms.

Dr Adenauer himself will never yield to the temptation to ask the western allies to give Moscow one more chance, for he sees plainly that this means abandoning solid reality for a doubtful dream. But every fresh declaration from Moscow—and there will no doubt be more before the Paris agreements are finally ratified—presents the Germans with an increasingly acute problem; and the West must realise, in particular, that it will become more and more difficult for Bonn to go on turning a cold shoulder to the Ulbricht regime. However, it is not only in the West that clear thought is now essential. If any Germans still believe that Mr Molotov might yet offer them genuine unity in freedom, in exchange for genuine neutrality, one is forced to ask: have they never looked back at the record of past years?

Did not the Czechs do their best to be both "democratic" in Moscow's eyes and truly democratic, and fail? Why do Molotov's offers become more tempting as the prospect of Western Union draws nearer? Has

he not made it painfully obvious that Russia wastes no concessions on the weak, and that the policy of negotiating from strength, however fiercely denounced by the Russians, is the one thing that gets results from them? Mr Molotov missed a historic chance of convincing Germans of his sincerity when he failed to offer them really free elections after the collapse of the EDC. After all his tireless canvassing of his "European security" plan—which he again evoked in last week's statement—is it still not plain enough for all to see that there can be no "neutralised" Germany balanced between East and West, because once Western Union had evaporated Europe would not be balanced but tilted steeply in Russia's favour?

It would be equally disastrous for both Germany and the West if the EDC fiasco were now repeated—that is, if another Berlin conference began with the Paris agreements unratified, and the agreements then foundered without the Russians conceding anything in return. There are arguments, and supporters in

Germany and elsewhere, for the bargaining version of German rearmament, that is, for the idea of starting to build up German strength with a view to reducing or limiting it later as part of a general settlement. But there is nothing to be said for throwing away the counters before the bargaining begins.

Fortunately, even the most subtle propaganda can sometimes overreach itself. The very skill with which Mr Molotov has decorated his baits while avoiding all the real issues has irritated many western politicians. To put it bluntly, it is too clever by half. If the Soviet government is genuinely ready to allow all-German elections that would be genuinely free and fair, why has it always refused to say so in a way that would convince other nations? If the Russians were sincere on this point there would never have been, nor would there now be, any need to hold another major conference. All Mr Molotov need do is throw away his calculated obliquities and state his terms in unambiguous language with all the yawning gaps filled in.

Turk Among the Arabs

MR ADNAN MENDERES, the prime minister of Turkey, has completed his round of visits to Iraq, Syria and Lebanon. The trip has had only one immediate outcome, but that a startling one—the announcement that one member of the Arab League, Iraq, is ready to sign a security pact with Turkey.

This news has been received with an ill-grace in Cairo. Not that Colonel Nasser's Egypt has any objection to mere friendship with Turkey; Turco-Egyptian relations, which were bad until a year ago, have lately become almost fulsome. Cairo's primary objection to the Iraqi move is that it cuts across Egypt's proclaimed policy, which is that if the Arab League can get a few new armaments it can look after its own security through its own exclusive collective pact. Both Egypt and Syria have opposed any thought of linking up with outsiders, and the former has been boasting of turning down American military aid because the price is acceptance of mutual obligations. A second Egyptian objection is to the abruptness of the Turco-Iraqi move; this explodes some classic prejudices in an area that venerates long memories, and in which, if prejudices have to be dropped, it is nobler to let them sink into oblivion slowly.

Lastly, the Iraqi move challenges a prerogative that Egypt has always, and with reason, claimed for itself—the leadership of the Arab League. At the last meeting of that body, in December, the Iraqis, who had already strayed from the strict path by accepting American military aid, merely said that they intended to seek a new treaty with Britain, that it would follow the Suez precedent of providing for British evacuation of the air bases in Iraq but also for their "reactivation"

in certain eventualities, and that they wished to include any attack upon Iran as one of these. To this their colleagues agreed, but they opposed any Iraqi inclination to go further and join the Turco-Pakistani pact; Colonel Nasser refused to bring Egypt into such a pact or to use his influence in the Arab League to secure an endorsement for Iraq's entry. In his opinion it was too early to force states whose thinking had been vitiated by years of nationalism into pacts extending outside their own area.

Iraq's action is the more galling to him and his colleagues because they are realists, and know that it points a way that they are bound to go in the end. Any Egyptian who is logical—whether statesman, soldier or cotton exporter—knows that Egypt's fortunes depend on its links westward through the Mediterranean, and Egyptian diplomats have hastened to explain to their western colleagues that though official Egyptian organs have been attacking the Iraqi premier, Nuri Pasha es Said, for his deal with Turkey, their strictures do not imply any animosity to the West. (The effect of the new Canal Zone agreement on their outlook can be measured by reflecting what they would have said before it was signed.) Yet they are awkwardly placed, because before they arraign the absent Iraq at the meeting of Arab premiers which they have called for today, they will have to make up their minds between realism and pique.

The source of their trouble is that Mr Menderes, when he hustled the Iraqis, disturbed a complacency in which most Arabs have been content to moon for years. When he adjured his hosts not to delude themselves either that they can remain neutral—for the

Middle East's oilfields and lines of communication condemn it to be a cockpit—or that they can defend themselves—since such defences as small powers can afford are of no use whatsoever against the only likely aggressor—he may have seemed to them to be advancing something new. But in fact, he was only posing a problem that had vexed them all ever since they became independent, the problem of how best to live in safety. Is the best course a policy of no entanglements, and consequently no bombing, or is it a policy of joining up with a major ally in order to lessen the risk of aggression? All Arabs have liked to think themselves wedded to the first course, but in fact, if they were to cudgel their brains, they would remember that it is their goal only when there is no danger about. In 1936, when Egypt felt the threat of Mussolini's expansionism, it was quick to switch to the policy of resort to an outside alliance. Similarly, today, Iraq, which is the nearest of the Arab states to Russia and to the Asian world that feels Russian pressure, and whose new wealth from oil makes it still more vulnerable, feels the need to take a similar line.

Western statesmen need not feel nettled at the thought that they have time and again made the points that Mr Menderes made, but without success. They are always regarded by the Arabs as tendering their advice mainly out of self-interest, and, inevitably, the Arab response has been that of the doubter to the over-glib salesman. Turkey, however, can lay claim to fellow-membership of the doubting class, and can with all the zeal of the convert proclaim that its doubts were not justified, and that its alliance with the western powers has not impaired its sovereignty or independence. Yet the message will not ring true in all Arab ears because of several fundamental differences between Turks and Arabs. Turks, unlike Arabs, have two centuries of experience of Russian pressure; they feel for the Russians just the sort of animosity that the Arabs reserve for Israel. But just as important is a less obvious difference: ever since Kemal's rise to power, Turkish governments have been broadly enough based upon public opinion to allow of their taking and explaining not only popular steps such as joining anti-Russian pacts, but also potentially unpopular ones such as the readmission of foreign capital, and even of a foreign military headquarters, to a country that turned the foreigner out with contumely less than a generation ago.

The would-be democracies of the Arab world, and Egypt in particular, enjoy neither the unifying influence of an outside pressure nor the advantage of governments based on wide public support. Further, their memories of western tutelage are fresher than Turkey's. Thus their weak governments are obliged to placate a multitude of adversaries on the home front by pandering to prejudice—against outsiders, against

the one-time colonial powers, against Israel. At best, this weakness leads to a foreign policy of drift in a world of make-believe, at worst to action taken at the dictation of ignorant mobs, as occurred in Iraq in 1948, in Egypt in 1952 and in Dr Mossadegh's Iran. There are only two methods of ending a plight in which, in the last resort, a mob is master. The one is to ride roughshod over it in the style of a dictator, the other to attempt the statesmanlike course of dispensing with cant, unmasking prejudice and explaining where the nation's best interests lie. Unfortunately, the Arab states possess very few statesmen endowed with the moral fibre, let alone the political backing, that is needed to put such messages across to unlettered crowds bred on years of fanaticism, bribery by rival factions, and periodic tastes of power.

It must be confessed that Nuri Pasha of Iraq, in taking the step that he has taken, approaches the technique of dictatorship. His generation is out of touch with Iraq's rising middle-class, and the last Iraqi elections conceal the fact that he does not enjoy nationwide support; since then, his government has given short shrift to Communist and left-wing groups. Yet he has not ridden roughshod over all educated opinion; there is support in important sections of a younger generation of Iraqis for the idea that abandonment of neutrality is now in the country's best interests. The theory was advanced by the prime minister of a year ago, Dr Fadhil Jamali, but his cabinet of young men was not strong enough to implement it other than by the acceptance of American aid in April, 1954. This month, during the debate on the budget, the minister of education, Khalil Kenna, who also belongs to the younger generation, advanced logical arguments for a positive line such as Turkey's, as opposed to a negative one of drift into a "political vacuum of neutrality." Perhaps, therefore, the opinion of a few reasonable Iraqis will prevail over the impulse of the multitude of unreasoning ones.

If so, there will be justification for Mr Menderes's belief that the Arab world needs a dose of brusque home truths. He is shortly to visit Egypt. Will he be able there, too, to brush aside the argument that only time can bring awakening to the realities of modern defence? Will he cause Colonel Nasser, as he has caused Nuri Pasha, to act on the basis that there is no time to spare? Whether realism or prejudice will conquer in Cairo may be discernible at the meeting that the Egyptians have called for this weekend. For, although Egypt is nettled at losing the initiative to Iraq, it can pride itself that the fate of any Arab move towards an effective regional defence policy lies in its hands. Upon the lead it gives now will depend whether the Arabs emerge from their dream-world about defence, or dawdle on, clad in prejudices that fit like an old jacket but that are, like most old jackets, out of date.

The Taxation of Personal Incomes

A Second Reading

THERE are rumours that the Final Report of the Royal Commission on the Taxation of Profits and Income, which will inevitably deal with very far-reaching matters, will be published before the Budget. This is, therefore, probably the last opportunity for taking a second look—at greater leisure than is possible on first publication—at the commission's second interim report, which appeared last spring and was the subject of an article in *The Economist* of May 1, 1954. This interim report* was entirely devoted to the taxation of personal incomes. Apart from a number of minor points, it dealt with two main subjects. The first of these was whether the present system of pay-as-you-earn could be changed into something much simpler and perhaps more comprehensive. The second was whether the present structure of personal, children's and earned-income allowances should be reformed. On the first of these main subjects the commission was unanimous; on the second there was a memorandum of reservation from four members.

The objective of simplifying the present very complex (and, to the ordinary man, quite unintelligible) system of PAYE has a wide and obvious appeal, not least to the employers of labour who have to pay for the great volume of paper work. It is a further and equally attractive idea that income tax should not only be simplified but also amalgamated with national insurance, so that the citizen, instead of engaging in several complex financial transactions with the state, in some of which he pays and in others receives, would have only one comprehensive and intelligible accounting. The Royal Commission disappointed both these hopes, both the wider and the more moderate. No one who reads the report can fail to be impressed both by the unanimity of the commissioners and by the force of the arguments they use—which can perhaps be summed up in the one that no scheme that is simple could be fair, and none that is fair could be simple. He would be a bold man (or woman) indeed who stood out against the wider conclusion, that the linking of income tax and national insurance would create more anomalies than it would remove. But this has always been the most complicated and controversial part of the simplifiers' case, and many of those who have seen its attractions have always hesitated, without expert opinion, to pronounce on its practicability.

On the more limited issue of simplifying PAYE,

however, it seems much more legitimate, though it be at the risk of *lèse-majesté*, to entertain continuing doubts whether even a unanimous commission has quite disposed of the subject. The technical apparatus built up by the report, out of materials supplied—and one suspects in largely pre-fabricated form—by Somerset House, is as intimidating here as elsewhere. But there are one or two considerations that can still be urged on the other side. The most powerful of these is that, to those who remember the history of PAYE, it is simply contrary to common sense to believe that the present system is perfect—or, if not quite perfect, the only one possible. For a long time, the Inland Revenue declared that no system of PAYE at all was possible without treading on the toes of its two favourite monsters—the Gog and Magog of Somerset House—Administrative Difficulty and Individual Equity. The arguments used to justify this obstinacy of negation were no less impressive in their marshalling of technicalities than those that are now employed to defend the inviolability of the scheme that was then declared to be impossible. Then, when the pressure became irresistible, it was discovered that it could, after all, be done. Is it reasonable to believe that the transition from impossibility to perfection was completed in one jump?

Moreover, though brevity and concision are great merits in an official report, the Royal Commission's discussion did not by any means cover all the methods of simplification that could be suggested, or that were in fact suggested to it. As one reads this section of the report, the suspicion keeps creeping in that the underlying angle of approach was not (as it should have been) "How can this problem be solved?" but "How can these objections to the present system be answered?" When administrative difficulties are mentioned, for example, it is usually the administrative difficulties of the Inland Revenue that are meant, not nearly so often the very great burden now imposed on the employers of the country. It would be a great pity if, on this subject, the report were taken as the last word.

When it turned to its second main subject, that of the re-casting of the personal allowances, last April's report revealed a difference of opinion between the majority of ten members (including the chairman) and the minority of four, who can properly be called the Labour representatives. All the commissioners agreed that the present structure of allowances was defective in three

main respects, all three of them arising out of the sharp fall in the value of money since prewar days—or, more accurately, from the failure to re-adapt the structure, year by year, in pace with the fall in the value of money.

We doubt [said the minority, but not in this in opposition to their colleagues] whether, if it had not occurred as an automatic and silent consequence of the inflation, Parliament would have sanctioned some of the changes in the incidence of taxation that have, in fact, taken place. . . . We doubt, for example, whether the needs of revenue could justify the fact that the married man with two children who, before the war, on a prewar income of £400 a year, paid an identical amount of tax as the single man at £150 a year and the married man at £250 a year should now [the report is assuming an exact halving of the value of money] be asked to contribute, on the same real income, more than three times as much as the corresponding single man and one-and-a-half times as much as the married man. Equally, revenue considerations would hardly justify raising much the same amount of additional taxation from the man with a postwar income of £1,000 a year, irrespective of whether he is single, married, or married with two children—with the result that the burden of the postwar tax is six-fold the prewar tax in the case of the married man with two children, two-and-a-half fold in the case of married persons without children, and less than two-fold in the case of single persons.

So stated, these are obviously intolerable lapses from equity, and accordingly the whole commission was agreed in recommending (i) that there should be a wider zone of exemption at the bottom of the scale (but ingeniously so arranged that it would affect only those small incomes for which it was designed); (ii) that the children's allowance should be increased, and transformed from a single lump sum into an allowance that would be at least in part proportional to income, and would apply to surtax as well as to income tax; and (iii) that the earned income allowance should have a considerably higher limit. The particular figures proposed are of secondary interest, since they are properly a matter for the Budget, if and when the principles of the proposals are adopted.

So far, majority and minority were agreed. The formal matter on which they parted company was whether or not the proposals should be self-balancing—that is, whether every proposal for a concession to any group of taxpayers should be matched with a corresponding proposal for an increase elsewhere. But this really masked a more substantial difference. For if the proposals are not to be self-balancing, if they are to be presented (at least so far as this interim report is concerned) as involving a net cost to the revenue—which was the majority's view—then almost inevitably they will suffer from timidity. For example, the majority report discussed two schemes for an enlarged initial exemption. The larger, which was confessed to be the more desirable, would cost £56 million a year, and was

therefore rejected in favour of a much more modest—and thus, for its purpose, less effective—scheme costing only £8 million. But once there is a willingness to propose an actual increase of taxation on some groups of taxpayers, the proposals for relief to others can go much further.

Part of the minority's willingness to contemplate such increases—but only part—obviously arose from the class consciousness of their party. The grudging nature of their acceptance of the need for raising the present limit on the earned income allowance and the animus against the £1,000-£2,000 group that occasionally peeped out of their discussion showed how exclusive was their sympathy with the burdens of the wage-earning classes. But these were incidental; on the whole, they made a bolder and more consistent attempt than the majority to meet the needs of equity in re-adapting the progression and distribution of the incidence of income tax on individuals. Thus they not only proposed the more expensive scheme of initial exemption that the majority merely thought desirable, but they made no bones about paying for it by lowering the allowances of single persons and childless couples and by stepping up the rates at which tax begins to be levied when the exemptions are exhausted. Similarly, the proposal to extend the children's allowance, proportionately to income, is accompanied by a proposal to reduce the personal allowances of single persons with incomes of over £1,000. Here again, it is not so much the actual figures that matter so much as the thinking behind them; and it is difficult to resist the conclusion that, if there is to be any return even to the prewar standard of equity as between one class of taxpayer and another (not that the prewar standard was necessarily perfect), something much more far-reaching than the majority's proposals will be needed.

Which line of thought is politically more realistic is not easy to decide. Which is it easier for a Chancellor of the Exchequer to carry through, a re-adjustment of allowances that imposes no extra tax on anybody but costs a lot of money, or one that costs nothing but involves raising the taxes of many hundreds of thousands of people? The answer, no doubt, is that it all depends on what is happening at the time to the standard rate. If a "self-balancing" scheme were carried through in a year when the Chancellor could also reduce the standard rate, it could be devised to provide the maximum of relief where relief is needed without actually increasing (but equally without reducing) the tax on any bachelor or spinster.

Conceivably, this is just such a year. If, therefore, Mr Butler is thinking of incorporating any of the recommendations in last April's report into his 1955 Budget, it is to be hoped that he will not be led by the party colouring of the minority reservation to close his eyes to the merits of its proposals.

* Cmd. 9105. 4s. 6d.

Notes of the Week

Peking's Blind Eye

AT the end of last week the Notes exchanged between Washington and Taipeh on December 10th were made public. This delay of a month in giving chapter and verse for the American claim that the new pact with the Formosa government is fundamentally defensive has been a pity. It was no doubt dictated, amongst other things, by Chiang Kai-shek's own attitude and by domestic political considerations in the United States, aggravated by the Chinese imprisonment of the American airmen. But the delay has enabled the Chinese Communist regime to ignore Mr Dulles's original unsubstantiated statements that America would not back any Nationalist attack on the mainland of China. And Peking has made hay while the sun shone. Now every effort must be made to see that the American security guarantee to Formosa is accepted in its proper setting and to emphasise that, if the Peking regime were willing, a major cause of tension in the Far East could be removed.

With this in view, President Eisenhower and Mr Dulles have this week given dramatic evidence of the new twist in American Far Eastern policy. At the President's press conference on Wednesday, he went beyond Mr Dulles's statement of the previous day in calling directly on the United Nations to attempt to arrange a cease fire between the Chinese Communists and Nationalists. This novel suggestion reflects a determined moderation in Washington, which will not only strike a new note in America itself, but will certainly chasten the firebrands in Formosa.

Far from moderating their own actions, the Communists have this week let their creeping aggression against the Nationalists go a stage further. They have attacked and apparently taken the small island of Yi Kiang Shan, one of the Tachen group 200 miles north of Formosa. This is a relatively unimportant stage in itself; it certainly does not prejudice the actual defence of Formosa. But it is significant of the Communists' determination not to let matters rest and to probe their enemy's military and political position at every possible point.

Thus, in any review of the present situation, two factors should not be forgotten. On their side, the Americans have now laid it down in black and white where the line is that the Chinese cannot overstep without directly involving the United States. On the Chinese side, however, there still appears to be a kind of reckless determination to ignore consequences. This may win revolutions at home, but abroad, in present circumstances, it cannot fail to carry a continued and much wider risk of war than the men in Peking yet seem to realise.

Nervous Return

MINISTERS cannot be relishing the prospect of meeting the House of Commons again next Tuesday. In the next few weeks they will face an ever-lengthening list of awkward issues—rail pay (coupled with the general financing of nationalised industries), the Road Traffic Bill, immigration from the Caribbean, farm prices and the length of national service. On not one is there much political credit to be gained, on several there is quite a lot to be forfeited, and on at least two—national service and farm prices—major electioneering points may be involved.

It is the Government's bad luck (or bad judgment) that on the very day Parliament reassembles one item of business arranged for the Commons—the second reading of the Transport (Borrowing Powers) Bill—will presumably allow MPs to raise the whole question of railway finance. Tory backbenchers are clearly in two minds about the railway dispute. Some accuse the Government of "appeasement" and talk darkly of the need for a "showdown" (whether with their own leaders or with the railwaymen is not always clear); others feel that nothing would have done the party more harm electorally than a national strike. The first group is the more thoughtful, and the second more numerous; but if the Minister of Transport really started an efficiency drive that annoyed the National Union of Railwaymen, both might unite to remind him that the election may be only a few months away.

Nor do the Tories see much chance for profit in the other issues now pending. The annual farm price review will take place next month under the shadow of a swing to Labour in the by-election in South Norfolk. Also next month there will be the annual Defence White Paper, and Labour is likely to try to give the impression that it would cut national service sooner than this Government will; the Tories are under no illusion about the trouble that might cause them at election time. Among the other questions now looming, the Road Traffic Bill, which seemed harmless at first reading, is now arousing intense irritation among affected interests in the constituencies; there is certainly a case for looking closely at the powers which the new inspection regulations might put in certain private garage owners' hands. There will also be trouble about the immigration of Jamaicans. Altogether the business ahead looks so chilling that some Tory pessimists are wondering if the tide which has borne them along so easily for the past three years may at last be about to turn. There is no reason why it should be; but, unless Labour's leaders touch new depths of impotence, Ministers should have reason—and perhaps this will be a good thing for the country—to grow heartily sick of this session before very long.

South Norfolk's Significance

THE Conservatives held on to their seat in the South Norfolk by-election, but by a majority of only 865 compared with 3,239 at the general election in 1951; there was a swing of 3 per cent of the total poll towards Labour. In part, this Labour gain may have been due to the conviction and imprisonment for fraud of the previous Conservative member; despite what has been called the "sporting nature" of British politics it is a fact that in each of the other three by-elections since 1945 at which the previous member had left the House under some sort of a cloud, there has been a swing against the offender's party larger than the current trend. But the suspicion remains that part of the swing last week was due not so much to past fraud as to a dissatisfied farm vote.

If the Government's gains at other recent by-elections have been purely urban phenomena, Labour's election prospects could be brighter than the Tories at present like to think. If the old constituency boundaries are used as a measuring rod, there are 57 Conservative seats that Labour could win with a swing as large as it marked up at South Norfolk last week. Of these, 26 are county seats, including about a dozen in which the agricultural vote is particularly important; indeed three of the five Tory county seats in Norfolk itself were won from Labour only in 1951, with much smaller majorities than the erring Mr Baker had secured in the constituency fought over last week.

On the other side of the medal the Conservatives have hitherto warmed themselves with the thought that if they could gain an additional 3 per cent of the poll from Labour compared with 1951, they would also (by coincidence, the figure is the same as for Labour) win an additional 57 seats; of these, 21 are county seats, although it is true that in only two or three (including one in Norfolk) does the agricultural vote seem really important. All this arithmetic is rashly based on a single by-election fought under arctic weather conditions; but the real significance of South Norfolk—and it is very unfortunate—is that, as the annual farm price review approaches, a swarm of nervous Tories will be buzzing agitatedly in the Minister of Agriculture's ear.

... Parcere Subjectis?

THERE are two main reasons for trying once more to get the Mau Mau terrorists to give themselves up—one good, the other not unimportant. The good reason is that if they are hard-pressed by troops combing the forests to which they are now confined, they may at last be prepared to surrender *en bloc* on promise of an amnesty; and thus a vile conspiracy, which is daily costing blood, treasure and growing bitterness, will come away at the roots. The other reason, which is not unimportant, is that this offer—the third of its kind—shows a critical world that Britain's first intent is not to kill some thousands of degenerate and murderous but misguided savages, but rather to heal the miseries of a tribe and bring back peace and security to a

colony. No question arises of returning those that surrender to society; they must be segregated. But if they are to be unreservedly condemned to the death penalty, which they all almost certainly have incurred under emergency legislation, they have no incentive but to sell their lives as dearly as they can. Some—perhaps many—of them may still decide to fight it out, either because they are suspicious of the government's motives, or because they believe in their cause, such as it is; or even because they prefer a short but vivid life of violence to penal servitude until death. But that does not detract from the wisdom of trying another offer timed to coincide with "Operation Hammer"; according to reports, the leaders of the Loyalists have endorsed the decision, and have not seen in it any betrayal of their interests.

This was, too, the right moment to arrange an amnesty for past misdeeds by Loyalists themselves, coupled with the warning that the law must in future be observed and Mau Mau prisoners or suspects handed over to the prescribed processes of justice, whatever the risk that "smart lawyers" may get them off "on technicalities which Africans can't understand." It was inevitable that many white settlers—equally inevitably led by Mr Humphrey Slade—should protest vigorously at any further attempt to end a process of attrition on "an eye for an eye" basis. There is this to be said for their view: the new offer to the terrorists is an attempt to put a quick end to an African obsession which, in the nature of things African, requires time to subside. It may therefore fail; yet the government will have sought to parley with murderers. This to many settlers is the maddest way to try to govern Africa. But their undisciplined reaction does their cause no good; and the government is right to take the course it judges most likely to end the revolt without breaking faith with those who have suffered and stood firm.

Fairly Quiet on the Western Front

"WE shall do our best to contribute ideas that can be helpful." Sir Anthony Eden could well have a worse epitaph than these words from his broadcast on Monday night; they express much that he has genuinely tried to do as Foreign Secretary. As broadcasts go, however, this one fell rather flat both in delivery and content. The occasion, on the other hand, has become of some interest. About a year has elapsed since the Foreign Secretary last took a quarter of an hour of the BBC's time after the nine o'clock news, and the idea of a broad review of foreign affairs every now and again is a good one. There are two difficulties about it. One is that a rather special Rooseveltian fireside manner is needed to make such an official statement readily palatable. The other is that the BBC justifiably rejects any claim that even the Foreign Secretary has a right to broadcast whenever he likes. His talk must not gain purely party advantage by taking place, for instance, just before an important foreign affairs debate or when public opinion is facing a crisis.

In Western Europe's internal affairs there is at present something of a political lull, and it was characteristic of Britain's attitude that the words quoted from Sir Anthony

Eden were applied to the current discussions in Paris about the French proposals for a European arms production pool. In Rome last week M. Mendès-France gained cautious Italian support for his proposals; this was followed over the weekend by a rather more constructive German attitude which emerged from the French premier's talks with Dr Adenauer. On Tuesday the Paris discussions were adjourned till Friday after everyone, including the French, had made it plain that, while there was no general basis for agreement, no one would think of breaking off the negotiations.

Although the question of a European arms pool will almost certainly take a long time to settle, it looks like being one in which the process of negotiation could consolidate rather than divide the interests of the signatories of the Western European Union. In these conditions the pragmatic Eden approach is at its best.

A Liberal German Arms Plan

THE real star at the Black Forest meeting of Dr Adenauer and M. Mendès-France last week proved to be Dr Erhard. The federal minister of economics was present with a German alternative to the French draft of an arms production community. This has been "sold" to Dr Adenauer and will be considered by the representatives of Western European Union in their talks on the arms pool in Paris. Very little of the Baden-Baden conversations has been revealed, but the communiqué conveyed the impression that M. Mendès-France had not been displeased by the German case. It spoke of "the necessity of standardising arms in consultation with Nato and of exchanging production programmes in order to co-ordinate them and to achieve the best use of resources as well as the reduction of costs—cartels and restrictive agreements being excluded."

The German proposal was drawn up after consultation with German industrialists who say they want a division of labour in arms production, but not one planned by a "supranational bureaucracy." It reflects the liberal policy of Dr Erhard and is, by and large, a version of the agreement he has reached with the future defence ministry in Bonn on ways by which Germany can manufacture arms without reintroducing a system of state controls. It also avoids setting up a new organisation which could discriminate against Germany by majority vote. In short, Dr Erhard seems to have proposed something no more rigid than the steel committee of the OEEC.

Dr Erhard's ideas seem, from what is known of them, an improvement on the French proposals. If German heavy industry is ready to co-ordinate its plans with the French—and, it is to be hoped, with the British and other members of the western alliance—this will after all be a radical improvement on any previous situation in the last few hundred years. Critics might bear the thought of earlier times in mind if they find Dr Erhard's plan falls short of the ideal, or suspect that when two or three industrialists get together, the result is always a cartel.

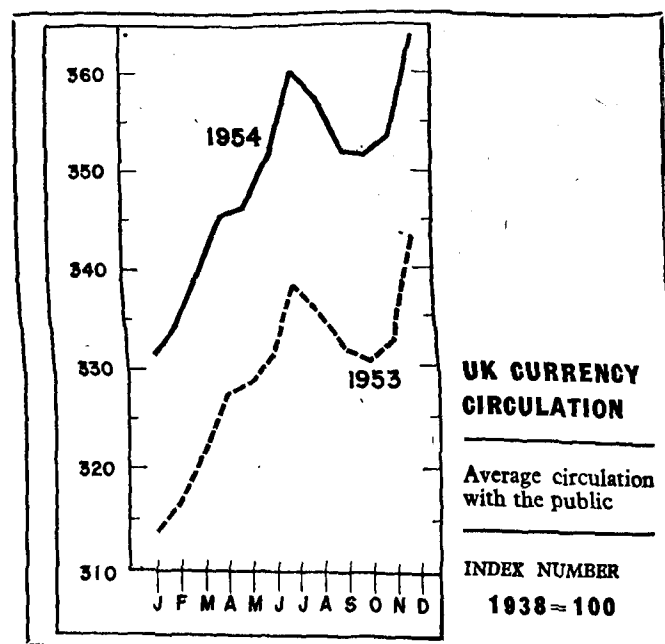
The Baden-Baden talks also touched on the efforts to increase Franco-German trade which were started as the result of the October conference between the heads of the

two governments. Progress has been made. The Germans have agreed to buy 500,000 tons of French wheat; the previous hand-to-mouth trade pacts have been extended to six months, and talks on a three-year treaty will start in March. Furthermore, a Franco-German chamber of commerce has been set up; and, for their part, French and German members of their respective federations of industry have held a meeting of their joint committee in Paris. Things on the Franco-German business front are moving, not sensationally, but perceptibly.

The Sahara for the Saar?

THE French, some critics say, are offering the Germans the Sahara in exchange for the Saar. In point of fact, the latest talks do not appear to have given shape to the vague French ideas of joint development projects in North Africa. Equally, the Germans do not seem to have gained any compromise on the Saar out of the Baden-Baden talks between Dr Adenauer and M. Mendès-France. The two statesmen are being commendably reserved on their conversations in order not to upset their parliaments, but it has been made clear that they dealt only with elucidating the terms of the Saar agreement, and not with any changes in Germany's favour.

It is perhaps ominous that the talks on the economic aspects of the treaty were postponed. This suggests that M. Mendès-France did not fulfil German hopes of better economic relations with the Saar that were aroused at the time of the original agreement. Fears have even been expressed in Germany that the French are about to sign a separate economic pact with the Saar government which would show how tightly they intend to keep the territory in their grip. Even if these suspicions are not realised, the Saar agreement still does not look the kind of stable arrangement that the British and Americans could safely guarantee.



Gestapo at the Grate?

ONE of the depressing features of the Parliamentary programme ahead is that at least three private members are to introduce bills that should never have been considered suitable for private members' procedure. Unfortunately, the bill that is to be considered first—it will be introduced by a Conservative, Mr Nabarro, and is supported by an alarming number of normally far-sighted people from both parties—looks like being the worst of the lot. It will apparently seek to enforce eight of the twelve recommendations of the Beaver committee on air pollution—all those that a private member's bill could enforce, because they do not involve Exchequer assistance.

There are three points to be made. First, although most people agree that there will have to be some official action to cleanse the air of smoky fog, a large body of opinion is very dubious of the particular recommendations in the Beaver report; among other things, the committee inclined heavily towards controls and never towards the price system, and it envisaged a vast increase in consumption of coke which is not in fact there to be consumed. Secondly, even if these and other criticisms of the Beaver report are unfair, Mr Nabarro—and those who signed their support to his Bill—seem to have given themselves little time to study them; their intention to introduce this bill was announced almost immediately after the report was published. Thirdly, when complicated measures of this kind are in prospect—which could give sweeping new powers to local authorities, affect a large number of industries, and even introduce an army of inspectors to domestic firesides—it is important that Ministries should have reasonable time to weigh the issues and consult the parties concerned. The interval since the publication of the Beaver report, with Christmas intervening, has been precisely seven weeks.

The Government is so scared of being accused of favouring foul air that it may feel compelled to rush out proposals of its own in answer to Mr Nabarro's bill, quite possibly in the course of the next week; in this case, as so often with the initial draft of control measures in this Parliament, they will be ill-digested proposals, and it will not be at all surprising if they do not work. This is not the sort of prodding that shows brisk Tory backbenchers at their best. The proper advice to give the Government is: take as long a time as you need, work out the safeguards and possible incentives very carefully, and determine that—although smog control is urgent—there will be no lack of thought about a measure that might introduce a gestapo to our grates.

Driving Tests Under Strain

THERE is certainly no truth in the rumour that the Ministry of Transport is thinking of abolishing the driving test, or that it intends to waive the regulation whereby learner drivers must be accompanied by an experienced driver. It is however true that the machinery of driving tests has been allowed to come perilously near to

breakdown. The number of applicants for driving tests has risen from some 570,000 in 1953 to 836,000 in 1954 (partly because of the popularity of the autocycle), but the number of examiners has remained more or less constant at about 500. The result is that there is usually six weeks' delay between applying and being tested, and this waiting period threatens to become even longer. It is also possible that, in some areas, the standards of the harassed examiners are slipping so that they are becoming more likely to pass dangerous drivers out on to the roads.

Some steps are being taken to remedy this state of affairs. The new Road Traffic Bill seeks to extend from three to six months the duration of a provisional licence, and would make it possible to turn away the persistent applicant who seems unlikely ever to pass the test. The Civil Service Commission is about to hold a competitive examination to recruit another 160 examiners; it may be asked to recruit more later, and at present salary levels (the inclusive rate in London starts at £544 and rises to £650, with rather lower rates for women and for examiners in the provinces) the Ministry of Transport seems confident that the job is attractive. The easiest and most obvious step of all, however, has still not been taken. The fee that is charged to the learner-driver for a test is a mere 10s., which is actually less than the test costs the Ministry of Transport to run. On every conceivable ground—to discourage the large number of applicants who "have a go" when they know they are not ready, to make a profit out of a service for which there is booming demand, and to pay higher salaries if these should be necessary to attract examiners of the right type—the fee should clearly be doubled or trebled at once. Legislation accumulates, waiting lists lengthen, expensive expedients are used. Must the price system always lag behind?

Mr Manley Wins Jamaica

MR MANLEY and his party, the People's National Party, have been elected to rule Jamaica on a comprehensive policy, but not in any sense on an extremist one. The PNP's manifesto, though it promised action in almost every field—educational, industrial, agricultural and political—did not "promise the earth"; indeed, it alleged that the outgoing chief Minister, Mr Bustamante, had done that at previous elections. Mr Bustamante's electoral appeal was in effect a reliance on the slogan "Trust the Old Firm"; but, after ten years of power, he has had to accept the almost inevitable electoral decision in favour of trying a change. His period of office has shown that it is not always wise to distrust the picturesque. Under his administration, though there has been some corruption, Jamaica has certainly made more progress agriculturally in the past five years than it did in the previous twenty; schools were being rapidly built at a cost per place lower than anywhere in the Caribbean; and the Jamaican Industrial Development Corporation had backed schemes for small processing industries to the tune of some £100,000.

But all this left much of Jamaica's grinding poverty, under population pressure, untouched. Nevertheless, Mr Bustamante has probably retained the support of the very

poor; the big majorities for Manley candidates were largely the result of urban and middle-class backing, and the splitting of the vote by the otherwise unsuccessful Farmers' Party. Mr Manley, with a majority of four, now has to implement his mandate; his first move has been to plan a Ministry of Production, which in fact seems to be more of a production advisory council with local business representation. Quite how it will fit in with the Industrial and Agricultural Development Corporations is not yet clear; but its creation shows awareness of the need to maintain the rate of Jamaica's development.

Mr Manley is likely to insist on maintaining the rate of Jamaica's advance to self-government no less; in fact he will want a rate ahead of other Caribbean colonies, and therefore a rate that may make some difficulties for federation. But the PNP backs federation, and Mr Manley personally is acceptable to the leaders of the other islands. There seems good reason to hope that the PNP policy on most matters will be realistic; and any residual irresponsibility may be a small price to pay for having established, in another British colony, a democratic tradition of "ins" and "outs."

Atoms for Peace-lovers

EVER since Mr Eisenhower presented his "atoms for peace" plan to the United Nations Assembly in December, 1953, the Soviet government has felt it to be a thorn in the flesh. How could Marxist verbiage explain away the fact that the "imperialist warmongers" were offering to use their skill and resources for the benefit of all mankind, while the Soviet Union, which claimed to be ahead of all other countries in exploiting atomic energy for peaceful purposes, had nothing to offer and, indeed, emerged as the main obstacle to the progress of the plan? When the United States and Britain pledged specific quantities of fissionable material to the world pool last year, the Communist dilemma was intensified. Russia's claim to have started up a power station using atomic energy might have been more readily accepted by other nations if Russia had also pledged a few kilograms of uranium to the pool. Instead, silence reigned in Moscow.

This week, however, the Russians set out to regain lost ground. On the eve of preparatory talks in New York for the world conference on atomic energy that is to be held in Geneva this summer, they announced that they would present at Geneva a report on the operation of their 5,000 kW atomic plant. There was no suggestion that they would let foreign scientists see this plant, the very location of which is kept secret; but at least a shrewd propaganda blow had been struck.

Three days later came a second: the Soviet government announced that it was going to help China, Poland, Czechoslovakia, Rumania and Eastern Germany to build experimental atomic piles. For the past week the Communist propaganda network has made this example of Soviet generosity and good will a major theme in its worldwide output. It is undoubtedly a well-timed stealing of thunder. But some observers have been struck by the highly selective distribution of Moscow's gifts, and wonder

why Rumania should be favoured above, say, Hungary or Bulgaria. The answer is presumably to be found in the admission that Russia will obtain "raw materials" in exchange. Even among the satellites, only those that already provide Russia with uranium, or are expected to provide it shortly, appear to qualify. It would therefore seem to be highly optimistic for any non-Communist country to hope for one-way benefits under the new Soviet scheme. Only those willing to hand over their uranium need apply.

Signor Togliatti on Top

ITALY'S huge Communist party, claiming a membership of over two million, has been showing signs of unwieldiness. During the past week a party conference, the first since 1951, has been wrestling with problems which have lately looked like splitting the membership more seriously than at any time for over thirty years. It has been open knowledge for some weeks that the apparent moderation of the official party leadership under its secretary-general, Signor Togliatti, has met with strong criticism, not only from the rank and file, but also from some of his closer colleagues. Signor Togliatti has been accused of mental and physical incapacity for his position, of paying more attention to his latest girl friend than to party affairs, and of squandering the electoral successes of 1953, when the Communists and their fellow-travellers ran up a poll of over six million. These accusations have undoubtedly been helped by a general feeling that Italian Communist fortunes are slipping. Having come almost within striking distance of power, the party has now done less well than hitherto in trade union elections in the north, while its campaign for land reform in the south has been to some extent outflanked by the recent progress made under Christian Democrat leadership.

The outcome of the conference has nevertheless been to confirm Signor Togliatti in office, and to demote his main critic, the former vice-secretary, Signor Secchia. In reality it would have taken a fundamental upheaval to achieve any different result—though this is still not to be excluded for the future. The fact is that the dispute goes deeper than personalities. The Togliatti line has been Moscow's line. It has given priority to foreign questions over national ones; it has concentrated on attracting political allies rather than on standing alone; and it has been operated with "soft" tactics instead of a national campaign of violence. But its critics are no doubt genuinely alarmed about its effects on the party, and are burnt up with the desire to fight more vigorously for what they passionately believe in.

This is, of course, a very old dilemma for Communist parties, to which Moscow is normally quite insensitive and which it has usually been able to ride successfully. The question may well be, however, whether the special conditions in Italy—an unusually large and relatively undisciplined party, improving economic prospects, and a fairly wide support for the main lines of foreign policy—may not after all provoke an unusual crisis in the Communist ranks.

Red Red Tapeworms

MOSCOW'S Whitehall evidently has at least some features in common with less "progressive" bureaucracies. A biting article in *Pravda* last week revealed that Soviet officials have been skipping nimbly out of the way of the financial axe that was meant to descend on them. Although a drastic reduction in the staff of ministries and state organisations was ordered several months ago, the time limits set have long expired and the press is full of reports that the economy drive has failed. In some cases officials have apparently kept the same jobs while camouflaging themselves with more "productive" titles; in others, the old trick has been played of merely transferring staff to other departments. Out of 670 officials theoretically dismissed from the ministry of the oil industry, only 66 have in fact found their way to productive work "in the field."

Yet the very publicity given to these manoeuvres and the stern words with which they are rebuked suggests that the government intends to show no mercy to its servants. Ever since 1917 there have been periodic alarms about the parasitic growth of the bureaucracy, but the post-Stalin regime seems more determined than its predecessors. When Khrushchev announced his new agricultural policy he gave warning that about 100,000 specialists would be moved out of their cosy offices into the bleak countryside; and late last year it was proclaimed that thousands of redundant lawyers, scientists, economists and other officials were to get the sack, two or three months' compensation, and one-way tickets to the Urals, Siberia or the Far East. The government is seeking not only financial economies, but also manpower for factories and farms, particularly in the under-developed parts of the Soviet Union.

Many civil servants, abruptly exiled into remote and barren lands during a Russian winter, must already be pondering on the illusive security and power they once thought they enjoyed. For an uprooted commissar labouring on a Siberian farm, neither three months' compensation, nor Mr Khrushchev's praise of the comforts of life in a mud hut, is likely to prove very consoling.

Frustrated Cities

BRITAIN'S largest cities—London, Glasgow, Manchester, and now Birmingham—are rapidly running out of housing sites; but they have been told with increasing firmness by successive Housing Ministers that they must not go on building in their surrounding green belts. The official remedy—reiterated by Mr Sandys at Birmingham last week—is that their surplus population and industry should be shifted to new or expanded towns some distance away. This advice got a chilly reception at Birmingham, which—like Glasgow, but unlike Manchester or London—is unwilling to contribute to the cost of resettling its citizens in areas where they will no longer contribute to the city's rates or work in its industries. Birmingham

apparently intends to ignore the Minister's warning and is preparing plans for development in its green belt.

The only large authority making progress under the Town Development Act is the London County Council. It has now almost concluded arrangements for housing Londoners at Swindon, Bletchley, Daventry, Basingstoke, Ashford and, less certainly, at Letchworth and Peterborough. These towns are between 30 and 75 miles from the capital, but have good communications with it; this should facilitate the transfer of industry, which the LCC is now busily trying to promote at the British Industries Fair. The council has seven other schemes still under consideration, but the latest indications are that they may be shelved; in particular the development of smaller towns—from which much was originally hoped—has bogged down in financial and industrial difficulties.

Some big cities are undeniably less far-sighted than London. Glasgow has declined to pay part of the cost of the proposed new town at Cumbernauld, although the town is urgently needed for Glaswegians and the city would be given a share in its management. Birmingham seems reluctant to lose a single factory, although the city looks like being choked by a recent renewal of large-scale industrial growth. But, willing or not, no city—London included—can be expected to carry through the desirable

America and the War

The notice we took last week of the proposed mediation of the States referred to the views chiefly of the commercial classes. In the States, however, as in most other countries, the political parties are very different from the great interests. . . . Since 1783 the immigrants from all parts of Europe have carried with them the opinions and prejudices of their respective birthplaces, and if many of them have imported the feelings of the English, a still greater number have taken with them the exasperated opinions and feelings of the Irish and of all the republican and revolutionary parties of Europe. They, with a great portion of the more noisy and bustling natives, are the men who seek public distinction rather than wealth by patient industry, and constitute, as distinct from the national interests, the political party. . . . As England has given no support to the many revolutions that have been attempted in Europe, she has latterly gone backward in their estimation; she has disappointed their hopes; and though they may hate the Czar, the Kaiser, the Emperor of the French, the King of Prussia, and all the monarchs and Governments of Europe, they hate England, too. Though the Government of England be on good terms with several of the Governments of Europe, none of the political parties in Europe, opposed to the Governments, love England, and the general dislike, perhaps we may say envy, of such people in Europe taints the opinions of the political parties in the States. Hence many of the journals of the States—mere echoes of traditional hatreds and of the disappointed feelings of the republicans and refugees of Europe—are filled at all times with diatribes against England; and hence some of them now are more disposed to court friendship and alliance with Nicholas than friendship and alliance with England. We are thoroughly persuaded, however, that these noisy persons are merely politicians; that they represent none of the great interests of the States; and will not permanently, or for any great purpose, influence the actions of the Federal Government.

The Economist

January 20, 1855

policies indicated by Mr Sandys without Government backing and inducements. If the Government wants the big cities to cast their bread upon the waters, why does it contribute so lavishly to flats in city centres and so meagrely to "overspill" schemes? If it believes in some relocation of industry (essentially a national issue), why is it doing so little to bring this about? Until these questions are answered, Ministerial lectures to frustrated cities will continue to invite sharp rebuffs.

Fugitive Virtue

FROM the hubbub which has followed Mrs Margaret Knight's two radio talks on agnosticism, it might be supposed both that Broadcasting House in its corporate capacity had taken up the cudgels for Godlessness, and that lack of faith was a swiftly-striking and hideous disease from whose contagion a hitherto immune community must at all costs be protected by a *cordon sanitaire* of silence. Were the BBC's monopoly powers used to plug atheism, to the exclusion of any reply, there would indeed be cause for alarm; could the doctrine of "clear and present danger" be invoked, in this instance, as an acknowledged limit to the right of free speech, there would be cause for action. There can hardly be any complaints, however, that Christian spokesmen have lacked, or are likely to lack, opportunity to deal on the air with Mrs Knight's "stale rationalist arguments" and educational deductions; nor are the dreaded results of atheism (as manifested in Nazi Germany or Soviet Russia) any likelier to arise from Mrs Knight's talks than a Thirty Years' War is likely to break out as a sequel to Protestant and Catholic apologetics.

The BBC deserves congratulations on its long-delayed courage; and the first to offer them should not be any of Mrs Knight's fellow-agnostics, but the Churches themselves. The Churches are confronted, as an undeniable datum of modern society, with the tacit or explicit abandonment of faith, not only by obviously irresponsible, foolish and ill-conducted people but by innumerable individuals no worse, in any other respect, than the average. In their efforts to counter this drift the Churches are hampered above all by sheer impenetrable public indifference. To make Christianity a live talking point is an essential step towards making the truth about it a living element in the public consciousness. Mrs Knight's talks, whatever one's view on the quality of her arguments, have done more to that end than half a dozen exemplary sermons listened to with the same half-ear as endures the visibility forecast for Rockall. If certain churchmen have recognised this—but it is hard to credit them with so much cunning—they have been wise to advertise her talks by their fuss.

Plea for St James's

THERE is general dismay at the proposal to convert the St James's and Stoll theatres into offices. Already, because of sales and blitzes, London has seven fewer theatres than before the war—indeed it is often hard to

find a home for a play. Of the two losses now threatened, that of the unbeautiful Stoll—although it is the only theatre in central London other than Covent Garden that can accommodate opera and ballet—would be the easier to bear. But the St James's Theatre was built in 1835, is charming architecturally, and has historical associations with famous managements. Why, then, has the London County Council's town planning committee given its consent in principle to its replacement by a block of offices?

The LCC's answer is, first, that the plan to convert it does not clash with its zoning for the area: all this means is that offices are allowed although a factory would not be. But the council has the power to make a building preservation order if it thinks this would be desirable. It has prepared for the Minister of Housing a list of the buildings that it considers to be of historical or architectural interest. It has graded these into three lists in order of priority for preservation—and St James's Theatre is placed in Grade 3. The Minister, on his side, is required by the Town and Country Planning Act to publish his own list of buildings that should be preserved. This is in two parts. The first has statutory force, and no building contained in it may be touched; the second, the supplementary list, merely names buildings whose architectural or historical qualities must be considered before permission is granted to interfere with them. The lists for the City of Westminster will be published shortly, and it will be surprising—not least to the LCC—if St James's Theatre does not appear in the supplementary part. But the council, presumably, has already considered this probability, and would rescind its decision only if obliged to do so by the inclusion of the theatre in the statutory list. If there is a loud enough outcry, however, the Minister may think fit to call in the planning decision (which he can do so long as final approval has not been given by the LCC) and pronounce on it himself. If the planning regulations have any value it was largely because they were intended to prevent despoliations of precisely this kind. It thus becomes a duty to make a fuss.

Two Lessons from Costa Rica

SPEED is often the most vital factor in the prevention of international conflicts. The example set by the Organisation of American States in handling Costa Rica's complaint should be recalled every time any international body has to deal with a similarly threatening situation. Delay and hesitation on the part of such bodies encourage a potential aggressor to get in so deeply that he cannot draw back without humiliation, and they allow bloodshed and anger to mount to a point where warning words are no longer heard. Admittedly the danger with which the Council of the OAS had to deal was one of limited proportions; the government of Costa Rica was menaced only by a few aircraft and small lightly armed columns. But even these modest forces constituted a clear danger to a pacific and almost weaponless state of only 800,000 people. The principles of peace apply equally to states large and small, and the OAS's swift action was no less commendable because it was relatively easy.

A by-product of the organisation's promptness was the flummoxing of the Communist spokesmen throughout the

OUTSTANDING VALUE IN LIFE ASSURANCE



ESTABLISHED 1844
EQUITY & LAW
LIFE ASSURANCE SOCIETY
20, LINCOLN'S INN FIELDS, LONDON, W.C.2



MORE POWER AT LOWER COST

To add power to an existing diesel installation the simplest and most efficient way is to fit a Napier Turbo-Blower. On a 2-stroke engine power output goes up by more than 50%. A 4-stroke diesel fitted with a Turbo-Blower develops as much power as two similar, but unblown, diesels. And both power gains are made at a lower specific fuel consumption.

The Turbo-Blower is a good example of the Napier principle: more power at lower cost.

NAPIER

Partners in Progress with The ENGLISH ELECTRIC Company Ltd.
D. NAPIER AND SON LIMITED LONDON W.3

world, who, taking their cue from Moscow with automatic efficiency, had already announced that the Costa Rican rebels and their Nicaraguan backers were acting under orders from the United States. The same spokesmen had assured the world, only a few months ago, that the OAS was a United States tool; that, they explained, was why the Arbenz government in Guatemala refused its help last summer. Moscow must now supply its mouthpieces with a quick explanation for the odd fact that US aircraft and facilities have been unhesitatingly provided to enable the OAS to check an attack launched "by Wall Street's orders." The explanation will doubtless be forthcoming—Communist apologists are splendidly supple contortionists—but the lesson will not be lost on the world at large.

Tidying up the Strategic Embargo

RECENT changes in the strategic controls on exports to Communist countries have the effect of tightening up the administration of these controls without, however, adding to the list of items under embargo. This, in fact, is the second phase of the operation begun in October last year to streamline and simplify the lists agreed by "Cocom" (the fifteen-nation consultative group which co-ordinates the controls) while making them more effective. The Americans, in particular, should be gratified with the new

regulations, as they have long wanted to have these loopholes closed.

Two new steps have been taken. As from January 17th, all goods on the shortened embargo list passing through United Kingdom ports to the Soviet bloc, China and North Korea are subject to transshipment control. Moreover, since all the other members of Cocom have simultaneously instituted transshipment controls of the same kind, the entire western embargo system has been made more effective. Henceforth, any goods on the "stop" list which are transhipped through any Cocom country will require a special transit authorisation certificate issued by the authorities in the country of origin, if they are to pass through the net of export controls to the Soviet bloc or China. By this means it is hoped to stamp out the illegal trade in strategic goods, which, it is known, has been carried on in the past by devious and intricate transshipment of the goods through third countries.

The second new arrangement is in the nature of a tidying-up operation. From the same date, January 17th, special export licensing of British exports destined for Hongkong has ceased. This is a sensible and welcome move, for stringent export licensing has often in the past hampered normal legitimate exports of British goods to the colony. Frequently, the United Kingdom's controls, which were designed to prevent possible leakages of strategic goods through to Communist China, have been more strict than those maintained by other countries exporting to Hongkong. It is also a timely recognition by the British authorities that Hongkong's security controls are, for the most part, watertight.

Books & Publications

A Great American Humanist

THE SPIRIT OF LIBERTY: *Papers and Addresses of Judge Learned Hand*. Collected and with an introduction and notes by Irving Dilliard. Hamish Hamilton. 315 pages. 21s.

CERTAIN clichés used by the English in thinking about Americans are so widespread that they can virtually be called the settled English view of the American people. One such is the conviction that the mass mind has reached a further stage of development in the United States than anywhere else. The country *par excellence* of the "common man" has such standardised interests, amusements, activities, prejudices and fears that if you know one, you know them all. Moreover, the type that is produced is not, culturally, of a very high order. Technology and gadgets have swallowed up the higher things of life and the result, to quote the best loved cliché of all, is a society which has passed from barbarism to decadence without any

intervening phase of civilisation. Naturally these prejudices were triumphantly confirmed during the McCarthy era when the Junior Senator from Wisconsin not only appeared to be a symbol of barbarism or decadence (or both) but excluded most other Americans from the world's attention.

It is a pity that those who repeat the catchphrases most confidently are least likely to read the collection of papers and addresses of that great American jurist, Judge Learned Hand, now published together under the title of "The Spirit of Liberty." There they would find a personality, a style and a view of life as far removed from the common, trivial and the under-civilised mass mind as it is conceivable for a man to be. It is not simply a matter of urbanity and wit—as lively and on occasion as irreverent in his ninth decade as in his third—although the direction of that wit, towards modesty and self-depreciation, against pomposity and

platitude, is in itself an essential element in the wise philosophy of Learned Hand. The contradiction to the great clichés about America lies above all in the passionate concern for the freedom, the untrammelled idiosyncrasy of each individual mind that pervades virtually every page of this book. Judge Learned Hand seeks freedom in the ultimate sense of each man being free to discover his own nature and to develop himself not as a unit in mass society but as an unpredictable, unjudgeable, unclassifiable human being who is known only to himself and can be measured only by himself. Now this kind of liberty demands the utmost forbearance from everyone, for among man's dearest occupations is undoubtedly that of "making friends and influencing people"—attempting to mould others in his own image, squeezing neighbours into the social conformity of mass reactions and mass ideas. Yet while this process may give comfort, it does not give freedom. As Judge Learned Hand suggests:

The spirit of liberty is the spirit that is not too sure that it is right; the spirit of liberty is the spirit which seeks to understand the minds of other men and women; the spirit of liberty is the spirit which weighs their interests alongside its own without bias; the spirit of liberty remembers that not a sparrow falls to earth unheeded; the spirit of liberty is the spirit of Him who, near two thousand years ago, taught mankind that

lesson that it has never learnt but never quite forgotten: that there may be a kingdom where the least shall be heard and considered side by side with the greatest.

As these words suggest, freedom is not, however, the unfettered pursuit of individual preference. The freedom Judge Hand prizes is far from the freedom to concentrate solely on trivial pursuits or material success. "There is no democracy in human values, however each may cry for an equal vote. It is the business of the soul to impose her own order upon the clamorous rout." His own dedication is to such supposedly un-American activities as the arts, philosophy, the study of history, the cult of the curious mind, the practice of great "moral fealties." But these things are not worth much unless the individual soul comes to them of herself "to establish a hierarchy appropriate to the demands of her own nature." It is the second-hand, the glibly accepted, the mass-conditioned that is the enemy of freedom. Men must be themselves or they will not be free.

It is not surprising that such a vision of liberty—so far removed from the accepted notion of America's uniform thought and conditioned social behaviour—has consequences far beyond the personal sphere. Since its realisation is inconceivable save in a tolerant—and decent—society, Judge Hand's voice has been raised probably more eloquently than any other in the free world to denounce the evils of McCarthyism—evils which occur certainly not only in America but in any society where the doctrinaire and the ideologue are ready to beat in the heads of those who will not be their brothers. It is not only to Americans that these words might be addressed:

Risk for risk, for myself I would rather take my chance that some traitors will escape detection than spread abroad a spirit of general suspicion and distrust which accepts rumour and gossip in place of undismayed and un intimidated inquiry. I believe that that community is already in process of dissolution where each man begins to eye his neighbour as a possible enemy . . . where orthodox chokes freedom of dissent, where faith in the eventual supremacy of reason has become so timid that we dare not enter our convictions in the open lists, to win or lose.

This is the great tradition of Western civilisation, but in a stream of thought which Western civilisation has often lacked, to its appalling cost. The sceptical Erasmus, the tolerant Montaigne, the magnanimous Lincoln, each working against the grain of hard intolerance in his own age, come to mind in the reading of Judge Hand's papers, and it is to this select company of wise and charitable men that his contemporaries will assign him. As for the cliché-mongers, they can at least reflect that the society which produced McCarthy has also formed, advanced and honoured the most eloquent exponent of liberty and tolerance living our day.

Unfinished Journey

MAGNIFICENT JOURNEY: *The Rise of the Trade Unions.*

By Francis Williams.
Odhams. 448 pages. 15s.

IDEAS are one of the few commodities which normally sell better at second-hand, and it is certainly a most saleable packet of goods which Mr Williams has produced from brands formerly patented by Messrs. Hammond, Webb and Cole. Mr Williams is not to be blamed for following such excellent models, especially in view of the frank declaration of sympathies with which he prefaces his book. But it is a pity that he should have repeated, without qualification, their theories of the significance of the Industrial Revolution. These theories assume a pre-existing harmony of interests between the classes which was shattered by industrialisation and its accomplice, "laissez-faire materialism," which caused Parliament to abdicate its social responsibilities. These responsibilities, according to the theory, were then taken over by the nascent trade union movement. But the view that Parliament, throughout the long formative years of capitalism, recognised and exercised effective responsibility for regulating industrial relations and protecting the standard of living of the masses, will not stand serious examination.

The early part of Mr Williams's story is sketchy, where it is not inclined to be misleading. The necessary general historical background is mostly left blank, and the crucial twenty years between the collapse of Owenism and the rise of the "New Model" unions are passed over almost without mention, Chartism being disposed of in two sentences.

But as we approach the present day, the author's grasp grows firmer and the text fuller and more vivid. There is a very good treatment of the General Strike, which Mr Williams believes—probably correctly—will prove to have been the last great epic battle between labour and capital in this country. And he pinpoints what is surely one of the most significant developments of modern unionism—the rise during the last two decades of the TUC General Council to its present all-powerful position as the very shield and bulwark of Buisckellism. For this he gives full credit to that often underrated figure, Lord Citrine.

The present eminence of the trade unions is not without danger, as Mr Deakin is now finding to his cost. In an inconclusive final chapter Mr Williams shows himself uneasily aware that the present dual role of the trade union leadership may be a difficult one to sustain indefinitely. But he makes only a perfunctory attempt to assess the future. His purpose is to survey, entertainingly if not originally, the past; and most readers will feel that he has succeeded.

Marxism Analysed

MARXISM PAST AND PRESENT.

By R. N. Carew Hunt.

Bles. 191 pages. 12s. 6d.

CRITICISM of Marxism has often been less successful than it need have been because it tended to assume that to demonstrate logical weaknesses in any one part of it would be enough to bring discredit on the whole doctrine. Experience has shown that such intellectual power as Marxism possesses springs from the peculiar way in which the elements composing it are amalgamated into a system. It has shown that Marxism shares with other militant creeds the ability to present now one facet now another; and that when the enquirer has exposed a flaw in one he is immediately shown another, ostensibly flawless, one. The dialectic method, the materialist philosophy, the sociology of the class struggle, the economic interpretation of history (of a very special kind), a primitive Ricardian (or, rather, Smithian) economics, a revolutionary theory of the state: all these elements are to be found in the doctrine, and there are many traps for anyone who tries to show the limits of one, the primitive character of another, or the sheer nonsense in a third, without having the skill and the stamina to deal with them all in turn. For only in this way is it possible to dispose of the theory intellectually. The faithful will, of course, always have the refuge of the *credo quia impossibile*.

Mr Carew Hunt's new book is an excellent example of this more sophisticated criticism. Well-written, scholarly and temperate in manner, yet decisive in substance, it provides an admirable analysis for those who wish to buttress their condemnation of the repulsive aspects of modern Communism with an understanding of the errors of its intellectual foundations. It is based on a thorough and discriminating study of the "scriptures" and of later commentaries, notably of Lenin and Stalin, as well as of many critical writings not easily accessible to the general reader.

The book is especially well-informed and clear on the philosophical aspects. In particular, the shifts to which Marx and Engels and their followers were reduced in their attempts to have it both ways on the issue of determinism against the role of human action, or on the power of ideas against the inexorable march of the forces of production, are extremely well analysed. While more attention might perhaps have been given to recent developments so as to justify even more the last word of the title, the philosophical chapters, and Mr Carew Hunt's conclusion, bring out clearly that the force of Marxism derives from the fact that the inevitable destiny it predicts is in complete harmony with the conduct enjoined upon the believers.

The book is weakest on the economic aspects. The Marxian theory of value and exploitation, which played a vital part in inspiring continental Socialism and later Communism, is hardly discussed, and the reader is, therefore, left

with the wrong impression that the undoubtedly strong influence of Marxism in the labour movement has been entirely due to its extremely esoteric philosophy. Nor is there an adequate treatment of how this economic theory is combined with the sociology of the class struggle and the Marxian philosophy of history to hide the logical deficiency of each part by reference to the propositions of the other. While Mr Carew Hunt's discussion of Lenin's "Imperialism" is useful as far as it goes, his lack of attention to the economic aspect has prevented him from showing the barrenness of Marxian economics, the complete lack of any new contribution since Marx's original theory.

There are a few minor blemishes; e.g., a horrible new word "restructuring" and some misprints in German titles. Also, the translations on page 42 of the German words *bestimmt* and *bedingt* have been transposed.

Keeping out of Trouble

ESSENTIAL LAW FOR JOURNALISTS

By L. C. J. McNae.

Staple Press. 72 pages. 10s. 6d.

THIS is a textbook for journalists. It stems from a comparable work by Mr G. F. L. Bridgman published in 1938 and revised and extended to form the basis for a War Office correspondence course for journalists at the end of the war. This publication now brings its summary reasonably up to date, with the Defamation Act of 1952 included. As a textbook it is comprehensive and succinct. It begins with those courts, tribunals and public meetings to which the journalist has the right of access, continues with the restrictions on what may be published, including the deterrent of contempt of court, discusses defamation and the Official Secrets Acts, and ends with short chapters on copyright and publishing responsibilities. It is unlikely that there exists a journalist who would not learn something from it, probably to his advantage.

But it is also a textbook in that it accepts the law as it is. Its aim is to keep the innocent and the uninformed out of trouble; its tone is of one charting the dangers of life for the young man, not of one moralising on why such dangers exist or on whether what is conventionally described as a danger may not in reality be more of a challenge. That is as well; it would certainly not be helpful to attempt to combine these two functions in the same text. But it is hard to read this book without a suspicion creeping into one's mind that the liberty of the British press, our freedoms of writings and of speech, depend rather more on what might be called the constitutionality of our common habits of thought and behaviour than upon the strict words of the law itself. Given a change in the climate of thought, and the Official Secrets Acts and contempt of court together could close down our horizons to a considerable degree.

That possibility, too, is one of the responsibilities of the journalist. Perhaps the next edition of this book might con-

tain an appendix with a professional view on where and when it would be advisable, on an issue of principle, to turn and fight rather than to bow the head to authority and go submissively away.

Banking in Africa

MONEY AND BANKING IN BRITISH COLONIAL AFRICA.

By W. T. Newlyn and D. C. Rowan.
Oxford University Press. 315 pages. 30s.

HOW different are the economies of tropical Africa today from the self-sufficient village units that characterised it before the first world war. The trickle of export crops and minerals, which began in most areas just before 1900, has become a flood. These exports are carried to the ports by a network of road and rail transport serving the main producing areas. Shifting agriculture for subsistence food production still provides the livelihood of a majority of the peasants, but specialisation and the division of labour have gone far not only in export trades but also in the domestic economy.

The changes are reflected in the monetary system and banking structure of these economies. The manilla and the Maria Theresa dollar, which circulated freely in the British colonies alongside sterling currency and French and Indian money until 1912, have been replaced by regional monetary units based on sterling and controlled by currency boards operating from London. British West African pound notes in circulation in the first year of issue numbered just over £1 million; today they total over £60 million. The banking habit has also taken root. To the British colonies have come representatives of the sterling area banking system, and branches of these banks are to be found in the main ports and commercial centres.

The structure and working of the present highly complex monetary and banking system are admirably set out by the authors of this book. But their account is not merely descriptive. They set the working of these institutions against an excellent survey of the social and economic background, and they provide a critique about their methods of operation and their place in the economies of these territories. To their study of the banks, both extra-territorial and indigenous, the authors add a review of other financial institutions such as the co-operative societies, land banks, money-lenders and expatriate trading firms, the last especially being an important source of credit in these areas. This part of the book provides the first thorough review of the system of money and banking that prevails in the British colonies of Africa. It is informed throughout with a real understanding of the underlying principles at work and is based upon first-hand inquiries of the writers during recent visits to Africa.

The second part of the book analyses colonial economic structure, as revealed by monetary factors, and sets out to assess the implications of the existing financial institutions in relation to the

present needs of the territories. This part is the more provocative. The existing system has served British Africa well in this first half century of rapid expansion, but today, with an increasing tempo of progress, it has many critics. On the one hand, the African community complains of a stringency of bank credit, and indeed bank advances to African customers are both proportionately and absolutely small in relation to the sums lent to foreign traders, including the Syrians. The banks, on the other hand, point to the lack of negotiable security among Africans and to the difficulties of financing the small man. The lack of a money market is one of the difficulties of maintaining a suitable liquidity grading of bank assets. This makes banking expensive for the customer and not highly rewarding for the banker in economies liable to considerable fluctuations in incomes. Two separate reports have been made in recent years, by visiting banking experts, upon the West African monetary system alone. This book provides a reasonable assessment both of various criticisms and of the official reports.

The writers go further than this in attempting limited recommendations for reform. Among the major issues discussed are the case for central banking and the arguments for adopting the practice of fiduciary issues of currency. Although this section of the book will win less general acceptance, the arguments on each side are put forward with clarity and with moderation, which should reduce the opposition to their proposals on specific items. In all, this book is a real contribution to African studies and one which will prove useful to commercial interests, to administrators and to students of African affairs alike.

Books Received

NATURAL AND MAN-MADE FIBRES: A review. FAO Commodity Series Bulletin No. 26. Food and Agriculture Organisation of the United Nations, Rome. Distribution: Her Majesty's Stationery Office. 83 pages. 3s. 9d.

SOME PROBLEMS IN THE ORGANISATION AND ADMINISTRATION OF PUBLIC ENTERPRISES IN THE INDUSTRIAL FIELD. United Nations Technical Assistance Administration, New York. Distribution: Her Majesty's Stationery Office. 90 pages. 3s. 9d.

RÉPERTOIRE NATIONAL DU COMMERCE EXTÉRIEUR 1955. Edited with the collaboration of the departments of the Secretariat of State for Economic Affairs, the National Centre of Foreign Trade, the Committee of Economic Action and Expansion and large professional and trades union organisations. UPAP, Paris. 819 pages.

THE CARPET ANNUAL, 1954: Year Book and Directory of the World's Carpet Industries and Trade.

Edited by H. F. Tynar. British Continental Trade Press. 359 pages. 20s.

SKETCH FOR A HISTORICAL PICTURE OF THE PROGRESS OF THE MIND. By Condorcet. Library of Ideas. Weidenfeld and Nicolson. 218 pages. 12s. 6d.

Letters to the Editor

The Still Small Voice

SIR—I offer three comments on your agreeable review of the new edition of my "Principles of Public Finance." All are on questions of fact.

(1) You say that in this edition I have "completely deleted" my "most valuable" criticism of the "differential taxation of profits." But earlier editions were written in the deflationary decades after the first war. The rentier, rather than the ordinary shareholder, then seemed the profiteer. On page 61 of the new edition I write,

When both prices and profits are falling, the holder of fixed-interest securities gets a windfall; so does the holder of equities when both are rising. Thus in the nineteen-thirties some thought a special tax on income from fixed-interest securities would be equitable, and in the nineteen-forties special taxes on profits.

This, I think, gives a more balanced view.

(2) You say that "in defence of his budgeting he quotes repeatedly from *The Economist*" and "out of context." Repeatedly" is thrice, in broad approval of my second and third budgets, and in broad agreement with my claim at the Labour party conference in June, 1946, that "the worst danger of inflation is passing." All three most strictly and contemporaneously in context, and most helpful to me, in confounding other critics, at the time.

(3) You have misread my reference, in a footnote to page 235, to the rate of interest on the Transport stock. Far from expressing "naïve . . . glee" that this rate "was forced down after the compensation amount had been fixed" (your italics), I express, perhaps naïve, indignation that it was forced up, after the capital valuation, from 2½ to 3 per cent. This success for the propagandists of dearer money burdened British Railways with an additional charge of £5 million a year and has thus noticeably contributed to present difficulties.—Yours faithfully, HUGH DALTON
House of Commons

Lessons From the Railways

SIR—You are hoping for the "restoration of the principle that efficiency and earning power must be the determinants of individual remuneration in the nationalised as well as the private industries." Except where labour is paid on a piece-work basis or benefits from profit-sharing schemes, individual remuneration is surely never determined in this way in either nationalised or privately operated industry, but is paid

to compensate those who provide services for the disutility involved. The adoption of your principle would therefore be more of a revolution than a restoration. This rather inclines me to sympathise with it; but in another way it might dangerously camouflage the uneconomic use of resources. The commonly accepted test of the desirability of any economic activity is whether, after paying its labour and capital what is required to persuade them to work in it, it can still show a profit. But if its labour and capital are only paid what the industry can afford, we can no longer tell which industries should expand and which contract, and the test is blurred. The answer it is designed to give will tend, of course, to come out in another way; for labour will desert the industry for better employment. Perhaps in the case of the railways this would be the best way of getting rid of the "huge surplus" of redundant labour which you have discovered. You do not say this; and in any case would it justify the general acceptance of your revolutionary principle? Your argument that if the railways were more efficient they could afford to pay more, is obviously correct; but what system of logic can turn this into the ossifying principle that an industry should pay, not the economic wage, but only something which will preserve its financial equilibrium?—Yours faithfully, J. R. SARGENT
Worcester College, Oxford

Hospital Finance

SIR—The somewhat laborious journey through your Note on the hospital costing returns was for me splendidly rewarded by its last lines—"These costing returns are full of interesting information but they have little bearing on the main problem of hospital finance"—so I ask to be allowed to illustrate their truth from letters in your later issues.

First comes Sir George Schuster's demonstration of the remoteness of Regional Boards. A board apparently tries to impress upon its Hospital Management Committees the need to indicate by their savings that their previous estimates of expenditure were not as low as they could have been. Regional boards also have the naïve notion that management committees can exercise an efficient control of finance, being able to foretell changes in prices, the state of supply and the curiously whimsical rulings of Whitley councils. Finally the boards hope that this "control" will enable the managements not to end the year with unspent balances. (I once

heard of a hospital finance officer who apologised to his committee because a certain sum remained unspent, but promised that it would not happen again. I suppose he intended to make his "control" more effective—in other words to spend up to his limit.) May I point out that Sir George Schuster's word "unrealistic," applied to questions regarding incentives to hospitals to use beds more fully, is correct but not the fault of *The Economist*? It is unrealistic to raise nurses' wages nationally, not permit overspending, and then expect this to be managed by any other method than employing fewer nurses and having more unused beds. If the attention given to inventing "work units" and "assessment methods" were to be given to providing monetary incentives to management committees and staff for competent management, hospital finance would be less of a problem.

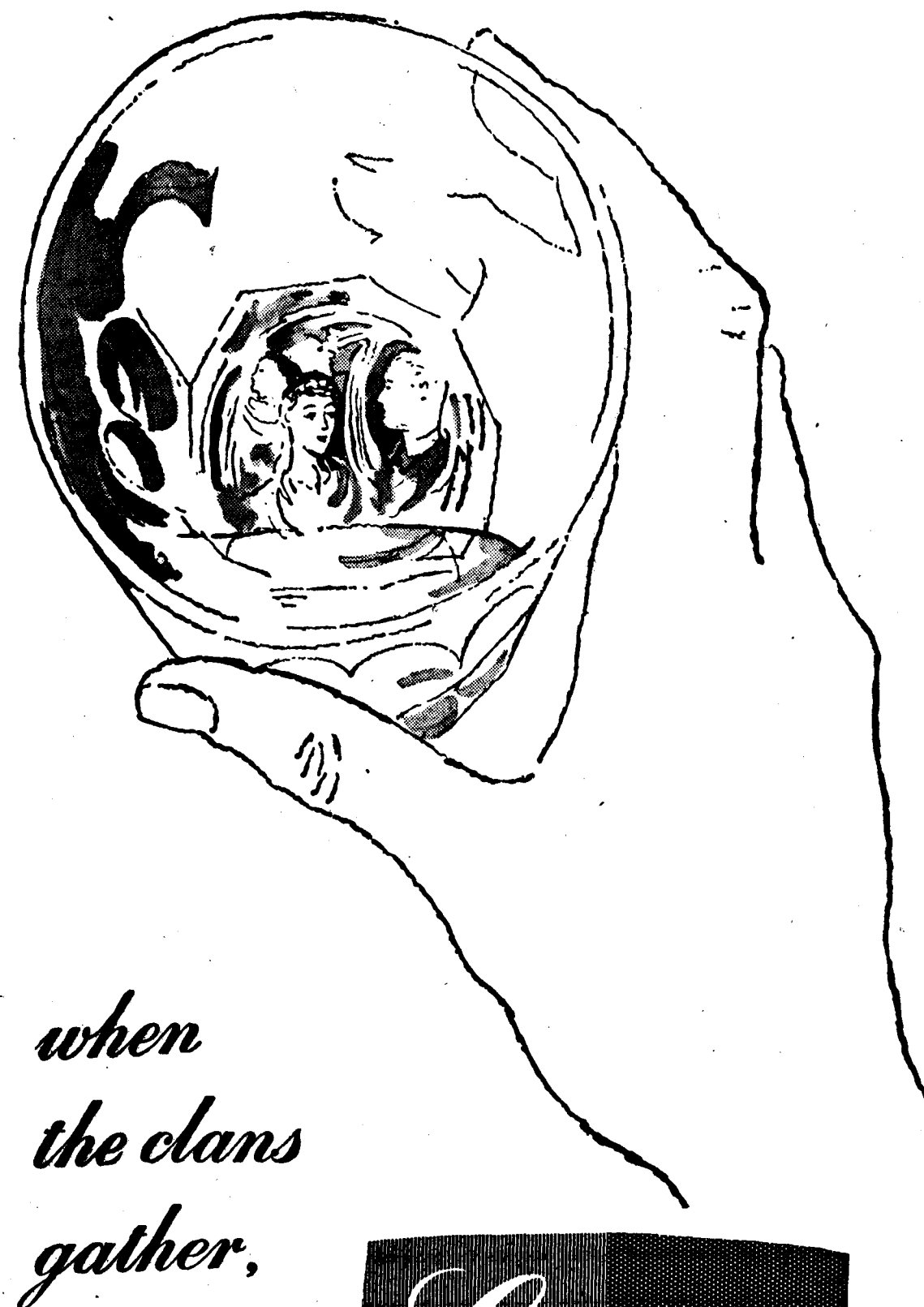
Secondly, the letters in your latest issue seem to show how the hospitals have forgotten that £ s. d. are the initials of management. If responsibility is placed fairly and squarely on the shoulders of the staffs of hospitals and if their earnings are affected accordingly, together with many incidental perquisites—bed-sits, TV, dances, board, transport—meetings about it all would be unnecessary.

It is unfortunate that "the consumer" as soon as he is in hospital is never right, so that the manager is denied the best check on waste. This only makes it more important to apply the whip of monetary incentives so as to affect the manager's pocket as directly as waste affects the remote public purse.

The way to management is responsibility and accountability. The hospitals are the purest examples of accountability without responsibility.—Yours faithfully, Woking
LESLIE E. BARBER

Unesco Undecided

SIR—I must write a few lines of appreciation of your article in *The Economist* of December 25th. In the course of my medical and social work in West Africa I have gained some knowledge of Unesco. Too many of its members are unpractical, professional sociologists, persons of meagre experience but with starry ideas of the scope of sociology. No subject of social importance is outside their scope. I have just read in a Dublin magazine, *The Bell*, an article entitled *What is Cancer?* by a Frenchman of the Unesco Technical Committee, in which he decided that "Unesco shall take a fighting initiative in the struggle against cancer" by "stimulating and assisting research . . . in liaison with WHO and other agencies." The article which follows is sketchy and of very little educational value. And this proposal comes at a time when Unesco cries out that its funds are insufficient for projects already in hand. There could be no more apposite example in support of your criticisms.—Yours faithfully, London, W.1
F. M. PURCELL



when
the clans
gather,

its

Grants

STAND FAST WHISKY

WILLIAM GRANT & SONS LTD. DISTILLERS. SCOTLAND

THROUGHOUT THE WORLD . . . as in Britain

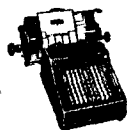


AUSTRALIA, vast homeland of 9,000,000 of our cousins, is the world's most abundant source of wool. Livestock raising, dairy farming, agriculture and mining — Australia's other great and ever-growing industries, steadily enrich a young progressive nation and contribute mightily to the strength of the Commonwealth.

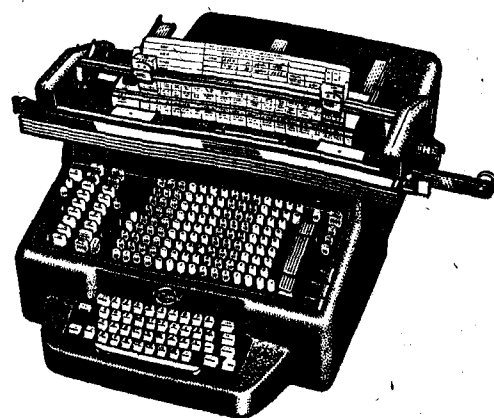
National

ACCOUNTING & ADDING MACHINES put business on record...at less cost

COMPLETELY VERSATILE.—The *National* "CLASS 31" DIRECT-ENTRY ACCOUNTING MACHINE. INSTANTANEOUSLY ADAPTABLE to all phases of Commercial, Industrial and Financial accounting. PAY-ROLL and SALARY RECORDS ★ LEDGERS of EVERY KIND (with simultaneous analysis and completion of related records and documents) ★ STORES RECORDS ★ MATERIAL and STOCK CONTROL ★ COSTING and all varieties of special records for particular requirements.



FOR SUPER SPEED AND ACCURACY over the entire range of listing and primary book-keeping operations; the "E.N." SERIES of NATIONAL ADDING MACHINES—in simplex and duplex versions, with and without wide platens and shuttle carriages. High, medium and low capacities.



THE NATIONAL CASH REGISTER COMPANY LTD.

LONDON, and all provincial business centres in Britain and throughout the world.



British Factories
at DUNDEE

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.

A Neutral Budget

Washington, DC

AS usual, discussion of the President's Budget for the fiscal year beginning next July will concentrate on the single and, in the view of the general public, dreadful fact that it is slightly short of being balanced. This irrelevancy in most comments on the Budget, which is apparently peculiar to the United States, results in part from understandable ignorance of modern theories of fiscal policy, in part from plain politics, and perhaps most of all from the Budget itself, which seems diabolically designed to produce confusion. To begin with, it is not one Budget but two—requests for appropriations and estimates of expenditures, of which only the former is subject to action by Congress. The expenditure side, which is what most people are talking about when they say "Budget," is largely controlled by programmes and appropriations voted in the past; some two-thirds of all the expenses estimated are either payments for goods ordered with previous appropriations or are virtually automatic under continuing legislation, such as ex-servicemen's benefits and interest on the public debt, for which Congress cannot refuse to supply the funds. Even in the more controllable area of new appropriations, Congress invariably approves 90 to 95 per cent of the sums requested, and actions taken on such appropriations, while they can deeply affect individual plans of political significance, will have little noticeable effect on expenditures for the year in question, or therefore on the broad economic impact of the Budget.

The confusion about the controllability of the Budget is confounded by the government's dazzling system of "trust funds" for social security accounts (pension contributions and so on); although these are not considered as part of the Budget, they produce about \$8 billion of cash payments to the public and, this year, bring in an equal amount of receipts. This system, among other things, requires that the reserves of various social security accounts must be invested in government securities, the interest on which is counted in the Budget; the result is that the Budget includes as expenditures some \$2.5 billion worth of transactions which take place solely within the government. Indeed, there must be a deficit of about \$3 billion in the so-called Budget before there is any true deficit at all in the government's total cash transactions.

Finally, this year the government, in an effort to avoid the public opprobrium of proposing to widen the deficit further, is advocating a vast new programme of spending

\$25 billion on highway development over the next ten years without counting the expenses as part of the Budget at the time they are made. This sleight of hand will be carried out through a special new system of bond issues, with the Budget to be affected only modestly in future years as the bonds are paid off over a thirty-year period.

In these circumstances the simplest thing for the leader writer or politician to do is to glare at the Budget for the flash of red or black ink, and then either raise cries of alarm or purr with satisfaction at what he sees. It sometimes seems, in fact, that virtually the only figure in this Budget that will be remembered and discussed is the estimated deficit of \$2.4 billion—a figure that, besides meaning very little, will turn out to have been wrong when the final sums are done eighteen months from now.

★

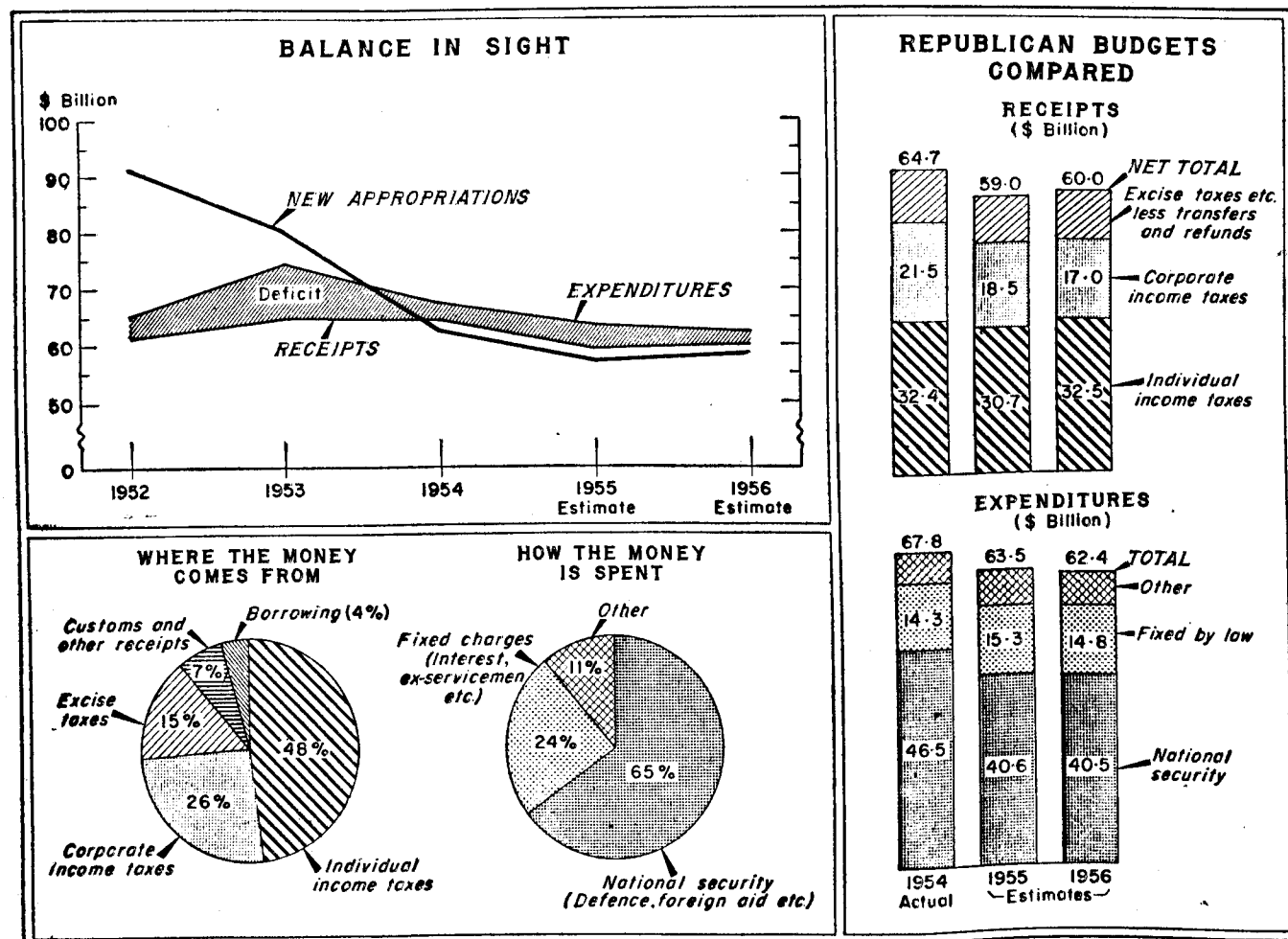
If this restricted view of the Budget is the one most expressed, there is much of a more fundamental interest in the thick document that was sent to Capitol Hill by the President this week, covering operations from mid-1955 to mid-1956. The most important thing about it is that it will be economically neutral—neither inflationary nor deflationary. This is because the total cash transactions of the government will be approximately in balance. The estimates, in fact, show a nominal cash surplus of over \$500 million. Yet the Treasury will have to borrow heavily in the autumn to meet seasonal needs, and thus will need another temporary increase in the limit on the national debt; this borrowing will, however, be entirely paid off in just over a year from now.

The labour and liberal economists have been consistently urging a strongly reflationary budget, with both lower taxes and higher expenditures. But, while the cautious and very modern hand of Mr Arthur Burns, chairman of the Council of Economic Advisers, has undoubtedly restrained the budget-balancing enthusiasts in the Bureau of the Budget and the Treasury from fulfilling their dreams too rapidly, there is no doubt that the attitude prevailing in the Administration is balance-for-balance's sake. This theme runs through much of the President's Budget Message as he explains why balance could not be achieved this year.

Obviously, with the intractability of expenditures, the movable scale for achieving a balance was, and is, on the revenue side. For reasons largely political—no doubt

Budget for 1956

Fiscal years ending June 30th.



The Cash Budget
(\$ billion)

	1954	1955 est.	1956 est.
Budget receipts	64.6	59.0	60.0
Trust fund receipts	9.2	9.8	11.3
Less intragovernmental transactions, etc.	2.2	2.2	2.5
Total receipts from public	71.6	66.6	68.8
Budget expenditures	67.8	63.5	62.4
Trust fund expenditures	7.2	8.4	8.8
Less intragovernmental and non-cash transactions, etc. (net figures)	3.1	2.9	2.0
Total payments to public	71.9	69.0	68.2
Cash deficit	0.3	2.4	...
Cash excess	...	...	0.6

The National Debt

Last August Congress raised the limit on the public debt to \$281 billion, but this authority expires on June 30th, and the limit falls back to the statutory level of \$275 billion. On December 31st last, the public debt stood at \$278.3 billion, and it is expected again to rise above \$275 billion during the first half of the 1956 fiscal year.

Aid for Allies
(\$ billion)

	Expenditures			New appropriations recommended for 1956)
	1954	1955 est.	1956 est.	
Military assistance	3.6	2.7	3.1	1.4
Direct forces support (petrol) uniforms, rations, etc., ...	...	0.5	0.6	0.6
Defence support, development assistance, technical co-operation, refugee aid, etc.	1.3	1.1	1.0	1.5
Total	4.9	4.3	4.7*	3.5

* The total for expenditures in 1956 includes "provision for a programme in Asia" of which details will be given later.

Actual deliveries of military equipment in 1955 and 1956 are expected to continue at "around the \$3 billion level"; the fluctuations in estimates are due to a change in the method of financing and to the inclusion of aid for Korea in this programme instead of, as previously, in the defence estimates.

heartily, though silently, seconded on economic grounds by Mr Burns and his colleagues—the President asked for no tax changes this year, except for a previously-announced demand that automatic reductions in certain excise taxes and in corporation income taxes be postponed for another year. Nevertheless the government's total cash receipts will go up by some \$2 billion, entirely as the result of the anticipated rise in incomes in 1955. The important outcome, of course, is that the economy will not get in 1955 the stimulating injection of over \$5 billion worth of tax reliefs that it got in 1954—but then the economy presumably will not need the hypodermic as badly this year.

Undoubtedly the most significant feature of the expenditure side of this Budget is its strong evidence that the days of sharp declines in government outlays are at an end, even without considering the new highway programme as part of the Budget as, economically speaking, it should be. The President could estimate a reduction in budget expenditures of only \$1.1 billion in fiscal 1956 from the \$63.5 billion total in the latest estimate for the current 1955 fiscal year. This contrasts with the declines of \$6.5 billion and \$4.3 billion in the two previous fiscal years. Not only was the fall in spending the smallest since Mr Eisenhower took office but, more important, the total requests for new appropriations actually increased. Since these will have an important influence on the level of expenditures in the 1957 fiscal year and subsequently, there is a strong presumption that federal spending has stabilised in the range of \$60 to \$65 billion a year for the foreseeable future; this means that any future tax rate reductions can only be made possible, as the President suggested, by increasing revenues resulting from economic growth.

★

Such a cascade of dollars tumbling out of Washington acts, of course, as a sturdy prop under the economy. What is more, this prop in the eighteen months ahead will be a relatively steady one, instead of shrinking with each successive month as it has done for the past eighteen months. It now seems that, barring a serious recession or a sudden warming of the cold war, the government's role as a buyer of goods and services will gradually decline in relation to the economy as a whole because of the economy's expected expansion, but will remain far larger absolutely and somewhat larger relatively than in any previous period of peacetime.

It was scarcely a desire to provide economic props which built this vast bulwark of spending, but rather the demands of the cold war. Defence, including atomic energy and foreign aid, accounts, after all, for 65 per cent of the estimated Budget expenditures. Yet the American budget-makers, despite certain Republican dogmas, despite the almost total confusion in the public mind about the role and significance of the Budget, and despite the inability of an American Secretary of the Treasury to alter taxes virtually by a stroke of his pen, seem to have muddled through the Keynesian age remarkably successfully so far. In the 1954 year of recession, it is true, the cash transactions of the government were almost exactly in balance, in contrast to the sizeable deficit which modern orthodoxy would have prescribed. But during the coming year and a half, if the highway programme is added, this present Budget should have a mildly stimulating effect on the economy, which is presumably just what the Keynesian doctor would order.

Questions of Security

AT his press conference last week, his first since before Christmas, President Eisenhower made trebly certain that the first, and probably the most controversial, concern of the new Congress would be the security procedures of the civil service. All the criticisms of the present regulations—the unfairness to individuals, the varying standards in different departments and, above all, the loss of the best qualified men—had crystallised round the case of Mr Ladejinsky. This Russian-born expert on land reform had been cleared for employment by the State Department, found insecure by the Department of Agriculture and finally engaged for responsible work in Indo-China by the Foreign Operations Administration on, it was understood, the direct instructions of the White House. But Mr Eisenhower, when he was questioned about the case, did not use the opportunity to close it firmly; instead, by thinking aloud and at length, on the basis of incomplete information, he revealed that he himself was not sure about Mr Ladejinsky's reliability. The Senate Civil Service Committee, now headed by Senator Olin Johnston of South Carolina, has ordered Mr Ladejinsky to remain in Washington until it has studied his case. It is expected to do this in a way that will be more embarrassing to the Administration than to him.

Behind the Democrats' determination to make political capital out of these security questions lies their deep resentment at the charges of being disloyal and "soft towards Communism" which the Republicans brought against them during the election campaign. The most outspoken, or at least the most widely publicised, of these charges came from the Vice-President, Mr Nixon. But Mr Eisenhower, at his press conference, put loyalty to his subordinate before the desirability of conciliating the new leaders of Congress and went to what seemed to many to be unnecessary lengths to defend Mr Nixon.

Finally, the President lost yet a third opportunity of taking the heat out of the Democratic disquiet over the Republican treatment of civil servants by refusing to see any need either for major changes in the present security programme or for an independent bipartisan commission to review it. The Democratic Senator Humphrey is now pressing a commission of this kind on Congress but Senator Johnston and the other members particularly concerned may think it more profitable to keep such a partisan matter safely in their own hands.

Disposing or Dumping?

THE Department of Agriculture, it seems, can do nothing right. Its decision to offer 10 million pounds of its surplus butter on world markets at competitive bid prices to appease critics at home has brought a not unexpected storm of protest from Australia, New Zealand and elsewhere. The minimum price of 41 cents a pound set for export sales of butter last June has virtually prohibited trade—only 2 million pounds have been sold—and the department is being criticised by the new Democratic Congress for not selling more of its stocks of commodities abroad. But the

main exporting countries are in no mood to feel sympathetic. They claim that butter markets are "already adequately supplied" and can only be depressed by the American action. Nor are the protests confined to butter; Burma and Thailand see in the rice disposal plan a threat to their foreign trade. And the department has found to its chagrin that it cannot even give away food to impoverished Spaniards without incurring the wrath of local dairy producers.

The new policy for butter will certainly throw its shadow over the conference table in Geneva where attempts are being made to draw up a new General Agreement on Tariffs and Trade. The subsidised exports and import quotas forced upon the United States by its domestic farm policy have already cast the American delegation in the unaccustomed role of chief culprit. A more discouraging consideration for the Department of Agriculture is that the present rate of disposal, which is so unpalatable to the outside world, has made little difference to a stockpile now valued at \$7 billion, compared with \$6 billion when the disposal programme was given legal sanction six months ago. In that period the department has sold abroad—or is negotiating to sell—produce to the value of \$453 million. It has given away another \$125 million, bartered \$93 million against strategic materials and distributed \$150 million for welfare both at home and abroad. At this rate the total authority of \$1 billion, under the disposal scheme, will soon be exhausted although it was meant to last for three years.

The taxpayer can at least take comfort from the fact that the cost of supporting farm prices seems to be waning. According to the budget statement, the net cost will amount to nearly \$2 billion in the year which ends next June, but will fall to under \$1 billion in the following twelve months. Moreover, the Secretary of Agriculture is optimistic that, by continuing last year's reduction in the price guarantees for butter, eggs and cheese for a further year, output of dairy produce can be brought into line with demand by the end of this year.

Unity on Both Sides

THE Democratic leader in the Senate, Mr Lyndon Johnson, has won the gratitude and therefore probably the loyalty, of a second group of freshmen Senators by again doing as he did when the Senate was organised in 1953. He has once more given every Democratic Senator a seat on an important committee instead of following the tradition of handing all the interesting plums to the old residents and leaving the new arrivals to make do with such unattractive assignments as Public Works and the District of Columbia. These are incidentally the two committees to which the Republicans, keeping to the old system, have sent one of their most outstanding newcomers, Senator Case of New Jersey, although he has also won a place on the Civil Service Committee. Each Senator sits on two, and sometimes three, committees.

Senator Johnson has thus been able to put a good liberal, more often to be found among the new than the old Democrats, on each of those committees where it is important for the party's election record that the progressive point of view

should be pressed; such committees are the Interior Committee, where hydro-electric development is discussed, for example, and the Labour Committee which covers trade union matters. And with an eye to the special interests of his constituents, Senator Johnson has seen that there is a Texan on both the committees which deal with the oil industry—himself on the Finance Committee and Senator Daniel on the Interstate Commerce Committee.

Much of the unusual unity shown by the Democrats during their two years in opposition can be credited to Senator Johnson's tact and co-operation in political management. The lesson has not been lost on the Republicans in the Senate. On the excuse that all Senators up for re-election in 1956 should have a seat on the Policy Committee which sets the party line in the Senate, the size of that committee has been practically doubled. This has made it possible to give a transfusion of liberal blood to a group which had long been suffering from hardening of the arteries. On many questions Eisenhower supporters will probably now be in a majority and in any case it should be possible to settle most of the Republican differences in the committee room instead of on the Senate floor.

More for All the Boys

AFTER tactfully urging members of Congress to give both themselves and federal judges increases in salaries, the President went on to bombard the Capitol with a series of messages asking for higher pay for almost five million government workers, whether civil servants, postmen or members of the armed forces. Mr Eisenhower reminded Congressmen that their rise was long overdue, since they have had no addition since 1946. Their present pay is \$15,000 a year and they will hardly have the courage to raise it to the \$27,500 that has been recommended by an independent commission. But an increase of some sort is more likely to be approved this year than it was last, when constituents would have been waiting with awkward questions at election time.

Pay rises for civil servants and postmen are not so seriously overdue, for they received increases in 1951; the cost of living has gone up since then by about the 5 per cent which is the average of the increases asked by the President. The actual amounts recommended vary, however, with the position of the employee and the underlying purpose of the proposals is to relate pay more closely to the responsibilities of the job and to earnings for comparable work in private employment. Similar recommendations were rejected by Congress last year when it voted a flat increase for all grades; it also refused to raise postal charges to cover the cost of higher wages for postal workers. For these reasons the President vetoed the Bill. This year, once more arguing that the Post Office should be a business proposition, not a taxpayers' liability, Mr Eisenhower has again asked for increased postal charges and again he is not expected to get them.

The recommended increases in pay for the armed forces are also designed to reward efficiency, and specifically to encourage volunteers to stay in service longer. At the moment only 20 per cent are re-enlisting; the shortage of

experienced young officers and men is dangerous, and becoming more so, at a time when the cost and complexity of training soldiers, sailors and airmen is going up rapidly. This attempt to make military service a more attractive career is an important part of the new manpower scheme for the armed forces which the President sent to Congress at the same time. That scheme followed the outline already given by officials, with the emphasis on strong and effective reserve units to back up a highly-trained mobile contingent ready for immediate action.

Is Leader a Leader?

FROM A CORRESPONDENT IN PENNSYLVANIA

ON January 18th, a 37-year-old chicken farmer, symbolically named Mr George Leader, became Governor of Pennsylvania, the third largest of the United States. Mr Leader is a Democrat, and he won election last autumn by 279,000 votes, in a state in which registered Republicans outnumber registered Democrats by 800,000, in which no Democrat had won the governorship since 1934 and in which the Democratic organisation was moribund last spring. Mr Leader, a State Senator, was chosen as a standard bearer who could absorb defeat gracefully and who might live long enough to see brighter skies for Pennsylvania Democrats—some day. But he turned out to be a great asset: obviously sincere and friendly, he had the perfect political background—rural honesty, sound business success from small beginnings (he had started with an ex-serviceman's loan and was now producing a million chicks a year), an attractive wife and three small children. In addition, he was an appealing speaker. The Pennsylvania Democrats rallied behind him, led by a new and effective state committee chairman and a finance chairman who raised over half-a-million dollars with which to fight.

Buoyed by these successes, by the apparent national trend towards their party, and by the increasing realisation that the Republicans in Pennsylvania were suffering from all the familiar ailments of a party too long in power, the four major elements of Democratic strength in the state co-operated effectively: the Philadelphia reform administration of Mayor Joseph Clark, who had turned the entrenched Republicans out of that city three years before, and the liberals who follow his lead and who formed the backbone of the "Volunteers for Leader" in the campaign; the regular Democratic organisation of Philadelphia, now in uneasy alliance with the Clark forces; the relatively conservative, orthodox, and long-established Pittsburgh organisation of Mayor David Lawrence; and, as in all industrial states, the trade unions.

By comparison with Mr Leader, the Republican candidate, the incumbent Lieutenant-Governor, Mr Wood, seemed very much a rotund, middle-aged, run-of-the-mill politician. He was carrying a heavy burden, too—the inglorious record of the outgoing Governor, Mr John S. Fine (in Pennsylvania, a Governor may not succeed himself). Under Mr Fine, the old line Republican machine men, whom the previous Governor, the progressive Mr Duff, had tried vigorously to purge, eased themselves back into effective control of the party and the Republican State

Legislature, split between supporters of the machine and Mr Duff's friends, obstructed most of the Republican Governor's programme.

While there were few outright scandals in what the Democrats insisted upon calling the "not-so-Fine Administration," there were several matters that looked questionable. Perhaps more important, there were obvious failures to meet the urgent problems of providing sufficient schools for the postwar flood of children, or to keep up with the performance of other states in such things as provision for mental health; at one point, over a hundred people were lodged in Philadelphia gaols who should have been in hospitals, had there been space. Finally, there was unemployment and discouragement in several areas of the state, most notably in the anthracite coal regions. To meet this, Mr Leader promised action; Mr Wood blamed "Democratic free traders in Washington."

By November, sober prophets like the *New York Times* were predicting Mr Leader's election, but the size of his victory surprised everyone. Pennsylvanians who had watched the Republican domination of Philadelphia crumble in 1951 foresaw another reforming administration in Harrisburg, the state capital; but by now a few doubts have arisen.

★

For one thing, Mr Leader has some very trying problems to solve. Pennsylvania will need to raise perhaps \$350 million in new taxes, if it is to avoid increasing a debt already larger per head than that of any other state. Mr Leader promised to veto the extension of the sales tax imposed by his predecessors; this means a loss of some \$100 million in revenue. He can hardly introduce a state income tax—by far the most logical recourse—unless he is content to have it levied on a flat percentage basis, for the State Constitution forbids a graduated income tax. As for unemployment, Mr Leader has promised an energetic campaign to attract new industry to the state but, as a substitute for income tax, he will probably be forced to increase taxes on corporations, which will hardly make the state more attractive to business enterprise.

For the moment, however, what worries independents, liberals, and labour interests most is that the new Governor's appointments to important state offices have been disappointingly routine and political, especially when compared with Governor Harriman's in New York. This, it has been suggested, shows the influence of Mr William J. Green, Jr., leader of the old Democratic machine in Philadelphia, who is known to have been the Governor-elect's companion during a post-campaign vacation in Florida and whose friends are obviously enjoying some major spoils of victory now. Mr Green, it is said, is thus taking his revenge for the drying up of political patronage in Philadelphia under Mayor Clark's reforming regime there. More recently, Mayor Lawrence of Pittsburgh has been encamped in the state capital, presumably to break Mr Green's monopoly of the new Governor's attention.

This leaves little room, thus far, for Mr Clark, his fellow-liberals, and the trade unionists, all of whom hoped that Governor Leader's administration would mark a further step towards the new Democratic party for which Mr Adlai Stevenson stands, one no longer based upon old fashioned urban political machines, but upon enlightened city

administrations, co-operating with independent reform elements at both city and state levels. It is too early to say that these hopes have been disappointed. Perhaps Mr Leader feels that he must first establish his party regularity, and that reform and mobilisation of the independents can come later. But in politics it is dangerous to let enthusiasm cool after a victory such as last November's in Pennsylvania. Once in the safe hands of the professional politicians, Governor Leader may find it hard ever to live dangerously, or constructively, again.

Merger in Manhattan

IF the shareholders and the appropriate banking authorities approve, and if Representative Celler fails to induce either the Governor of New York, the Federal Reserve Board or Congress to disapprove what he considers to be a dangerous concentration of financial power, the Chase National Bank and the Bank of Manhattan will shortly complete the largest bank consolidation there has ever been in the United States. The resulting Chase Manhattan Bank will still rank second to California's Bank of America but it will be the largest on the east coast, with total resources worth about \$7.5 billion and with deposits of just under \$7 billion. About \$5.5 billion of these will be provided by the Chase Bank, but technically the mountain is coming to Mahomet. The explanation is that the Bank of Manhattan's charter, dating back to 1799, does not permit it to sell its assets without the agreement of all its shareholders. The virtual impossibility of obtaining such unanimity frustrated its earlier effort, in 1951, to go to the Chase Bank.

In return for giving up the prestige of being a national institution, of which there are now only a handful in the banking field, the Chase Bank will gain practical advantages; under a state charter it can make larger single loans than before and its books will be examined only once a year. The new bank is expected to pay dividends of \$2.20 a share. This is the present annual rate of the Chase, but its shareholders are to get 1½ of the new shares for each share now held, while the Manhattan dividend has been only \$1.90. Altogether the new bank will have 85 branches, 57 of them provided by the Bank of Manhattan. This is the main argument for the merger from the Chase's point of view. The emphasis today is on "consumer banking" rather than "bankers' banking," on small loans and individual accounts rather than on big business transactions, and this requires a large number of branches.

Raising the Minimum

Washington, D.C.

BY asking Congress to increase the federal minimum wage to 90 cents an hour and extend its coverage to groups of workers at present excluded, President Eisenhower has come to the rescue of his Secretary of Labour, Mr James Mitchell, who has been battling to prove that a

Republican Administration can be the workers' friend. The present minimum wage of 75 cents an hour is one of three "fair labour standards" to which employees engaged in interstate commerce are legally entitled; the others are time-and-a-half rates if more than a forty-hour week is worked and a minimum age of sixteen for general employment. In practice only 22 million workers, or a third of the labour force, are covered by the law, partly because under it "interstate commerce" is very restrictively defined and partly because there are large classes of workers who are specifically exempted. These include all farm workers and the 7½ million people employed in retail establishments. Although details of the extended coverage proposed by the Administration have not been announced, it is expected to include some shop assistants but no farm labourers.

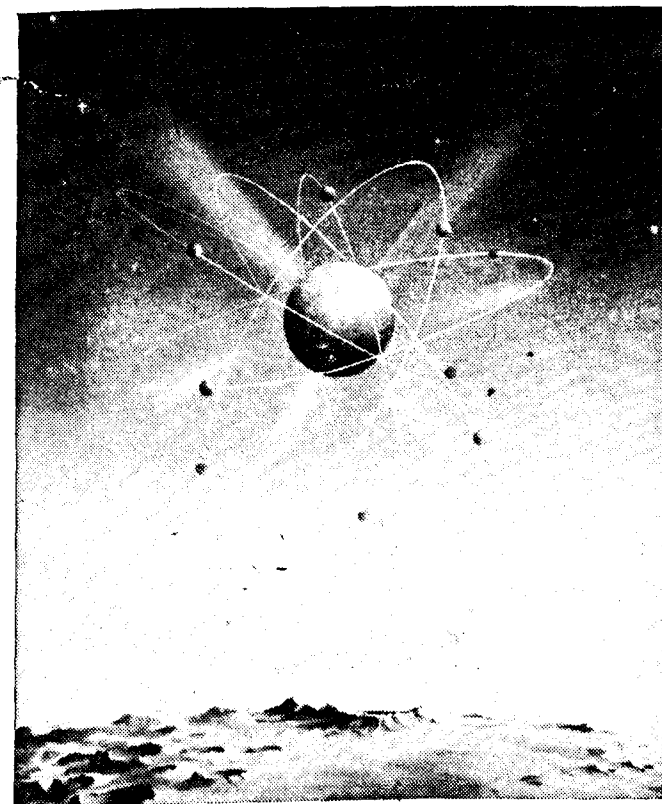
Even 90 cents an hour is not very much in relation to the American standard of living; the average earnings of the 48½ million factory workers are \$1.80 an hour. But there are particular industries, the bulk of them in the South and many of them employing chiefly Negroes, which will be considerably affected. The argument that in these cases an increase in the minimum wage actually harms workers by depriving them of their employment is not borne out by a recent study by the Department of Labour on the effects of the last increase in the minimum wage, early in 1950, on five industries with low wage-rates. In most cases all that happened was that the differential between skilled and unskilled rates was proportionately narrowed. The department could in fact only track down between 2,000 and 3,000 people who could reasonably be said to have lost their jobs as the result of the increased cost of their labour. These came from two main industries—the oyster canneries of the Gulf of Mexico and the hand cigar manufacturers of Florida and Pennsylvania, who had been able to compete with mechanised firms because of their low wage costs.

Behind the Administration's proposal there will be not merely the trade unions, who have been agitating for a \$1.25 an hour minimum, but many business and civic interests in New England who are worried at the competition from cheap labour in the South. However, in spite of some solid support, Mr Mitchell will be very lucky if he sees his measure sail through without picking up some escape clauses for "special cases" like barnacles on the way.

SHORTER NOTES

When Miss Marian Anderson appeared recently for the first time in opera she was, not for the first time, making a début for her race as well as for herself. She is the first Negro singer to become a member of the Metropolitan Opera Company. The enthusiasm of the New York audience was expected to be repeated at her next performance in Philadelphia, her home town.

Insurance rates against damage by windstorm hazards have been almost doubled in New England as a result of the heavy losses suffered by the insurance companies during the hurricanes last autumn. However, even with the increased rates—which are up by 150 per cent in some places—it will take some time to recoup the losses by hurricane over the past decade.



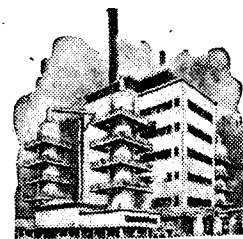
On the frontiers of human knowledge

Now the Engineer, advancing with the Scientist, finds himself on the very frontiers of human knowledge.

From there he sees with awe the vast potentialities, for good or evil, of atomic energy. Already he is striving with the Scientist to harness it for the benefit of mankind.

At the first atomic electric generating station, now under construction at Calder Hall in Cumberland, the turbo-alternators will be driven by steam, generated — by means of a nuclear reactor — in plant jointly designed by Babcock & Wilcox and the Department of Atomic Energy; and manufactured by Babcock & Wilcox.

Calder Hall, marking the first significant contribution of atomic energy to Britain's electrical power supply, is the forerunner of much larger developments which, by conserving conventional fuel resources, will be of vital economic importance to Great Britain and, indeed, to the world.



BABCOCK STEAM-RAISING PLANT

FIRST ATOMIC
POWER STATION
Impression of reactor house, with
80 feet steam-generating towers

BABCOCK & WILCOX LTD., BABCOCK HOUSE, FARRINGTON ST., LONDON, EC4

WORLD-WIDE BANKING DEPENDABILITY...



Many people throughout the world rely on The Hanover's complete banking facilities when doing business or traveling in foreign countries.



THE HANOVER BANK

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

LONDON ... } 7 Princes Street, E. C. 2
 } 15 Carlos Place, W. 1

NEW YORK ... 70 Broadway

AT NO EXTRA COST!

FLY TO Bermuda

ON YOUR TRIP TO NEW YORK

Your first class fare to New York, via any international airline, can include a trip to Bermuda—at no extra cost!

So why not enjoy a holiday in Bermuda when business is over in New York! Bermuda is less than three hours away, daily flights are frequent, and you'll be in the sterling area so you can stay as long as you please. For complete rest, and enjoyment, there is nothing like Bermuda's pink sandy beaches, varied sports and peaceful, leisurely living!

For Complete Information See Your Travel Agent or
BERMUDA TRAVEL INFORMATION OFFICE
Regent House, 89 Kingsway, London, W.C. 2

FREIGHTERS

MAN'S RESPONSE TO ADVENTURE and high endeavour tends to identify itself with peak performances in aviation. The fastest and largest trans-Atlantic liners have an appeal similar to the most spectacular element in seaborne movement: but in the background are the unostentatious trading activities of the plodding merchantmen. So it is with aviation. The newest turbine aircraft naturally serve to distract attention from the less imposing vehicles. Thus the regular flow of Freighter aircraft from the Bristol factory has been taken for granted, and these big boxcars are now in service in every continent. At home here a substantial and growing fleet of them plods to and fro on thousands of flights to France and Ireland. They are the forerunners of an air transport development that will probably one day supplant the sea ferries. In New Zealand, Freighters perform similar duties on the cargo ferry between the North and South Islands. In Australia they have built up the beef carcass air haulage business in the Northern Territory meat export industry. In Indo-China another Freighter fleet serves the Vietnam airline both for its local passenger services and cargo needs, increased by the demands of War. Pakistan and Saudi Arabia also use the Freighter, and in Nigeria it provides Africans on the West Coast with air travel at one of the cheapest fare-rates in the World. Spanish carriers employ the aircraft for a variety of duties, including continental-type tourist class travel; and now Freighters have introduced the first regular cargo service in Canada. They have also been bought for the Air Forces of eight countries for tactical transport roles.

These Freighters are blunt-nosed, not beautiful. But that is the lot of most heavy haulage vehicles. Merchantmen of all kinds are seldom heard of—only perhaps when they run into trouble. Transport is indeed the blood stream of modern society: Huxley observed that moving things from one part of the globe to another was the sum of man's activity. Aviation claims every year a larger share of the World's carrying trade, so more and larger merchant aircraft will be required.

Bristol's share in the development of every-day air transport has, through the Freighter, been a large one. Some 200 have been ordered—mostly for export in twos and threes—and in six years of sustained production the Freighter has become Britain's best-selling heavy-duty aircraft. These civil and military sales were, incidentally, made in a commercial aircraft market upset by large numbers of war-surplus transports—some in almost new condition—that were available at knockdown prices.

The Freighter weighs 44,000 lb and it can lift up to 14,000 lb cruising at about 170 mph and flying about 1.5 miles per gallon. In many countries the potentialities of the cheap to buy, easy to operate, reliable, capacious and flexible passenger-freighter are being realised, and commodity air lifting on scheduled service or on charter is a widening trade.

THE BRISTOL AEROPLANE COMPANY LIMITED

The World Overseas

Canadian Rescue Operation

FROM OUR OTTAWA CORRESPONDENT

IT was a curious escapade for three Canadian ministers—Mr C. D. Howe, of Trade and Commerce, Mr L. B. Pearson, of External Affairs and Mr W. E. Harris, of Finance—to rush down to Washington on the very day of the President's State of the Union message to Congress and on the day before the opening of the Canadian Parliament for the sole purpose of talking to some members of the United States Cabinet about Gatt. Many puzzled observers are still inquiring whether the stated cause could have been the real one.

It was. However curious the manoeuvre may seem and however improbable the truth, Gatt was what the ministers talked about. The *Winnipeg Free Press* presented the Canadian move in the clearest light—except for one point—in a delightful cartoon which showed a fair damsel, marked Gatt, tied to a tree with a bush fire approaching her defenceless feet, the bush fire being American protectionism. But rushing to the rescue were three horsemen in the uniforms of the Northwest Mounted Police, heroic precursor of the Royal Canadian Mounted Police. And they were Howe, Pearson and Harris. The one criticism of the cartoon, and it is a vital one, is that the Northwest Mounted Police always got their man. The three Canadian ministers returned empty-handed.

Indeed one of the diplomatic comments on the Canadian visit was that the Canadian ministers might have known in advance that they could not get the result they wanted. What they wanted, so far as it can be learned, was to impress upon the "highest levels" of the US Administration the damage which is being done to Gatt in general, and Canada in particular, by American insistence on the agricultural quota restrictions required by Section 22 of the Agricultural Adjustment Act. This is a case which is fully supported by Britain and most of the other Gatt signatories. It is, most observers have supposed, fully understood by the US Administration itself. But the Canadian government evidently felt that it must make one more effort "at the highest level" to resolve the deadlock which threatens to result from the American attitude.

On political grounds, here in Canada, the visit may have been thought necessary to demonstrate that the government was not quietly acquiescing in one-sided American protectionism. This government is inevitably embarrassed, as so many others are, by being asked to accept strict obligations to refrain from harmful trade practices while waiving the application of those obligations to the United States. Many Canadian industries asking for protection have been

told for years that their individual cases, however deserving, must be overruled by the need to preserve the general structure of Gatt. Domestic manufacturers must suffer, in fact, so that Canadian exporters might benefit from the more liberal practices which other countries would adopt in return.

The argument has inevitably suffered over the years from the continued adherence of so many of the Gatt partners to quota restrictions and discriminatory import controls on balance of payments grounds. This source of complaint has been contracting gradually as import controls were relaxed in the sterling area and Europe. The British proposals for tightening the balance of payments escapes, after convertibility, gave fresh hope to Canada that in future Gatt would contain a better balance for this country between "quid" and "quo." That is why, in the early stages of the Gatt meetings, Canadians were talking very hopefully about getting much more support for their government's rather purist adherence to Gatt.

By the time the Gatt sessions recessed for Christmas these rosy views were thickly obscured by cloud. The British proposals on the balance of payments escapes were running into difficulties both in the sterling area and in Europe, and the Americans were sticking to a position on agricultural restrictions which appeared hopelessly inconsistent with their desire for stricter obligations to be binding on everyone else. Moreover, it appeared after Mr Howe's pre-Christmas visit to Geneva, that the Americans' insistence on their own private waiver was undermining the chance of getting better provisions—from the Canadian point of view—in other parts of the agreement.

This no doubt is the general burden of what the Canadian ministers tried to say. But what they were up against was the unalterable political necessity in which the United States Administration finds itself. President Eisenhower is now pledged to submit the new Gatt—if there is anything new about it after the conclusion of the Geneva meetings—to the Congress. True, he says he will submit only the "organisational clauses," but inevitably the Congress must look at the attached "trade rules" too. And the trade rules clearly specify (in Article XI) that the United States may not do precisely what the Congress has directed to be done by Article 22 of the Agricultural Adjustment Act. To ask Congress to accept an international agreement which contradicts its own legislation would be, says the Administration, to ensure its defeat. If Congress is to accept Gatt at all, the Americans must have some sort of

"waiver" from the other Gatt signatories allowing them to continue their policy of excluding those imports which would otherwise be attracted by their high levels of price support.

From this sad fact may well follow all the lamentable results which the Canadian ministers fear. But it was a fact which unfortunately could not be changed by their pilgrimage to Washington.

German Labour in Ferment

LAST week's labour troubles in the Ruhr and Bavaria have two distinct causes. The 24-hour strikes called in the Ruhr were protests against a statement that the unions had secured representation in the management boards of industry through political blackmail. Actually, it was the British who were instrumental in bringing labour on to the boards of coal, iron and steel companies, though the extension of the principle of co-management to other firms was certainly the result of hard political bargaining by the union leaders and Dr Adenauer. The author of the offending remark was Herr Reusch, head of the big *Gutehoffnung* concern, who is an ironmaster of the old school, with no love for the unions. He has now brought about the first political strike in postwar Germany. Co-management is the German unionists' most cherished right, and leaders—pressed to show that they are not supine—would be most naturally inclined to take action on this issue rather than another.

Events in Federal Germany's Deep South, where the tough, hard-headed Bavarians have been making trouble, are of considerable international importance. The Land Trade Union Federation, instigated by the extremist metal-workers union, intends to call for a Bavarian plebiscite on the question of rearmament. The federation was able to do this, while rejecting illegal action, because the local constitution allows for a referendum if ten per cent of the electorate calls for one. No other *Land* has a similar provision, and the Bavarian example cannot be followed elsewhere. The trade union headquarters are against a general strike or illegal actions for political ends. But a vote against the Paris treaties in Bavaria alone, should the strong Catholic influence fail to prevent it, would be a serious blow for Dr Adenauer. It would gratify the East German Communist leaders, who have been calling on the unions and Social-Democrats to demand a plebiscite and call for demonstrations against the western pacts.

How far Communists in the ranks are responsible for the labour trouble in Bavaria and the demonstrations held last week by the Socialist Students' Organisation it is hard to say. But it is certain they are trying very hard to direct moves from below. How vital it is to keep and enlarge the footing of crypto-Communists in the unions was openly admitted by leaders at the recent German Communist party congress. Members were ordered to sign declarations of loyalty if required to do so by anti-Communist union leaders. The party, said one speaker, changes its tactics but not its principles, and Communists must on no account allow themselves to be ousted from the unions or other mass organisations. Moreover, they must not be too doctrinaire about their dealings with Social-

Democrats. They must at all costs work with anyone who opposes the western treaties.

The demonstrations against rearmament may therefore be due in part to crypto-Communists. But quite apart from their influence, there is a very strong body of opinion in the Social-Democrat party which thinks that the leaders are too passive in their opposition. The executive, however, shows no signs of giving way to any demands for undemocratic action outside parliamentary bounds. They know well where this path would lead, and that they would be the first victims if ever the Socialist Unity Party gained power over the whole German workers' movement.

OEEC Meeting in Paris

FROM OUR SPECIAL CORRESPONDENT

THE Ministerial Council of the Organisation for European Economic Co-operation, meeting in Paris last week, added a few more stones to the foundations of convertibility; gave new impetus to the programme of intra-European trade liberalisation; turned the "Green Pool," complete with its Spanish participants, into an OEEC ministerial committee for agriculture and food; and, after hearing a report on the new Italian ten-year development plan by the Italian Budget Minister, Sgr Vanoni, established a working group to see what member countries or the organisation as a whole could do to help implement the plan.

By far the most difficult decisions to reach were those that set in motion what will probably prove to be the last concerted OEEC assault on the quantitative restrictions remaining on intra-European trade. The difficulties of reaching agreement are reflected in seven pages of complicated and highly negotiated text in which the decisions are embedded. In brief, three interrelated decisions, hedged about with reserves, escape clauses and time limits, were adopted, to become effective on April 1st. First, it was agreed that member countries would increase from 75 to 90 per cent the proportion of their imports on private account which can be imported from other OEEC countries without quantitative limitations. Second, liberalisation is to be applied in such a way that at least 75 per cent of the private trade is freed in each of the three categories, agricultural products, other raw materials, and manufactured products. The present requirement for each category is 60 per cent and for a number of countries, such as Belgium and Switzerland, it will be considerably harder to reach 75 per cent in the agricultural sector than it will be to reach the overall figure of 90 per cent. Third, in order that all countries (including Germany, Italy and Sweden, who already meet both the 90 per cent overall and the 75 per cent by-category test) should participate in the new liberalisation effort, it was decided that all countries should free at least another ten per cent of the trade on private account that is still restricted.

The principal qualifications that have been placed on these new decisions reflect the growing feeling of the countries with low tariffs, like the Scandinavians, that further reductions in quantitative restrictions must be matched by tariff reductions. They also point to an increasing tendency

on the part of all OEEC countries to look at the remaining quantitative restrictions not as safeguards imposed for balance of payments reasons but rather as one of a number of devices now being used to protect home industry or agriculture. In this latest decision inequity and lack of reciprocity, as well as balance of payments difficulties, are recognised as valid reasons for re-imposing restrictions. And, in addition to a series of carefully defined modifying provisions to which a country may have recourse after consulting the organisation, any country at the end of eighteen months may withdraw any liberalisation which has been extended as a result of these latest decisions. The cumulative effect of the qualifications and reservations is probably not so much to weaken the basic decisions as to reassure the low tariff countries that they are not giving up all chance of retreat if liberalisation proves too painful, and to make it somewhat easier for them to exact concessions from countries which, through other means, enjoy greater protection. The nature of the new decisions, however, makes it plain that OEEC has now gone as far as it, or any other organisation, is likely to go in removing quantitative restrictions by exhortation. The quotas which will be left at the end of the next eighteen months will have nothing to do with the balance of payments situation; they will be there for protectionist reasons and will only be eliminated in return for real action on other trade barriers.

Restraint Over Blueprints

As had generally been expected, the Council agreed that the EPU should be extended for another year from July 1st and asked the Managing Board to report by the middle of April on any changes which should be made in the Union at the time of its renewal. The Managing Board is also to work out the details of a European Fund to succeed the Payments Union when the principal European currencies are made convertible and the arrangements for the transition from the Union to the Fund. As now envisaged by the OEEC Council, the new Fund will have initial resources of about \$600 million, about half of which will come from the residual capital of the EPU and half from new contributions from members. All the present members of the EPU will be members of the Fund with the technical right to draw upon it, but the new fund is regarded principally as a means of enabling those countries which cannot become convertible at the time of the general move to continue to import freely from their neighbours, and as an additional source of credit for the small European countries. In contrast to the practice in the EPU, drawings will not be automatic.

No appreciable progress was made on either of the other two questions which Mr Butler has usually linked with the European Fund as necessary preliminaries to convertibility—that is the trade rules which should govern in a transitional period after currency convertibility and the organisational arrangements between OEEC and Gatt and the IMF during this period. To some extent, the nature of the OEEC decision must depend on the outcome of the battle on the basic rules governing the use of quantitative restrictions which is now being fought out in Geneva. And to some extent the absence of decisions is the result of a disposition on all sides to avoid too much blue-printing of the future. The approach to convertibility is now both more relaxed and more pragmatic than it was last summer. OEEC is content to get on with its immediate tasks without

seeing the future too clearly. What seems to lie ahead is an easier time than was feared six months ago both for the many who will become convertible and the few who cannot, as well as enough time and good will to allow countries to make reasonably sure in advance that convertibility can be maintained once it is undertaken.

Although the trade decisions were the difficult ones at last week's meeting, the relatively easy step of naming a working group to study the Italian development plan may point the way to the future development of the organisation. Apart from the obvious hope that full knowledge of, and confidence in, the plan by its European partners will result in a larger flow of capital to Italy, discussion of the plan within OEEC, while it is being developed, should have other advantages. It depends for its success on the Italian government's ability to hold down consumption and increase saving, measures which will be far from popular. Experience in the past has shown that the support of OEEC can help governments to take such unpopular steps. And if the OEEC's strong moral support is coupled with action by member countries to enable the Italians to maintain a high level of trade and is sweetened with quite tangible, if short term, help from the European Fund, it should prove particularly effective.

Kafue or Kariba?

FROM A CORRESPONDENT IN NORTHERN RHODESIA

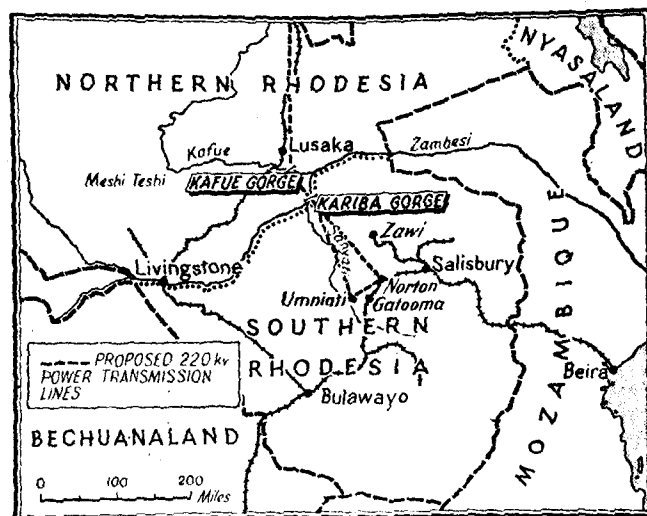
MR R. L. PRAIN, chairman of the Rhodesian Selection Trust, has stated recently that a decision between the rival Kafue and Kariba hydro-electric schemes is vital within about two months if the copperbelt's power needs by 1960 or so are to be met. Many who have listened to the long drawn-out argument over the last two years think it would have been better if the decision had gone in favour of Kariba as originally proposed. The choice of "Kafue first" aroused a parochial glee in Northern Rhodesia which was followed immediately by an equally parochial resentment in Southern Rhodesia; this began first among members of the Southern Rhodesian territorial parliament, gathered momentum with the support of Southern Rhodesian engineers long and honourably identified with the Kariba project, and finally spread to the general public of both Northern and Southern Rhodesia.

There followed much manoeuvring behind the political scenes in which it was generally believed that Kafue's champion was Sir Roy Welensky, Northern Rhodesia's leading public figure and deputy federal Prime Minister, while Mr R. S. Garfield Todd, Prime Minister of Southern Rhodesia, stood for Kariba. In face of this rivalry, the Federal Government went back on its earlier decision in favour of Kafue and appointed a commission of French engineers to report on both schemes. More or less at the same time Northern Rhodesia produced further data which showed that, by adding to the original Kafue scheme a second dam built upstream at Meshi Teshi, the output of Kafue could be expanded until it became slightly greater than that from Kariba and at about the same cost. This new information, supported by British and South African consultants, was sent to the Federal Government's French

consultants midway through their investigations. In their report, however, they mentioned it only in passing, and based themselves on the original Kafue plan.

The argument over Kafue and Kariba has taken place with a mixture of high technicalities and political jobbery under what must be the bewildered eyes of American World Bank officials, who have been asked for financial aid, big copper producers planning future expansion to which power is the key, and that minority of Rhodesian politicians and the general public who are clear-sighted enough to see that failure to have large new supplies of power by the end of 1959 will not only cut copper profits, but may also cut federal revenues by anything up to one-third.

All the words and all the manoeuvring have not altered the essential facts, though they have almost buried them. These are that both schemes are admirably suited to the



production of large amounts of cheap hydro-electric power, and both will be needed in time. Kafue can produce an estimated 400 megawatts of power at a cost of about £55 million in 2½ years, and this output can be more than doubled by a second dam at Meshi Teshi, which would make the total cost roughly equal to that of Kariba. The Kariba scheme could produce about 800 megawatts at a total cost of about £86 million, but it would require two years longer to complete than the Kafue project, apart from the Meshi Teshi extension.

At the end of 1959 the copperbelt will need a little less than 50 megawatts more power than it will then be able to obtain from known sources, and this shortfall will rise sharply until it reaches 100 megawatts in 1961. Since the present power consumption is about 130 megawatts, the urgency of the problem is obvious.

When this timetable is applied to the two hydro-electric schemes, the Kafue scheme offers power which, if work is begun within not more than a year, would be available on the copperbelt just when the power demand substantially outstrips the existing and potential sources of supply. But if the earlier Kafue decision is now reversed in favour of Kariba, the copperbelt faces a period of not less than two years between the period when its power shortfall reaches 100 megawatts and the earliest date at which relief can come from a Rhodesian power scheme.

If the Kariba scheme with its two year time lag is adopted, the copperbelt could get over the difficulty by cutting the present production plans to conform with the

amount of power available. The effect of this could be to reduce copper output from the level at present planned for 1961 by anything up to one-third. Such a reduction would probably cut by a roughly similar proportion the revenues derived by the Central African governments from taxation of the copper industry. At present this taxation provides the Northern Rhodesian Government with about 85 per cent of its revenues and the Central African Federal Government with about 60 per cent. Moreover, last year the mining companies, basing their plans on the then expectation of power from Kafue before 1960, began work on providing electric light in all their African houses. All Northern Rhodesian towns, and some of the smaller Southern Rhodesian centres, have also based their plans to house secondary industries and provide for commercial expansion on the belief that the present irritating restrictions on power consumption would be over by the end of 1959. The postponement of these hopes for at least two years would delay a much needed move to escape from the area's present total dependence on copper mining.

The mines have indicated no alternative to cutting down present plans but they could seek to extend the scope of the arrangements they made nearly three years ago for the supply of power from installations now being built on the Lualaba River in the Belgian Congo. If, however, they do this, it is unlikely that they could obtain a permanent supply of large amounts of power, except at high cost and through a long term purchasing agreement with the Congo authorities. Such an agreement could hardly be operated only for two years and the ludicrous situation might arise whereby when ample power eventually became available from a Rhodesian river its only big-scale user would be committed for years ahead to take power from a source outside the country altogether.

Franco Experiments

RECENT events underline the fact that Spain is uneasily, but clearly, moving towards a new era. That General Franco wishes to see the monarchy restored on his own terms, and through his own will, is now evident. In his negotiations with Don Juan, the pretender to the vacant throne, the Caudillo obtained precisely what he wanted: complete control over the education of the Infante Don Juan Carlos and an implicit renunciation on the part of Don Juan in favour of his son. The latter, who arrived in Madrid this week, will henceforth be trained under Franco's close supervision. In the next six or seven years he will be trained in the army, in the navy and in the air force. His advisers and religious guides will be hand-picked by Franco himself. In return, the Caudillo will soon allow the young prince to bear the title of Prince of the Asturias—the traditional title of the heir to the Spanish crown—and will permit Don Juan occasional visits to Spain. These are trifling concessions, and it is important to note that Franco has not committed himself formally to the restoration of the monarchy. If the monarchist party proves intractable, or if the Falange persuades Franco that it will not accept the change without bloodshed, he can still seek other solutions to the problem of succession.

It is because the prospect of his own retirement must be considered in the next five years that General Franco is initiating carefully controlled experiments in certain kinds of civil liberty. Spain has to be re-educated for the day when the Caudillo's cunning and powerful hand is no longer at the wheel. The fact that monarchist candidates were allowed to oppose official slates in the recent municipal elections is important. They did poorly, and this gave Franco a good demonstration of the strength of the Falange and of the lack of a really organised opposition in the country. It also allowed him to say to the monarchists that the restoration of the crown depended on his will and would have to be prepared very slowly. In order to prevent militant anti-monarchist propaganda, which could be disguised under pro-Falange or pro-Franco colours, the Caudillo has been tightening the press censorship.

Only *Ecclesia*, the powerful organ of the Catholic Church, is exempted from the censorship. It is now waging a strong editorial campaign on behalf of a more general freedom of the press. Spain faces tremendous problems and certain elements in the Church are not happy about leaving all solutions to General Franco. In particular, many Catholics are deeply worried about the threat of "Protestant contamination" that attends the arrival of American troops on the Spanish scene. If the American military programme in Spain has got under way so slowly, it is largely because the Spanish authorities are trying to build a series of *cordons sanitaires* around their dangerous guests. They do not want American troops to be allowed at large in the country, nor do they wish to see American books and magazines made readily available on Spanish news-stands.

This whole matter has blazed into the open over the question of marriages between Americans and Spaniards. It leaked out that the Spanish authorities were insisting that American chaplains should impose canonical regulations on marriages between Catholics and non-Catholics. In fact, it has been rumoured that such regulations were to apply even in the case of two Americans wishing to marry on Spanish soil. The outcry in America has been considerable, and it is expected that the American authorities will seek to arrive at a compromise with the aid of the Vatican.

The Spaniards clearly feel that they are doing the West a great favour in allowing America to build up their air-fields, ports, roads and factories. Part of the truculence displayed by Franco's negotiators is founded on a shrewd guess about the future of peripheral strategy. The Spaniards believe that the extremely narrow margin by which M. Mendès-France obtained ratification of the Paris agreements has lowered France's stock in the eyes of the Pentagon even further. American commentators have been saying that France is a poor military risk. Bases in Spain are equally handy and much safer. Thus Spaniards feel that Washington will have to meet their terms. In addition, relations between Bonn and Madrid have become increasingly close and the Spaniards believe that America will soon realise who its best friends in the fight against "world Bolshevism" really are. Like Marshal Tito, but for opposite reasons, General Franco is prepared to put one careful and expensive foot inside the Western camp while keeping the other boot firmly in place. Like Marshal Tito, too, he is prepared to participate on a limited basis in some of the European economic organisations.

Spain's tone may change abruptly if its perennial economic crisis worsens. But a providential rain and snow-

fall has averted the threat of drought. Unless America is prepared to experience some rude shocks in the future, it would do well to make it plain to Franco here and now that he is not as essential to the survival of civilisation as he sometimes tends to assume.

Turkey's Economic Troubles

THE Anglo-Turkish debt agreement announced this week (and discussed in a note on p. 299) is an encouraging sign that the Turkish authorities are anxious to restore their credit abroad; this is essential if they are to surmount their present economic difficulties. Turkey has, it is true, made great strides forward in recent years, but only at the cost of a yawning trade gap and, at home, an increasing threat of serious inflation, and it is particularly unfortunate that the Anatolian plateau should have been hit by drought at a time when the country's economic stability, both internal and external, has in any case been growing ever more precarious.

According to estimates, which are believed to be reasonably accurate, the cereal harvest is about 25 per cent below last year's record yield. (The cotton and tobacco crops, on the other hand, are expected to be the same, or slightly better than last year.) According to press reports, Turkey, which last year exported about 1.2 million tons of cereals, will this year have to import from 300,000 to 500,000 tons. As early as October the Turks were forced to ask the Americans to send an emergency shipment of 30,000 tons of wheat; and a month later the United States agreed to send Turkey 300,000 tons of wheat and 200,000 tons of fodder grain against payment with chrome ore, Turkish lira, and some of the \$76 million of economic aid allocated to Turkey last year.

Thus the Turks will not have to dip into their foreign exchange to pay for their wheat imports. But the complete disappearance of what has in recent years been Turkey's most important export can hardly fail to widen a trade gap that is already growing steadily wider. In the first three-quarters of last year, exports fell by TL 149 million compared with the corresponding period of 1953, while imports fell by only TL 55 million; the trade deficit rose by TL 160 million to a total of TL 393 million. It is not easy to see how the gap can now be narrowed either by a substantial increase in exports or by a serious contraction of imports. Towards the end of September the government did introduce some new import restrictions which have had some effect; but it probably cannot carry this policy much further without seriously curtailing production at home and thereby increasing the inflationary pressures which are causing a good deal of alarm. Already shortages of imported raw materials and fuels are beginning to affect some industries.

In the first three-quarters of last year wholesale prices rose by nearly 13 per cent compared with the corresponding period of 1953, while the cost of living rose by 10 per cent. Wages continue to rise and the government does not appear to be contemplating any step to hold them down. It has, however, tightened its price controls and seems to

be hoping that these will do the trick. But price controls are bound to break down eventually if the basic sources of inflation are not controlled and here the government does not seem to be trying very hard. It is true that the Central Bank has tried to restrict credit by making importers deposit 10 per cent of the value of their applications for import licences in a special fund. But the disinflationary effect of this has been cancelled out by the expansion of the credit facilities of both the central and the commercial banks. From January to October, 1954, the credits of the Central Bank alone increased from TL 2,033 million to TL 2,608 million; as a result the notes in circulation increased from TL 1,414 million to TL 2,608 million.

These contradictory policies by the Central Bank, together with the cheap money policy (since 1951 the bank rate has been 3 per cent) and the government's unrealistic budgetary policies, all make it hard to contain the inflationary pressures in the economy. The 1955-56 budget, which was introduced at the end of November, provides for an increase in both revenue and expenditure by 30 per cent. The budget is balanced, but there is no provision for the substantial surplus that would be the correct medicine for the country's present economic ills.

There is obviously no short cut out of Turkey's economic difficulties. Devaluation would be a highly doubtful cure for such a primary-producing country; and the government has wisely strongly denied the rumour that it is contemplating any such step. The country is still getting substantial American aid, and last month the Germans proved unexpectedly generous in the provision of further credits, even though they had little cause for satisfaction over their chances of getting a reasonable settlement of their debts. But the prospects of further large credits from any source are not very good. And the flow of foreign private capital into the country under the new law, which amounts to some TL 64 million, is not so far particularly encouraging. The Turkish government can hardly expect the flow to increase if it does not take some more decisive steps to put its economic and fiscal house in order.

Rumania De-Ratjans

BY A CORRESPONDENT

THE recent decision to end rationing in Rumania is, paradoxically, one more sign of the difficulties under which the Prime Minister, Gheorghiu-Dei, is labouring. The struggles among the rival Communist leaders, which have apparently recently been growing more intense, have already led to several postponements of the party congress; thus the Rumanian Communists alone have not contributed to the procession of satellite party congresses that took place last year. And until a few weeks ago they alone had not abolished rationing.

In general prices have now been stabilised at the old free market prices. Some of the new "unified State prices" for instance for beef, pork and milk, are higher than the old free market prices; others, on the other hand, including those of maize flour, kerosene, footwear and many household goods, have been reduced, most of them by from 10 to 20 per cent. The old free market prices were, of course,

much higher than the rationed prices; bread, for example, was more than twice as expensive and sugar more than three times. And the reductions in the prices of some clothing and a variety of household goods will not arouse much enthusiasm among workers who must, in any case, spend by far the greater part of their pay packet on food.

To compensate for the price increases tax-free cash grants, ranging from 33 to 109 lei according to the type of ration card held, are to be paid monthly; it is not clear whether these are to be a permanent bonus or are merely to be paid during the transitional period. In addition wages in the three lowest categories have been increased; the lowest category of all is abolished and absorbed in the second, while the second and third are increased by from about 9 to 23 per cent. But workers in all these categories will still be earning well under the average wage, and the rest have received no regular pay increase to offset the increase in the cost of living entailed by the derationing.

It is impossible, with the information available, to estimate at all exactly how great this increase is. On the assumption that 50 per cent of the bread bought before derationing was obtained at rationed prices, it has been calculated that the increase in the cost of living for a man earning a monthly wage of 400 lei (which is about, or slightly above, the average) would be around 35 per cent. If allowance is made for the man's cash supplement, the increase would be about 20 to 25 per cent. This is a significant increase for someone who is already hard put to it to make both ends meet.

Prodding from Moscow?

The decision to abolish rationing was probably made on political grounds and may have been precipitated—according to some reports—by constant prodding from Moscow. In any case, however, the regime would hardly be anxious to fall down on a promise, made with a great flourish of trumpets late in 1953, that it would abolish rationing by the end of the next year. But on economic grounds, the decision seems to have a very dubious justification. It is claimed that the production of cereals in 1954 reached 9 million tons—that is, double the figure for the annual average production during 1949-53 which was given by the prime minister himself. It is difficult not to believe that this is a deliberate exaggeration, designed possibly to justify the abolition of rationing. The Rumanian Communists claim a rich harvest of maize (from which the bread of the peasants and poorer people is made), but the 3.4 million hectares sown to this crop is still inferior to the pre-war area; and the fact that the new price of maize flour, although lower than the old free market price, is still almost double the former rationed price, suggests that the supply is not all that good.

Moreover the wheat and sugar beet harvests are admitted to have been very poor, which probably explains why bread and sugar are still being distributed on ration cards (but at the new prices) to certain favoured categories. As regards consumer goods, the regime may well feel that it can safely abolish rationing and reduce prices, in spite of inadequate supplies, because people simply have not the cash to buy more than the bare necessities. But it may also hope that by placing a variety of goods more nearly within the workers' reach, it may inspire them to heed the constant call to "redouble their efforts" to increase production.

future imperfect

Wild animals depend for their food on what they can find.

It is a hand-to-mouth existence. Man, having evolved the idea of agriculture, sows to reap. He cozens nature, making her amenable,

to produce his food *when and where he wants it*.

He asks only health and strength to work his fields,

peace to enjoy the fruits of his labour and a stable economy

to ensure that he can sell and buy and exchange.

The main product of the Fisons business has for a hundred years

been chemical fertilizers, to enrich the soils of farms and gardens.

But they make chemicals for medicine and industry too.

Fisons contribute to Britain's harvests, health and wealth.



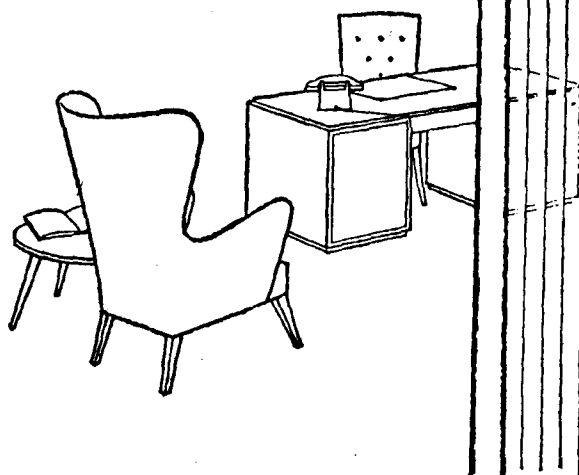
FISONS LIMITED · HARVEST HOUSE,
FELIXSTOWE · SUFFOLK

..... Fertilizers · Heavy Chemicals

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

it's all in **FISONS** field

How do others
see you?



Pretend you are a visitor next time you walk into your offices. What will you see: a reception room no one has bothered with for years, where a five-minute wait seems eternity? Or a bright, interesting room, alive with ideas. A room which creates the right impression right away?

This is what every Heal furnishing scheme is planned to do — whether it is for one room or an office block, in Britain or half the world away. There is no set formula. We can supply one or two pieces of furniture, or carry out a complete scheme, down to the last ash tray. If you would like to see some of our recent work, please write for our booklet, *Furniture for Special Needs*. Better still, visit our Contracts Showrooms and look around for yourself.

HEAL'S
CONTRACTS LTD

196 TOTTENHAM COURT ROAD, LONDON, W.1
TELEPHONE: MUSEUM 1666



SHREDS OF EVIDENCE...

But evidence of what? Some happening, back in geological time, left behind this strange material, with its long, thin, hairlike fibres; but, so far, the fibres have kept their secret. Their present usefulness, however—a usefulness which springs directly from this unique, fibrous composition—is no mystery at all. There is scarcely a branch of industry which does not make use of Asbestos in one form or another, either for its remarkable resistance to heat, or for its other highly distinctive properties. Asbestos, we suggest, is a material well worth looking into.

THE CAPE ASBESTOS CO. LTD.

ASBESTOS PRODUCERS AND MANUFACTURERS

114-116 Park Street, London, W.1

Telephone: GROsvenor 6022



THE BUSINESS WORLD

Sea Change for Shipping

AFTER more than two years in the doldrums, the shipping industry is once again running before a fair wind. The first breath of air became noticeable in the autumn, when freight rates broke through the barrier that seemed to have built up at about 80 per cent of the 1952 level. By the end of the year the Chamber of Shipping tramp freight index had reached 115.5 (1952=100). The time charter index has followed a similar pattern. All sections of shipping, tramps, tankers and liners, are busier than they have been for some time.

Demand for shipping space tends to be seasonal, and this is admittedly the busiest season in most trades. Freight rates are still about a third lower than the peaks of the Korean boom, and there is nothing to suggest that they are likely to approach comparable levels. Nevertheless, other indications than the graph of freight rates can be used to form an opinion of approaching weather, and there are many signs that conditions will be good for shipping for some time to come. For one thing, a growing number of ships are being taken on long-term time charter at current rates, which are about twice what they were a year ago; and which are about twice what they were a year ago; and which are about twice what they were a year ago. Some vessels were fixed in December for May loading voyages with grain or coal for several months ahead. Some vessels were fixed in December for May loading in the St. Lawrence, grain to the United Kingdom, and the rate was in the region of 63s. There was no forward chartering for this trade last year, and the rate paid for prompt vessels was only 42s. 6d.

Another sign is the value of secondhand ships. War-built Liberty ships changed hands at £105,000 in 1950, before the war in Korea, and they reached nearly £600,000 at the peak of the 1951 boom. Last year a Liberty ship was sold at about £175,000. Today any number of buyers could be found at £250,000, if there

were any sellers, in spite of the increased age of the ships. Even shipbreakers, who want old ships only for scrap, have been compelled in recent months to raise their bids from £5 to about £8 a ton gross. Second-hand ship values tend to follow the graph of freight rates very closely; but they are also affected by shipbuilding prices. So long as shipbuilding costs continue to rise, so secondhand values will be sustained. Shipbuilding costs are still rising, and therefore it is of some significance that orders for some 300,000 tons gross of dry-cargo ships have been placed with British shipyards during the last four months. These fair winds in the freight market have helped shipping shares along too. This week they have been among the most active sections of the Stock Exchange showing rises that were outstanding even in a market that was rising as a whole.

Since the level of freight rates in a free international market depends on the ratio of cargo demand to available tonnage, the general opinion of owners seems to be that for some time at any rate the demand is likely to exceed the supply. On the supply side, the volume of dry-cargo tramp tonnage laid up through lack of employment (always excluding the American "strategic" reserve) is negligible; and tramp owners are less willing than before to scrap their obsolescent ships. Dry-cargo tonnage, therefore, is again in short supply, and since new ships are not coming from the building berths in any great numbers (well over half the tonnage under construction in the world consists of tankers) any marked increase in the volume of international seaborne trade over last year's levels should at least sustain freight rates around their present levels.

Compared with last year, the prospects of increased movements, particularly of bulk cargoes, can be considered good. Grain and coal are the principal supports of the tramp freight market, and movements of these

commodities are expected to increase. The International Wheat Council, for example, estimated that grain shipments this year would probably be about 5 per cent higher than last, even before it was known that bad weather had interfered with winter sowing in Europe. The estimate was based on the poor quality of the last European harvest, the cutting back of North American production, and the running down of the large stocks held by importing countries. So far as coal is concerned, the United Kingdom, Western Europe in general, and Japan, have already committed themselves to importing large quantities of American coal during the whole of this year; and the higher target for British steel output

capacity had to be laid up in the middle of the year. This may in fact have been overdone; for in the last few weeks a seasonal increase in demand has found the market short of spot ships, and voyage rates have suddenly risen 50 per cent above their level a year ago.

Many of the liner companies rely on chartering tramp ships to supplement their own fleets, and the higher rates which they now have to pay was doubtless one of the reasons which has led most of the liner conferences to announce increases in tariff rates, ranging from 7½ to 15 per cent, to come into effect within the next three months. Liner companies, too, suffered seriously from the London dock strike in October, and similar strikes in New York and Australian ports caused losses to the companies operating services in those areas. Despite competition from the air, and growing air traffic, the liner companies look forward to another record year; demand for ocean travel as well as for cruising holidays appears still to be growing. So far as liner cargo is concerned, this year will see the start of all-cargo air services across the Atlantic as well as on other long-distance routes. But if the liners lose any traffic through this cause their owners will still benefit, since the liner companies themselves are largely responsible for this development.

Shipping is an industry in which Britain is well placed to meet fair competition, even from the many new German and Japanese ships coming into service. But all private shipowners, of whatever nationality, are becoming disturbed by discriminatory practices by governments and the growth of unfair competition—such, for example, as the Cargo Preference Act passed in the last session of the United States Congress. The industry is particularly worried that the British Government should have accepted, apparently without protest, an arrangement by which American coal is supplied for sterling, instead of dollars, on condition that 50 per cent of the shipments must be carried in American-flag ships. The recent report of the OEEC Maritime Transport Committee drew special attention to the detrimental consequences of such restrictive agreements:

Effective and cheap shipping services can only be attained if ships, irrespective of flag, can compete freely for cargoes throughout the world. State interference by governments in this sphere as demonstrated by unilateral and bilateral arrangements results in a general dislocation of any effective

SHIPPING SHARES AND YIELDS

	1953		1954		Latest	
	High	Low	High	Low	Price	Yield %
Liners						
Cunard	26/5	20/8	33/6	22/-	36/-	5 6 8
P. & O.	34/5	26/4	61/1	31/-	73/6	2 19 10
Furness Withy....	34/9	28/4	47/9	30/3	54/6	4 8 0
Union Castle.....	35/9	21/-	33/6	24/3	33/-	4 11 0
Tramps						
Reardon Smith 10/-	33/3	23/-	31/9	21/3	35/-	2 17 3
Court Line 5s.	16/3	13/4	20/4	13/-	21/-	9 10 6
Ropner	18/3	14/3	23/9	14/6	24/6	3 13 6
France Fenwick....	32/6	25/3	35/3	26/6	36/-	5 11 0
Tankers						
Lond. & O'seas. Fr.	45/6	32/6	35/-	32/6	42/6	2 7 0
Stanhope	23/7	16/-	25/-	16/3	24/6	6 2 6

* High and Low prices have been adjusted for scrip issues.

this year, together with the growing output of the German steel mills, means an increased demand for ore imports.

The general atmosphere of expanding industrial production obviously favours a growth of demand for shipping, not only for tramps, but also for liners and tankers. Tankers had a poor time in 1954, with voyage rates falling by 55 per cent between March and July. World consumption of oil was not maintaining the rate of growth of former years; at the same time there was an exceptionally high output of new tankers from the world's shipyards. Over 3 million tons of oil-carrying

and efficient system for the world's shipping trade; it gives rise to unnecessary ballast voyages and generally to the uneconomic use of tonnage, which in turn inevitably leads to higher freights.

American ships have already been fixed to carry this coal—which would have been bought anyway—at rates about 20s. higher than paid to ships on the free market.

Whether the dollars saved by this hastily-arranged deal justify such bolstering of uneconomic competition for British shipping seems doubtful. Given the foreign currency that the shipping industry contributes

Delays to Aircraft

THE aircraft industry is again in a hustle, trying to beat the clock. At Bristol, where the dangers of delay are real and pressing, it is proposed to accelerate the development flying of the Britannia airliner into a marathon relay with four aircraft simultaneously building up the flying hours required for a certificate of airworthiness and for experimental flying along commercial routes. In the military field, the government is proposing to insure against future delivery delays in much the same fashion, by ordering new military aircraft in batches rather than singly as in the past. These drastic measures may succeed in getting an aircraft out of its development troubles, but they do nothing to prevent them from arising.

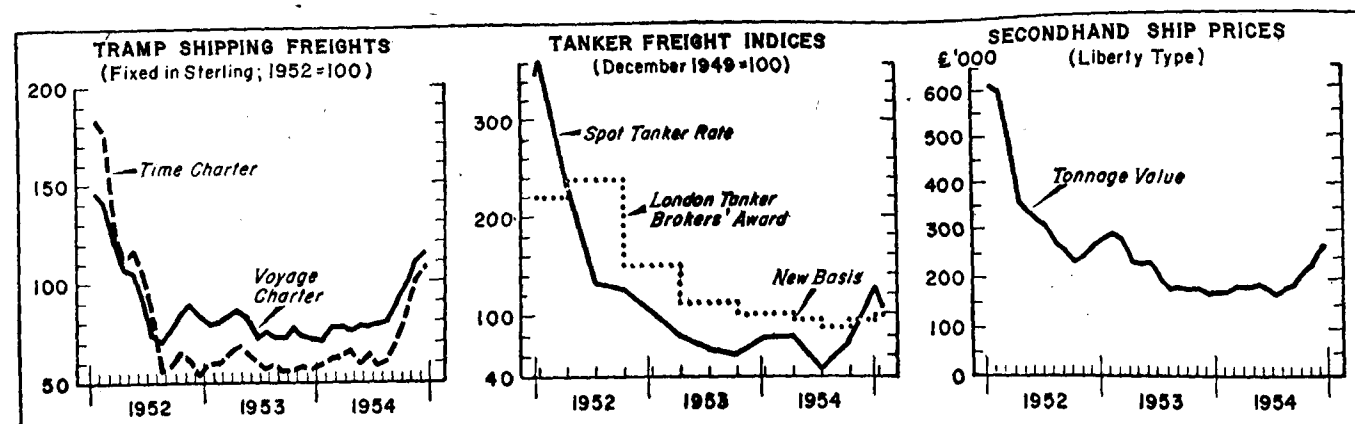
Time and again during the past months, in and outside the House of Commons, the conspicuous absence of modern equipment in the RAF has been attributed to "development" troubles at the factories as if this explanation was in itself sufficient answer to growing public disquiet. Tempers in the aircraft industry have not been improved by the knowledge that at least some of the development delays for which it is now being roundly criticised are not of the industry's own making. Up till now, the explanations for non-delivery of certain service and civil aircraft have been largely one-sided; that is, they have expressed the customers' disappointment that delivery should have been held up because of development troubles. But why should designs that appeared perfectly satisfactory during their early stages become afflicted with such serious growing pains? The public is left to conclude that these troubles are a form of aerodynamic chicken-pox that some projects catch and some do not.

In fairness to an industry with considerable technical achievements to its credit, it should be made plain that while there have been faults for which the designers are directly responsible the cause of much of the delay rests with the customers. Instead of accepting the delay rests with the customers, they have tried to incorporate into the design each improvement in technical performance. The cost of these modifications in time lost, delivery schedules disrupted and taxpayers' money spent is only now becoming apparent. Had the RAF so

towards Britain's balance of payments—and the same applies to such countries as Norway, Denmark, the Netherlands, Germany, France and Italy in varying degrees—shipowners do not expect governments to cut the ground from under their feet. The Norwegian government, it should be recorded, refused to buy American coal on such terms. British shipowners can only hope that their own Government will not repeat its indiscretion by agreeing to any further extension of a practice that it has already officially deplored in the case of the Onassis-Saudi Arabia oil transport proposals.

chosen, they could have had the original versions of Swift and Hunter in service several years ago—certainly with less powerful engines, less lethal armament and less refined electronic equipment than the improved but much delayed marks of these two fighters that are so slowly coming along today. Improvements and engine changes in the Britannia have had roughly similar results but here the manufacturers bear some responsibility for the changes.

The new approach—the shock tactics of prototypes in batches as in the case of the 20 new P1 English Electric fighter—again seems based on the tacit assumption that development troubles are an inevitable part of aircraft evolution; and that the best means of reducing delay is to provide enough aircraft to deal with them all simultaneously. This is not an argument that the designers themselves accept. A view that is widely held in the industry was put forward with much force last week-end by Mr W. Petter, one of the industry's younger and more controversial designers. Mr Petter has had the satisfaction of knowing that his Canberra bomber is the only British airframe design that has been bought by the American air force—and the frustration of having his Gnat fighter consistently rejected by the Air Ministry on the ground that it does not fit in with present policy. Mr Petter blamed the delays in delivery first on the services which asked the industry to make too big a leap ahead in design, and secondly, on the industry for promising to meet these over-ambitious requirements. This was the mentality that, largely for economy reasons, decided against building a fighter mid-way in performance between the Meteor and the Hunter—a Sabre-class machine. In doing so, the industry was deprived of essential experience that would have made the Hunter easier to develop. The grave danger, as Mr Petter emphasised, is that when a designer is asked to aim too high, as British designers appear to have been asked, the project is in danger of having become obsolete by the time all its difficulties have been overcome. Another serious drawback, not mentioned by Mr Petter, is that having once sunk money in a project, the ministries rarely cut their losses when it runs into trouble. Most



manufacturers feel that they would gain from the stimulus of knowing that failure to fulfil performance promises would be followed by withdrawal of support.

At the beginning of the re-armament programme in 1950-51, when most of these machines were ordered, the ministries greatly under-estimated the difficulties of airframe construction and also of the ancillary equipment of the aircraft. There was an assumption that electronic equipment and armament could be developed rapidly, and need therefore not be ordered until aircraft production was well under way. But a modern aircraft is not like a house into which the furnishings are fitted after it is built. It is a "weapons system" in which engines, armament, electronics and airframe are interlocked in something much more analagous to a chemical bond. It is hardly surprising that when their engine power was doubled and new cannon of unprecedented weight and fire power were introduced, neither the Swift nor the Hunter gave the performance expected of them and that shortcomings in their designs became aggravated into major deficiencies calling for substantial modification. The industry's younger designers are aware of the necessity of working from the outset with all their equipment contractors, but it is not certain that the services and their scientific advisers yet appreciate the need to consider the fully-equipped aircraft as an entity and not as a Christmas tree ready for decoration; or indeed that they have accepted the wisdom of moving by smaller steps.

These are matters of prime concern to the Ministry of Supply, the go-between for the Services and the industry. Its funds are limited and the number of calls upon them apparently unending. Air research and development, whether civil or military, is exceptionally risky, for there is no market for the second-best, however good. Some government support seems inevitable

for civil as well as for military aircraft. Here is the difficulty. The Ministry of Supply may not be able to finance more than one project for any one type of aircraft or engine. The dangers under the present system are only too plain—more promising designs may fail to get support because the Ministry has already committed the funds earmarked for that purpose to an earlier comer. When a company persists and develops the design out of its own resources, it is competing directly with a Ministry-sponsored project and considerable friction can arise. If it drops the design, the services and the country are the losers. And in the civil field, the Ministry today runs the risk of pouring money into a project in which the air corporations may have lost interest by the time it is ready for service.

Such situations might be avoided if the Ministry of Supply were to revise its policy and insist that manufacturers carry out for themselves and at their own risk all preliminary work on a new project up to a point where they have some practical evidence to back the claims they make for it. It is an extraordinary thing that although estimates of costs and performance are bandied about with the utmost confidence long before aircraft are built, their development encounters such difficulty and delay. The cost of designing and building an engine to a stage at which it is ready for bench trials is relatively low; the millions are spent after trials start. The same is true of the aircraft. Such preliminary work is not so expensive that it cannot be borne by the manufacturers—several have in fact done so. But the subsequent development costs are so heavy that few companies would be prepared to carry them and it is at this point that Ministry finance becomes essential. If projects were carried to this stage before the Ministry came to a decision, the competing merits of different projects would be a great deal easier to judge than when they are still a gleam in the eye.

Britain's Capital Formation

EVER since they first appeared the national income figures have failed to answer a crucial question: Is Britain adding to its capital equipment? Each year has seen a big investment in fixed capital assets, but these figures have represented the gross capital expenditure of the year. They have made no allowance for the amount of capital equipment that has at the same time been used up or become obsolete. Until that provision has been made, there can be no measure of the true growth of fixed capital. Mr Philip Redfern has made an important attempt to fill this statistical gap in a paper read to the Royal Statistical Society this week. His analysis and conclusions deserve the most careful study, for the light they throw on the process of capital formation in the British economy and in particular sectors of British industry.

Mr Redfern's conclusions are broadly reassuring;

he finds that there has been a substantial real addition to net fixed assets each year since the war. Suspensions in particular years since the war that no net investment had been achieved find no support in his paper. As the tables show, particular industries have at times burnt up capital faster than they accumulated it, but for the country as a whole net investment has been growing in real terms—that is, after wringing out the effects of rising prices from the figures. By 1953, real capital was growing about as fast as it did before the war. This is not a matter for complacency; but nor is it a disgrace.

How does Mr Redfern reach his conclusions? First, he makes estimates of gross formation of capital assets, class by class, using the official figures for the last few years and adding his own calculations further back. He then constructs price indices for each class of capital

goods and applies them to the gross investment figures, thus turning the gross capital formation at market prices into constant prices based on 1948. Finally Mr Redfern applies to his figures for gross investment at constant prices the wear and tear allowances granted on the different items by the Inland Revenue for tax purposes. He thus obtains a series of figures for the written down value of investment after deducting the appropriate depreciation and at constant prices. The result is the first measure of the real stuff of the country's capital equipment and its changes over a period of years.

Two main obstructions have prevented such calculations before. One is price inflation. As industry knows well, statutory depreciation, based on the original cost of a piece of equipment, does not provide sufficient funds to replace it if prices have been rising throughout its working life. This is the nub of the argument about historical costs and replacement costs. Mr Redfern's method reckons in real—that is, replacement—terms. The second obstacle that he has vaulted is the habit of Chancellors to make arbitrary financial allowances against plant and machinery that do not correspond with the degree of wearing out or obsolescence that takes place in a given year. For example, Chancellor Cripps introduced initial allowances; Chancellor Gaitskell withdrew them; Chancellor Butler restored them and subsequently introduced his investment allowance on a different basis.

Mr. Redfern's results may still be out by appreciable margins, for national income statisticians are still feeling their way and he has had to probe into a period before they even began feeling. Any measures of gross investment totals and price indices except in the last few years must be sketchy. Nor is it possible to make allowance for the fact that the industrialist does not normally replace like with like. Index numbers based largely on the declared values of a given weight of machinery may conceal substantial increases in its productive capacity. The assumed lives of the items of equipment include some allowance for the fact that they often become obsolescent before they wear out physically, but no allowance is made for losses from other causes, except destruction in the war. The figures must include some assets that have disappeared before reaching the ends of their assumed lives, just as they must exclude others that have passed the end of their imputed lives and are still going strong. The total error one way or the other on that account is probably small.

The author adopts the definition of capital used in the national income statistics. All houses are regarded as capital and broadly all that goes into them as consumption goods. The marginal item is the motor car which the statisticians try

to treat as capital when it is owned by a firm and as personal consumption when it is owned by an individual. Mr Redfern has no definition of depreciation ready to hand nor does he attempt one, but the idea runs through the paper that depreciation (which includes a measure of obsolescence) is the amount of investment, whatever the level of prices, that is needed to maintain the country's productive capacity. Any capital creation above that level is net investment. Net investment may imply either of two things—an increase in the actual number of productive assets, or a younger average age among them. In shipping there has been no actual increase in the size of the British mercantile fleets, but there has been net investment because in the process of vigorous replacement the fleets have been rejuvenated. In railways there has been net disinvestment; the quantity of rolling stock has not fallen, but it has been allowed to age. Investment can also occur through excess maintenance of existing plant and disinvestment through insufficient maintenance: it is impossible to make formal provision for either.

One other limitation of the analysis remains. Time and complexity have compelled the omission of certain assets, believed to amount to about 6 per cent of the total. These omissions include the depletion of mineral resources such as coal, coal industry buildings and workings and some of the central government's non-trading activities such as hospitals. The figures in the tables are therefore not completely coterminous with those in the national income blue book. Mr

THE NATION'S NET INVESTMENT
IN £m AT CONSTANT 1948 PRICES

	Agriculture	Coal, Gas, Electricity and Water	Transport and Communication	Manufacturing and Distribution, etc.	Housing	Public and Social Services	Total	Total Current Prices
Gross								
1938....	12	138	242	474	474	91	1,431	699
1948....	58	156	182	479	342	43	1,260	1,260
1949....	50	190	200	532	327	62	1,361	1,397
1950....	47	198	201	593	315	71	1,425	1,626
1951....	46	196	179	595	318	79	1,413	1,700
1952....	40	197	173	555	388	86	1,439	1,898
1953....	37	220	199	570	500	94	1,620	2,161
Less: Depreciation								
1938....	9	100	192	283	141	30	755	322
1948....	32	98	175	293	169	34	801	801
1949....	34	102	181	307	172	35	831	853
1950....	36	105	184	326	175	36	862	923
1951....	38	110	186	346	178	36	894	1,076
1952....	40	114	189	362	181	37	923	1,219
1953....	42	119	191	379	184	38	953	1,282
Net								
1938....	3	38	50	191	333	61	676	277
1948....	26	58	7	186	173	9	459	459
1949....	16	88	19	225	155	27	530	644
1950....	11	93	17	267	140	35	563	603
1951....	8	86	—7	249	140	43	519	624
1952....	...	83	—16	193	207	49	516	679
1953....	—5	101	8	191	316	56	667	879
Net Investment at Current prices								
1938....	1	17	21	85	127	26	...	277
1953....	—7	138	15	260	398	76	...	879

The figures included foreign owned investment in Britain but exclude British Investment overseas.

Redfern makes only a modest claim: "The estimates do indicate broad orders of magnitude and so represent a step forward."

Business men will naturally look for guidance on the question whether depreciation allowances are adequate. Mr Redfern has taken five industrial groups and tabulates depreciation based on original cost against depreciation at replacement cost and he finds that for a considerable range of plant and machinery "depreciation at replacement cost in the years 1948 to 1952 was nearly twice the depreciation at original cost." The industrialist should not be misled. The figures do not show the difference between the Inland Revenue allowances and what the author thinks the allowance ought to be. He has used throughout his paper the "straight line" method of writing off an equal amount each year. Had he used the "reducing balance" calculation in which the depreciation allowance falls as the age of the article increases, the difference "might have been much less marked." Nor has allowance been made for initial allowances and the calculations stop short of the introduction of the investment allowance. For that reason the Inland Revenue basis today is less mean than the bald figures suggest.

Mr Redfern's general conclusion is reassuring. Because of rising prices, a larger proportion of the country's gross fixed investment has been absorbed in covering depreciation than before the war. Roughly two-thirds of the gross figure is now needed to cover depreciation compared with about a half in 1938. Of the gross national product, between 9 and 10 per cent is absorbed in depreciation compared with 7 per cent in 1938. But the war losses that reduced Britain's fixed capital by about £1,000 million (5 per cent) below the 1938 level (at constant prices) had been fully made good by 1950 and by the end of 1953 the net national fixed capital, allowing for the small items that Mr Redfern had to exclude, was about 10 per cent above the 1938 figure. It stood at £26,000 million at 1948 prices, or £34,000 million at current prices.

This total result masks wide divergences between the different classes. Net investment in housing has been impressive—too impressive. In manufacturing

and distributing industry as a whole net investment has also been encouraging though in such an omnibus group some industries will have done particularly well—oil refining is obviously one of them—while investment in certain others may have been low or even negative. The transport and communication group too shows a low—and on occasion negative—investment. That too contains wide divergences, including a net investment in shipping, mere replacement in road passenger transport, and on the railways, ports and roads net disinvestment.

DEPRECIATION ON REPLACEMENT & HISTORICAL COST
"STRAIGHT LINE" BASIS
(£ million)

	1948	1949	1950	1951	1952
Gas:—					
Original cost	7	8	(11)	(12)	(14)
Replacement cost...	14	15	17	21	23
Electricity:—					
Original cost	29	(33)	(36)	(40)	(44)
Replacement cost...	58	63	69	80	93
Rly. rolling stock:—					
Original cost	(12)	(13)	(13)	(14)	(15)
Replacement cost...	22	23	26	28	31
Postal and telephone:—					
Original cost	(18)	(20)	(22)	(22)	(23)
Replacement cost...	30	31	33	37	44
Plant and machinery in manufacture and distribution:—					
Original cost	85	95	108	124	142
Replacement cost...	161	176	193	224	265

Note:—Figures in brackets are actual provisions; others are Mr. Redfern's calculations. The calculations are not on Inland Revenue basis and exclude the effect of initial allowances.

There is plenty of room for discussion about these figures. But in general Mr Redfern's conclusions will be welcome, for they show that the nation's fixed wealth is growing and growing faster. He is to be congratulated on providing the first practical calculus of British investment performance, and for demonstrating that if it is not so good as it ought to be it is not so bad as many have feared. It would be a happy sequel if these net investment figures could find their regular place in the national income statistics.

THE NATION'S CAPITAL AT 1948 PRICES
(£ million)

	Buses, etc.	Road Goods Vehicles	Passenger Cars	Ships	Railway Rolling Stock	Aircraft	Plant and Machinery	Housing	Other Buildings and Works	Total*
Net fixed capital:—										
1938	88	222	111	611	369	1	3,759	9,341	7,789	22,291
1947	55	201	66	638	325	12	3,737	9,069	7,070	21,773
1948	75	231	86	650	330	17	3,927	9,242	7,074	21,632
1949	98	260	117	658	335	25	4,142	9,397	7,130	22,162
1950	115	279	141	671	339	29	4,390	9,537	7,224	22,725
1951	118	287	161	679	342	32	4,651	9,677	7,297	23,244
1952	115	288	173	685	338	36	4,868	9,884	7,373	23,780
1953	109	296	188	702	341	40	5,082	10,200	7,469	24,427
Percentage distribution of net fixed capital at end of:—										
1938	0.4	1.0	0.5	2.7	1.7	0.0	16.9	41.9	34.9	100.0
1947	0.3	1.0	0.3	3.0	1.5	0.0	17.7	42.8	33.4	100.0
1953	0.4	1.2	0.8	2.9	1.4	0.2	20.8	41.7	30.6	100.0

* Excluding certain items representing about 6 per cent of the total and therefore not comparable with the national income figures.

Business Notes

How Near is Inflation?

ON the economic question now uppermost in stock markets—the extent of the inflationary threat, and whether the monetary authorities will or should take strong corrective action—the investor will not find any forthright or single answer in the annual statements that have so far come from the bank chairmen. But he will find that the warnings clearly outweigh the reassurances. Mr D. J. Roberts, of the National Provincial Bank, who devotes particular attention to this question, seems to be more worried about the broad trend than the immediate prospect. Like his fellow bankers, he is impressed by the great progress that has been made in these past three years, yet through it all the fall in the purchasing power of the pound has "not been arrested; only slowed up." He flatly rejects the "comfortable doctrine" that a mild dose of inflation each year is a small price to pay for full employment and freer trading, and is supportable so long as production increases. Among the dangers he foresees are the loss of exports if other countries are not inflating similarly, and a "yearly battle" for wage increases always "fought and lost on the issue of trying to restore the standards of the workers, instead of that of raising productivity."

Despite an anxiety lest the "great increase" in hire-purchase goes so far as to "stimulate a feverish demand which cannot be sustained," Mr Roberts sees no reason for "immediate alarm." This is also the view of Mr A. W. Tuke, of Barclays, who finds dangerous symptoms only in the labour market and "possibly" in the stock exchange, and who remarks that even the pressure for labour is not general. But he, too, is sure that the danger is not far below the surface, and gives warning that the hopes of a "good" budget may prove to have been a mirage. The verdict of Sir Thomas Barlow, of the District Bank, is at first glance more disturbing. He discerns "ominous signs of overstrain"—in the labour market as well as in the lengthening of delivery dates and in wage pressures. Like his fellow chairmen in the North—Mr A. H. Bibby, of his fellow chairmen in the North—Mr A. H. Bibby, of Williams Deacon's—Martins, and Sir Eric Carpenter, of Williams Deacon's—he is worried about the future competitive power of British exports, and especially about the encroachments of Japan into the textile markets.

But even Sir Thomas seems to think that rising production may keep the immediate danger at bay, and he looks to the budget for a further stimulus. To give concessions that would "unduly" quicken consumers' expenditure would be a "gross misapplication of a powerful incentive"; but, granted that personal savings have been rising, and monetary brakes are available, "need we be too timorous?" On this theme, Mr Bibby makes no such reservations: "all the omens are favourable for the Chancellor, in the next

Budget, to restore the incentives. . . ." This, surely, is an excess of enthusiasm. The only other bank chairmen who so far have offered budget advice are much more restrained. Mr Roberts and Sir Eric Carpenter focus upon the starting point for surtax and the limit of earned income allowance, and Mr Roberts further points out that it would cost very little in terms of revenue, and would bring benefits to the economy in terms of incentive, to ensure that no part of any income was taxed at a rate above 15s. in the £.

Mutiny for the Bounty

THE recently formed stockholders' association of Peninsular and Oriental Steam Navigation has come under criticism by the chairman of the company, Sir William Currie. He names Mr Walter Salomon, the merchant banker, as the only substantial shareholder connected with the association, discloses his holding as about 50,000 deferred shares and declares that Sir Harold Gillet, the distinguished accountant, who heads the association, has no shares in his own name and represents the interests of Mr Salomon. Was it quite impossible to contrive more constructive interchanges between the association and the company? The association has not really shown itself to be a group with get-rich-quick ideas. On the contrary it has claimed that if the shipping assets were separated from the others and shown at the true worth of the capital employed, the rearrangement would show the low profitability of the company's shipping and the unwisdom of investing much more in ships without Government support.

Sir William Currie proclaims that the ideas of the association are not in shareholders' best interests, and his case seems a good one that stockholders should seriously ponder. The group has commissioned an investigation into its structure and organisation by Lazard Brothers and Deloitte, Plender, Griffiths and Co. Their investigation cannot affect the balance sheet as at September 30th last year. But there should be something for the chairman to reveal at the meeting next May. The investigation does not spring from the activities of the association, though it might bring some of the fruits that they aim at. Already this year there has been a free 100 per cent scrip issue and the big liner companies do gradually, if reluctantly, loosen the purse-strings—hence the frequent appearance of ginger groups among the shareholders of the big liner companies. Already it is clear that a pressure group is being formed among the Furness Withy shareholders, too. Perhaps the best counsel for the P and O stockholder is to wait and see what the meeting in May brings. His capital values are not suffering from the delay. P and O deferred rose from 66s. to 73s. 6d. this week.

Woolworth's Dividend

THE appetites of Woolworth's shareholders have been so stimulated since the war that last year's impressive increases in profit and in dividend are judged disappointing. For almost any company except Woolworth the 1954 results would have been greeted with jubilation. Profits before tax increased by 10 per cent, from £18.9 million to £20.8 million. Net profits, thanks to the demise of EPL (which in 1953 absorbed nearly £2.2 million), jumped from £6.8 million to £9.5 million. And, allowing for the 50 per cent free scrip issue, the ordinary dividend has gone up from 40 to 50 per cent. Why, then, the Jeremiads and the fall in the ordinary stock?

EARNINGS AND DIVIDENDS (£'000)

	Years to December 31,		
	1952	1953	1954
Profit, before tax.....	16,300	18,977	20,813
Taxation.....	10,530	12,190	10,968
Net profit.....	5,770	6,787	9,509
Retained profits.....	940	1,766	3,118
Ordinary dividends.....	4,331	4,950	6,187
Ordinary dividends (per cent)*.....	36½	40	50

* Equivalent rates on capital of £22½ million, after 50 per cent free scrip issue.

Part of the answer is that some investors, their hopes inspired by the scrip issue and the death of EPL, had set their sights on a final dividend rate of 40 per cent or even more. A further reason is that profits rose by 10 per cent, compared with 16 per cent in 1953, although last year purse strings were looser than ever. But in 1953 Woolworth's sales and earnings were given a sudden jolt forward by the end of sweet rationing and in 1954 it was the sale of more expensive durable consumer goods that showed the biggest jump. Despite the market's reservations about these latest results, they cannot upset the view that a policy of cash trading, quick turnover, and strict control on stocks and manufacture is still paying handsomely. The price of 5s. units, which offer a yield of £3 14s. per cent at 67s. 9d. xd., still marks them as a growth stock of the first quality.

Fight for Assam

THE Assam Company, the oldest British-owned tea company in India, with a capital of £1 million well spread among 2,800 shareholders, has devised a new technique for dealing with a possible take-over bid. It is to arrange that control is placed almost, but not quite, out of the bidder's reach—to make sure that if there is a bid it shall be both comprehensive and high. This is the plan: First, shareholders are to be given a 50 per cent free scrip issue, for which the consent of the Capital Issues Committee has been obtained. Then they are told what the dividend is to be and the break-up value of their shares.

THE ECONOMIST, JANUARY 22, 1955

The final dividend, including bonus, is to be not less than 12 per cent tax free on the enlarged capital, making a total distribution equal to 36 per cent gross on the present capital compared with 12 per cent gross last year. The estates today are stated to be worth £3 million and the break-up value of the ordinary stock to be in the region of 80s. per £1 unit; even though the ordinary units, recently at around 28s., have rushed upwards under the stimulus of Indian buying to 47s. 6d., that estimate still makes them look cheap.

Finally comes the controversial part of the plan. The directors will issue at par 750,000 (£37,500) nominal of ordinary 1s. shares with one vote per share (like the £1 units) to the trustees of the pension fund, who are nominees of the board. The 1s. shares rank for dividend *pari passu* with the £1 units and are dirt cheap at par, but the pension fund in fact makes no gain. It is a non-contributory fund and directly or indirectly the company has to provide its income. What will happen is that the trustees of the fund will permanently wield one third of the total votes. They are appointed by the board, but they do not automatically go out of office if the board changes. Therefore it is arranged that if there is a takeover bid accepted by holders of 75 per cent of the £1 ordinary stock, by which the bidder would obtain 50 per cent of the votes, the trustees must, if he wishes, sell him their holding. If the Indian buyer gets 51 per cent of the capital through the market, he will not control the company; but if he gets 75 per cent by a general offer to all shareholders, he will. Presumably he will stop buying through the market and he may or may not make a general bid.

An Issue of Principle

THOUGHTS jump back to the Savoy Hotel affair of a little more than a year ago. There the directors sought to transfer the most important physical assets out of the bidder's reach. In the Assam Company the technique is rather different. The directors create a vested interest in votes of which they do not themselves hold a great number. They do not make it impossible for the bidder to bid, nor deny him the fruits of victory if he succeeds, but they make the stakes as high as they can. Moreover, in the Assam Company the whole plan is submitted to the shareholders for their decision. Yet the timing has been carefully arranged not to give the Indian buyer extra opportunities. Transfer lists close at once until after the meeting and the buyer who may have built up a 40 per cent actual holding in the company will be prevented from obtaining transfer on the shares he has just been buying and will therefore have less than that proportion at the meeting on February 7th.

Those facts may blunt the sharpest edge of criticism that the board will incur; they cannot silence it. The whole device of issuing shares with special voting rights to the pension fund is a subterfuge and one that is directed against one particular shareholder. The directors in effect admit it:

The directors make this unusual recommendation for the sole reason that they are apprehensive lest a stockholder, through purchases of stock on the stock exchanges, might acquire effective control of the company's assets at less than

THE ECONOMIST, JANUARY 22, 1955

Are you high, wide and hamstrung...

... by a desk that comes in where you go out, that allows little scope for uncoiling a decent length of leg, that cannot appreciate that you're a six-foot-three executive with stretching ways? Is your office desk or chair in fact not quite 'you' in size, shape or personality? Then do have a word with Peter Catesby and his staff. They delight in supplying furniture to exact specifications to any part of the world. They are ready now to make your office hours as leisureable as you wish them to be.



Catesbys

CONTRACTS & EXPORT LIMITED

LONDON • W.1 • MUSEUM 7777



Under construction by Taylor Woodrow:
a new culvert, part of a vast and important
British industrial development which will
have far-reaching results.

'When we build,
let us think
that we build
for ever'

John Ruskin



TAYLOR WOODROW

Building and Civil Engineering Contractors
10 Park Street London W1
Grosvenor 8871



Oft touched by human hand

IN DAYS GONE BY, when disease could sweep unchecked through the land, foodstuffs were passed from hand to hand, exposed both to the elements and to passing dogs and flies. Now those 'good old days' are gone. Thanks to modern packaging and the use of brand names, our food is protected to a degree unknown to our ancestors.

Vital indeed is the part that packaging has

to play in the nation's economy. That is why the demand for "Thames Board" and "Fiberite" Cases is increasing. That is why Thames Board Mills are thinking ahead, planning new ways of increasing production. Already they produce over half the cardboard made in Britain. The new £9,000,000 extensions at Warrington, part of which is already in operation, confirm Thames Board Mills' leadership in this vital industry.



THAMES BOARD MILLS LIMITED

THE LARGEST MANUFACTURERS OF BOARD & PACKING CASES IN BRITAIN

Purfleet, Essex and Warrington, Lancs

PACKAGING EXHIBITION

Visit us at

STAND No. 12 (inner row)

FIRST FLOOR

NATIONAL HALL

OLYMPIA

JANUARY 18-28

"THAMES BOARD" for cartons, boxes, bookbinding, etc. • "FIBERITE" Packing Cases in solid and corrugated fibreboard.

their proper worth, to the detriment of other stockholders who have accepted a policy of conservative restraint in the past.

No argument supported by such special devices can fail to attract criticism. Assam is not the only tea company whose shares stand below their break-up value. Indeed thanks to the Indian bidder its shares are at the moment among the dearer tea shares in the market. Nor are tea shares alone in standing below break-up values.

There are naturally other reasons that make the board of the Assam Company dislike the present Indian buying of the shares: a long family association with the company, the fear that a minority of British investors may eventually suffer Indian transfer restrictions if the domicile is moved, and the established trade connection between the company and the London tea auctions that may be broken if an Indian-owned agency is appointed. But these facts are the occupational risks of the investor in tea shares. If he dislikes them he can sell now at the highest prices in a generation.

Costlier Motoring

LAST week's increase in petroleum prices has aroused some criticism and stirred one local authority to talk of carrying its protest to the Monopolies Commission. The rise—a halfpenny a gallon on both premium and second grades of motor spirit and a penny a gallon on diesel fuel for road vehicles—is partly due to the rise in tanker freights. The "Average Freight Rates Assessment" made on January 1st by the London Tanker Brokers' Panel was "Scale No. 2 plus 12.8 per cent," which implies a rise of about 1s. 7d. a ton (of oil carried) since October. The major element of the increase, however, was the rise in world prices of oil products. This reflects the dependence of British prices upon those in the American market, where the Gulf price still sets the pattern. It is not easy to formulate an alternative to this system of pricing, inadequate as it may seem in some market aspects. The growing divergence in the pattern of growth in oil demand between the United States and European countries will no doubt continue to put the price linkage under strain.

Talks with Brazil

THE departure from strict orthodoxy in payments arrangements reflected in the new commercial agreement with Turkey may also be applied in the review of Britain's payments arrangements with Brazil. A Bank of England representative is already on his way to Rio for exploratory talks. There is no question in these discussions of tampering with the agreement reached in July, 1953, for the settlement of the commercial arrears owing by Brazil to United Kingdom exporters. When the problem of funding these arrears was first considered they amounted to as much as £61 million. By the time the agreement had been negotiated the total had come down to £54 million. Since then the total has been reduced to

about £35 million—largely by the £10 million of sterling bought by Brazil from the International Monetary Fund. Repayment of the commercial debts is taking place according to schedule. One of the results of the repayments, however, is that the amount of sterling available to Brazil for current trade has dwindled so much as almost to stop Anglo-Brazilian trade except in the most essential items.

By contrast, Germany, which was relatively as deeply involved as Britain in frozen credits in Brazil, has been able to secure a much more rapid repayment of arrears and at the same time maintain and even increase the volume of its trade with Brazil. The German achievement has been secured mainly by the device of creating a free market for cruzeiros in Germany, the cruzeiros being put up for auction and dealt in at rates appreciably below the official parity. This was effective devaluation of the cruzeiro in terms of Deutsche marks; it has enabled Germany to take a substantial volume of Brazilian exports. This in turn has allowed Brazil to continue to buy German produce and at the same time to accelerate the repayment of commercial debts to Germany. The repayments have been made at the free market rates and German creditors have taken an appreciable loss. But they have willingly borne it as the price for getting far more rapid repayment of their claims than would otherwise have been possible. Whether some such device can be applied in the realm of Anglo-Brazilian trade will be one of the problems to be discussed in the Rio talks.

Turkey and Bilateralism

ASIGNIFICANT shift in British commercial policy may be detected in the text of the commercial and payments agreement with Turkey signed last Monday. The outstanding feature of this agreement is its toleration and even encouragement of bilateral and barter deals between traders in the two countries. The facts from which the negotiations began were the existence of about £12 million of commercial debts owing by Turkey to Britain and the gradual withering of Anglo-Turkish trade due firstly to the gross over-valuation of the Turkish currency and the consequent high cost of Turkish produce, and secondly to the unwillingness of British exporters to extend their considerable debts in Turkey. Under the new arrangement Turkey has agreed to pay off its commercial debt by minimum annual instalments of £1,500,000 for the first two years and of £2,500,000 in each of the three succeeding years. To make those payments, Turkey is to earmark 20 per cent of its earnings from the sale of traditional Turkish produce, including raisins, dried figs and nuts.

The agreement becomes unorthodox in its provision for supplemental payments through bilateral deals. Creditors of Turkey who are prepared to find a market for such Turkish produce as wheat, cotton, copper in the United Kingdom will be able to get priority in the queue for payment. The proceeds of such special or abnormal exports from Turkey to the United Kingdom will be devoted as to 50 per cent to the repayment of old debts, while the remainder will accrue to the Turkish authorities as current sterling to be used at their discretion but obviously available

for the financing of additional imports of sterling products. Under these arrangements official encouragement is thus being given to importers and exporters to collaborate in order to develop trade with Turkey. There may be many occasions when Turkey will be prepared to pay for British urgently needed manufactures if the operation can be linked with a sale of Turkish produce to the United Kingdom on an overpriced basis.

This is far from the pure milk of multilateralism or of IMF orthodoxy in the matter of banning multiple exchange date practices, however veiled. It also offends against the basic principle that creditors should be paid with some respect to the age of their claims; these new devices will enable the more astute to jump the queue. On the other hand, there is a hard streak of realism and flexibility in the new arrangements, for they acknowledge that the world is not a heaven of convertible currencies and multilateral trade.

Independent Air Enterprise

THE independent airlines are showing enterprise in their choice of projects for expansion and a shrewd approach to the problems of making them pay. Silver City car ferry is to begin operations this year from Birmingham to Le Touquet, supplementing its existing services to the continent from the South Coast, and is also introducing an ingenious extension of the cheap mid-week fares. This company carries predominantly holiday traffic during the summer, which left to itself would go mostly at week-ends. A 10 per cent fare concession during mid-week has encouraged the spread of traffic relatively evenly over the seven days. A similar inducement is now being extended to week-end passengers who travel one leg of their journey in an "off-peak direction"; a cheap flight home will be offered in the early summer when most travellers are flying out, and a cheap flight out in the autumn when most traffic is homeward bound.

Other independent operators have found that there is room to build up passenger services within the limitations that prevent them from competing directly for passengers with the two nationalised airlines. The smaller companies have built up the internal air links between cities in the British Isles; an example of operation on a more ambitious scale is the Northern-based network of Hunting that extends over most of Europe, and the coach-type services operated jointly by Hunting and Airwork to East, West and Central Africa. The frequency of these safari services has been stepped up.

In these passenger developments, the independent operators are restricted by exclusive passenger rights granted to the British corporations, by the internationally observed passenger tariff laid down by the International Air Transport Association, and also by bi-lateral traffic agreements. The difficulties in air freighting, are not so great and in this field they have major projects. Airwork's freight service to North America, due to start this spring, is a full-scale venture that may extend to a network linking Europe and America. Aquila Airways, now associated with Silver City, has applied for a licence to fly freight to Australia as the basis of a Far East freight network, and Hunting has applied for a similar

licence in Africa. These applications are now being debated before the Air Transport Advisory Committee and it may be some months before their outcome is known.

Materials for Packaging

THE packaging industry is staging its fourth International Exhibition at Olympia this week at a time when all its scattered sections are enjoying record business. Output of packaging materials has risen sharply, some delays in delivery appear to be increasing, and large sums of money are being spent to expand capacity. The wide range of materials used, all of which have other uses, and the growing number of different industries that now put their products into packages mean that packaging is more in the nature of an industrial process rather than a recognisable and well-defined industry by itself. As a result figures are hard to come by, particularly for the newer sections; but the Metal Box Company, which is concerned with nearly every type of packaging material, reports that turnover in the first half of its current financial year was 23 per cent up on April to September, 1953.

The can, the bottle, and the carton are still the backbone of the industry. Latest estimates of tinsplate, paper, and glass used for packaging are given in the table:

	1950	1953	1954	Increase 1953/54 %
Paper and Carton—				
Boards for packaging (tons)	600,800	617,400	699,400†	19†
Paper for packing and wrapping (tons)	509,000	541,800	639,600†	27†
Tinplate (tons)	370,000	410,000	485,000	18
Glass Containers (gross) . .	22m.	23m.‡	24m.*	9*

* Annual rate Jan.-Sept.

† Annual rate Jan.-June.

‡ Equivalent to about 850,000 tons.

Sources: Board of Trade, except for tinplate which is a private estimate.

Other packages and containers, made from plastic materials and aluminium, are bringing into the packaging field items that were not packed or pre-packaged before. The output of plastic materials for all uses is believed to have reached 200,000 tons in 1954, including 40,000 tons of PVC (polyvinylchloride), 20,000 tons of polystyrene, and 20,000 tons of polythene. This year production of these three thermoplastics is expected to exceed 130,000 tons, including 35,000 tons of polythene. Twice as much transparent and cellulose film is available now as two years or so ago. But the extent of the growth of metal foil and collapsible tube sales is not known; and even jute figures are sparse and very late. Only supplies of paper and imported jute remain under official control; but import quotas have been progressively eased. Jute firms can now obtain as much as they want, whilst paper and carton manufacturers are now receiving supplies that are not very far below the amounts they believe they could use. The severe shortage of materials that manufacturers and designers suffered when they held their second exhibi-



Compressed air— made to measure...

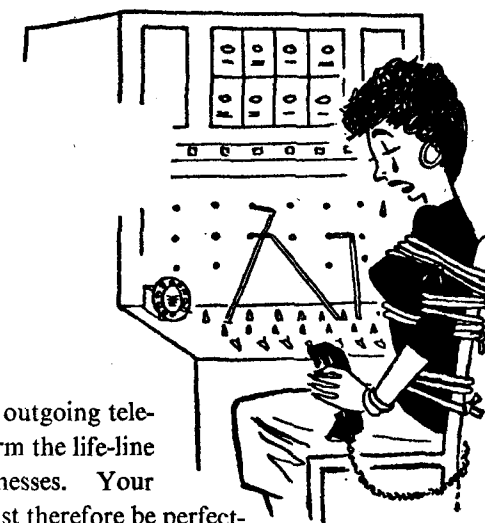
—and right from the start! Now is the chance for second thoughts on pneumatics—made possible by the new Hymatic Hydrovane compressor. This rotary compressor, light, compact, quiet and smooth running can be directly driven over a wide speed range and thus completely integrated with your power unit. Simplicity of design, few moving parts and perfect lubrication make for long, trouble-free service.

From the first thought to the final product we are ready and waiting to match compressed air to your needs. A word from you will bring our project engineering service to your plant to apply their unique experience in pneumatic control valves and mechanisms just where it's wanted. Your problem may be on a marine engine, a motor coach or a machine tool—it's all the same to us, we like problems.

*Oil sealed rotary compressor under Hydrovane Patents

THE HYMATIC ENGINEERING CO. LTD. DEPT. S.P. 104,
REDDITCH, WORCS. COMPRESSED AIR ENGINEERS

Don't tie her down



Incoming and outgoing telephone calls form the life-line of most businesses. Your telephonist must therefore be perfectly free to deal with them. This can be achieved by installing an efficient and inexpensive system of internal communication—the I.T. system. I.T. can be obtained at rentals from 1/3 weekly per point. Enquire now for competitive rent-maintenance, or outright sale terms.

INTEROFFICE TELEPHONES LTD.

Internal Telephones
—Factory
Broadcast Systems



18-20 York Buildings, Adelphi,
London W.C.2
Phone: TRA/algat 3824 (P.B.X.)
64 Washway Road, Sale,
Manchester
Phone: Sale 2205-6



Happiness!

With affection, care and security,
living in homely surroundings—our
children's future is assured.

This Voluntary Society has nearly 5,000 children
now in its care, depending on
YOUR HELP

LEGACIES can help us to continue our work in
the years to come. DONATIONS can help us NOW

CHURCH OF ENGLAND

CHILDREN'S SOCIETY

Formerly WAIFS & STRAYS
OLD TOWN HALL, KENNINGTON, S.E.11

tion four years ago is now well behind them. In 1950 the packaging productivity team estimated the cost of packaging in this country at "not less than £300 million a year." Output of packaging materials is much higher now and prices have risen. Turnover today may be well on the way to £400 million.

Better Retail Trade Statistics

THE 1950 Census of Distribution confirmed what had long been suspected—that the monthly figures of retail sales are far from perfect. The shops that now voluntarily make sales returns are not a fair representation of retailing as a whole. Last week the Board of Trade took the first step towards improving these statistics by inviting 19,000 independent retailers to join the existing panel, which is about 3,200 strong. If the response is good, this should provide a much truer measure of the trade of the small shops, including, for the first time, independent food retailers.

Further plans for improving the retail trade statistics were described by Mr W. Rudoe, of the Board of Trade, in a paper read last week to the Manchester Statistical Society. The present sample of large-scale retailers is quite large, but not well balanced, particularly in the selection of multiple shops. The Board of Trade is discussing with the trade associations which arrange the collection of the statistics the possibilities of making a more representative choice and an even larger one, covering 70 to 80 per cent of this side of the trade. An important shift in emphasis is also proposed in the statistics for both large and small shops. Instead of restricting returns to those who can make them on a commodity basis, the main attempt will be to aggregate sales figures according to the kind of business and to derive a measure of total retail trade each month.

This encourages the hope that, given co-operation from the trade, the outcome of these changes will be a reasonably accurate monthly measure of the turnover of retail trade and a yardstick against which individual retailers can measure their own experience. But on the other important aspect of retail trade—movements in stocks—the outlook is bleaker. One step at a time seems to be the formula and any plans for improving the figures of stocks are as yet only vague.

A Fuel Conundrum

ONE of the puzzling facts that makes fuel forecasting in the British economy particularly hazardous is the fact that today each British citizen consumes remarkably little more energy than his grandfather did in 1900. For 50 years, as Mr K. T. Spencer, chief scientist to the Ministry of Fuel and Power, recently pointed out, annual energy consumption per head of population in Britain has varied around 4 tons of coal a head—plus, in recent years, petroleum equivalent to about another half a ton of coal a year.

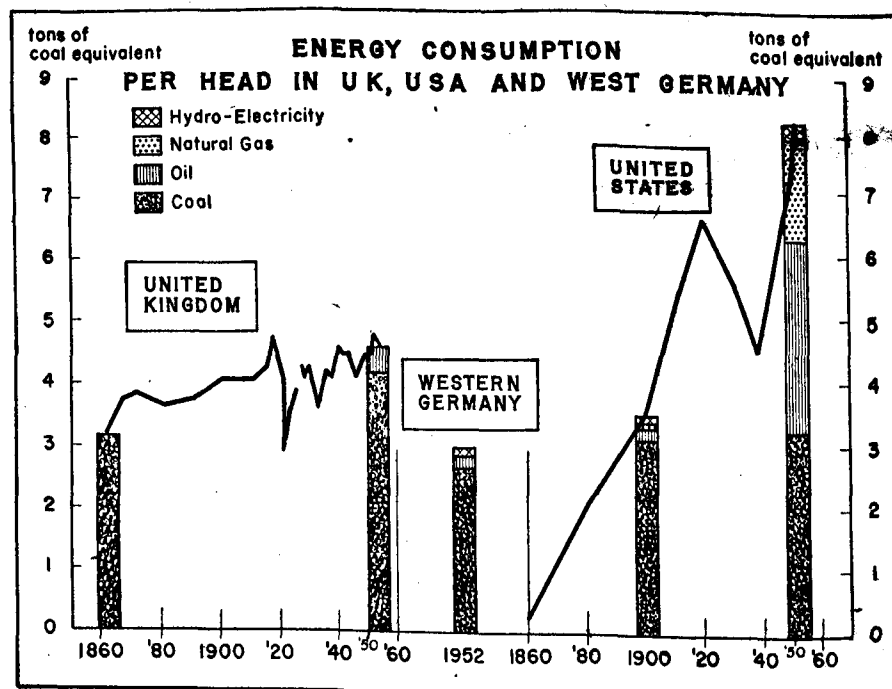
This fact is reflected in calculations of energy consumption and industrial production, such as were reproduced in the supplement "Energy for Success," in *The Economist* of November 27, 1954. As was said there, Britain in the interwar period achieved each one per cent rise in industrial output with rather less than the concomitant rise of 0.6 per cent in energy consumption recorded by other industrialised countries.

The ruling official opinion is that this reflects structural changes in the economy, in which light industries developed more than heavy ones; in postwar years, the more general ratio seems to have become fairly true for Britain also. But the reason why Britain did better has never been fully established; it is certainly not easy to believe that fuel efficiency rose more in British industries and homes than in their counterparts abroad.

Mr Spencer's diagrams of energy con-

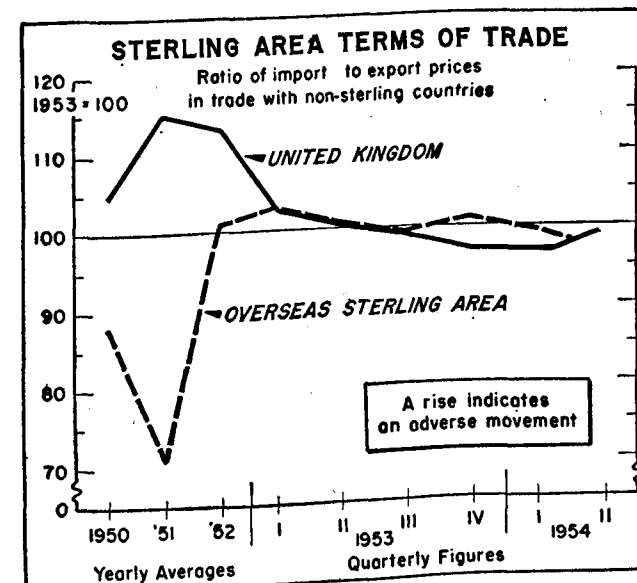
sumption in Britain and abroad, reproduced here, chart this economic phenomenon without explaining it (the rate of growth in American consumption may be slightly exaggerated, since it ignores the burning of wood, which probably made a sizeable contribution to American energy in the eighties). His task, however, was not to congratulate Britain upon its efficiency in using fuel, but to emphasise the need and room for improvement.

From a necessarily crude but useful comparison of "output per ton of coal" in various industries before the war and today, he deduced that "productivity in terms of fuel" (which is a one-sided calculation, but no more so than productivity in terms of labour) has slightly improved since before the war. But "yields per ton of coal," within particular industries, varied widely; the best fuel users in certain industries were able to get 15 or 20 times as much out of their fuel as the worst.



Sterling Area Terms of Trade

THE sterling area falls neatly into two complementary economies: Britain, an exporter of manufactures, and the overseas sterling area, an exporter of mainly primary products. As each is the major market for the other, their terms of trade—the ratio of import prices to export prices—move in opposite directions. Hence the overseas sterling area's terms of trade will improve at Britain's expense when prices of sterling commodities rise without any corresponding rise in the prices of British exports. With the non-sterling world, however, the terms of trade of Britain and of the overseas sterling area do not necessarily move in opposite directions. This point is illustrated in the Board of Trade's revised indices of sterling area trade with the non-sterling world. From the middle of 1952 until the

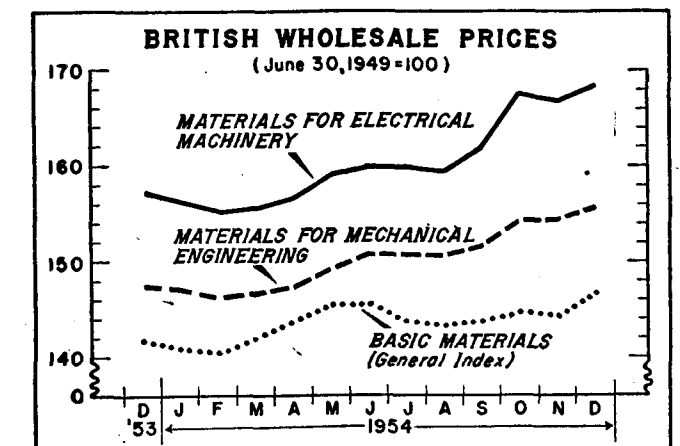


spring of last year Britain's terms of trade with the non-sterling world improved steadily, but those of the overseas sterling area were relatively stable. A slight fall in British export prices was much more than offset by a sharp fall in prices of its imports from non-sterling countries, but the fall in prices of the overseas sterling area's exports was matched by the fall in prices of its non-sterling imports.

When Britain's terms of trade with non-sterling countries do move in opposition to those of the overseas sterling area, the contrary movements go far to offset one another, for the total value of Britain's trade with non-sterling countries is roughly the same as that of the overseas sterling area; hence the terms of trade of the whole sterling area vis-à-vis the rest of the world change by a smaller extent. Between 1950 and 1951, when prices of both sterling and non-sterling commodities rose sharply, Britain's terms of trade deteriorated by 10 points, while with non-sterling countries the overseas sterling area improved by no less than 17 points, and the terms of the whole sterling area improved by 8 points. Those movements were gradually reversed by the collapse of the Korean boom. During the last half of 1953 and the first half of 1954 (the latest period covered by the new indices) the terms of trade of the sterling area remained stable, a slight improvement in the overseas area's terms of trade being offset by the worsening in Britain's.

Rise in Prices of Materials

By the end of last year British industry was paying about 3½ per cent more for its basic materials (excluding fuel) than at the end of 1953; two large groups of industries, mechanical and electrical engineering, were respectively paying about 5½ and 7 per cent more. The Board of Trade's price index of basic materials used by manufacturing industry (other than food) rose irregularly during the year to 146.4 in December (June 30, 1949=100), but the indices of materials used in mechanical and electrical



engineering have climbed steadily since February. Over half the rise of 8 points in the index for mechanical engineering (which excludes shipbuilding and vehicles) is accounted for by higher prices of iron and steel products; these make up 77 per cent of the total "weight" of the index. Most of the remaining rise reflects higher prices of non-ferrous metals. The balance of forces that produced a rise of 11 points in the index for electrical machinery was almost exactly reversed: it was due mainly to the advance in non-ferrous metal prices, particularly copper, which have a larger weight in this index, and to a lesser extent to higher prices of iron and steel products.

Are you

PLOUGHING BACK ENOUGH

to keep pace with changing capital replacement costs?

Our indices for nearly twenty types of equipment are the most economical way of measuring the rise in costs over the last fifteen years

The Economist Intelligence Unit

22 Ryder Street, London, S.W.1.

Whitehall 1511 Extension 114

Engine Bid from English Electric

THE first of the three competing British aero-engine manufacturers to get a high-powered turbo-prop engine into production is likely to be English Electric. The company's Napier division will be able to deliver small quantities of its Eland engine, with a present power of 3,000 shaft horse power and an anticipated one of 4,000 shp, late this year and will have it in full production next year. By comparison, its closest competitor, the Rolls-Royce RB 109 (4,000 shp) is just beginning bench running (the Eland has flown for several months) and will not be ready for delivery before 1957-58, while the Bristol Aeroplane Company's 4,000 shp BE 25 is roughly a year further behind.

English Electric has no immediate customer for its engine. It is experimentally converting two piston engined airliners, a Convair 340, of which about 300 are in service, and an Ambassador, a type used by British European Airways. It plans to get a certificate of airworthiness for both machines re-engined with Elands and then to offer similar conversions direct to the airlines for service as early as 1957. This plan, if successful, could make serious inroads into the market for the Vickers Viscount even though the cost would be almost half the price of a completely new Convair. Operators have tried to buy the Viscount's Dart engines (which are small by comparison, with 1,500 shp) to do their own conversions, but Vickers have sole rights to the engine until 1958.

Butter v Margarine

FOR eight months the British public has been able to buy the butter and margarine of its choice. After a period of carefree experiment, demand for both fats appears to be settling down. The first result of decontrol was a sharp increase in the consumption of margarine at the expense of butter. The public's appetite for margarine had been whetted by the lavish advertising campaigns heralding the new brands, and it eagerly sampled one after another. Demand was stimulated fortuitously by a further increase in butter prices to between 4s. and 4s. 2d. a lb, for the Ministry of Food, at that time almost the sole supplier of butter, raised its selling prices to check a possible run on supplies. That action succeeded too well and prices were subsequently reduced. Consumption of butter responded, and has since risen steadily to about, or slightly above, the rate immediately before de-rationing. For a time that recovery was at the expense of margarine, but in the autumn sales of margarine picked up, and they are now somewhat higher than before derationing.

From the large variety of margarines available, ranging in price from 1s. 4d. to 2s. 4d. a lb, the public has selected mainly those brands selling around 1s. 9d. a lb. Efforts are now being made to enlarge demand at the upper end of the price scale—from 2s. to 2s. 4d. a lb—where margarine competes more directly with butter. As Britain is

the principal market for the main exporters of butter, decontrol posed a problem: at what price would a fairly inelastic supply be absorbed in competition with margarine? At present that price is 3s. 8d. to 3s. 10d. at retail—though most of the big distributors are still offering a 3s. 6d. grade, and certain grades cost 4s. a lb or more. If demand for butter should rise much farther, prices would almost certainly have to be increased.

Experience so far suggests that butter, which is also being promoted by a joint advertising campaign by the New Zealand, Australian and Danish producers, has maintained its appeal in Britain. One sign of this is the success of the margarines containing 10 per cent of butter. Some "mixture" margarines are made here, but the brands at present selling best are imported from Holland, taking the import duty of 10 per cent in their stride. One such is made by a subsidiary of Unilever NV; that may bring a wry smile to Van den Berghs and Jurgens, much the largest producers of margarine in Britain and a subsidiary of Unilever Limited. Another sign of the appeal of butter is that the promotion of the most expensive margarine is implicitly trying to steal butter's clothes. Its name and advertising both stress its "true country-fresh flavour."

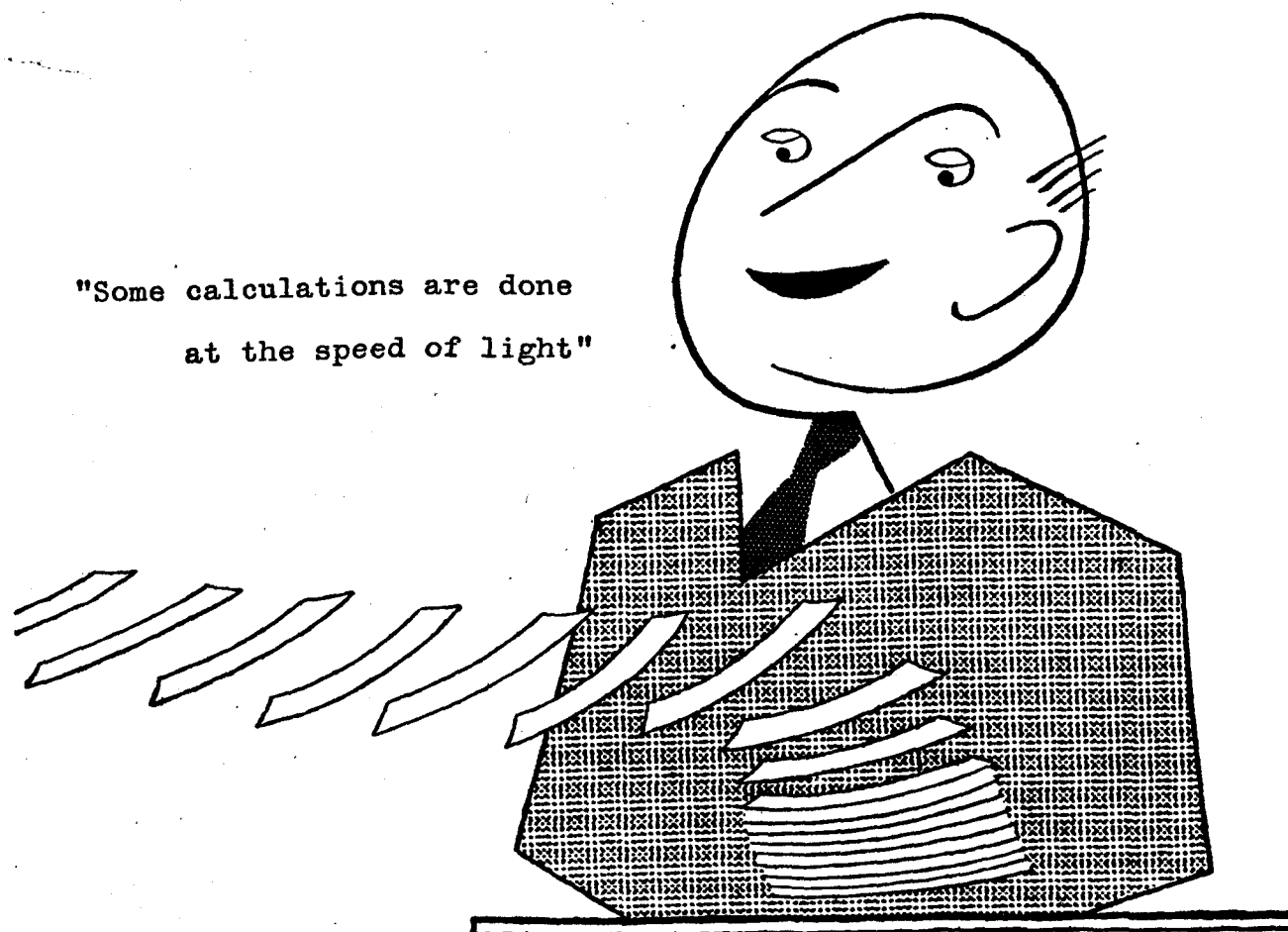
Oil in Balance

EACH year the oil industry produces more oil than before—and manages to locate in the ground still more than it has taken out. This gives comfort to those in the industry who are inclined to glance twenty years ahead rather than two (or two hundred); but most oilmen are at present focusing their minds upon the next few years and the likely prospect of capacity getting too far ahead of current needs. In 1954, proven reserves continued to jump sharply upwards, but the rate of advance in consumption and output once again dropped.

World oil production, according to some early arithmetic done by the Petroleum Information Bureau, rose last year by some 4 per cent to about 710 million metric tons, or 680-685 million tons if natural gas is left out of the count. In 1953 the expansion rate was 5 per cent. A few years ago it was over 10 per cent, but the industry then had a lot of catching up to do and 5 per cent was thought to be a more normal rate of expansion. Undoubtedly last year's figures were upset by the unhappy state of the United States' domestic market, and this year's may be better. Oil output there was cut back by some 6 million tons to about 312 million tons.

Elsewhere production continued to grow. In the Middle East it rose from 122 million tons to an estimated 136 million; in Venezuela from 93 million to over 97 million; and in Canada from 11 million to 12½ million. Middle Eastern oil sheiks have reason to be grateful for the health of the European economy whilst industrial activity in North America suffered its recent chill. Total consumption should be higher in 1955. But it is not going to be at all easy to find markets for the oil all the interested parties would have to sell—particularly as the Iranians have been promised a place in the sun too.

"Some calculations are done
at the speed of light"



explained the chief accountant.

'We've certainly never had important figures so promptly,'

replied the chairman with satisfaction. 'But isn't 'the speed of light'

a somewhat poetic way of putting it?'

"Some calculations was my expression sir. The Powers-Samas

punched card system makes short work of computations that would take

weeks by hand - if indeed they were practical at all.

Where it is advantageous the system incorporates electronic calculation

which, as you know, is done at the speed of light."

There is a range of Powers-Samas punched card equipment for every type of application.

Office Efficiency: Powers-Samas supply a complete range of the latest office equipment. Write for illustrated catalogue.

POWERS-SAMAS

Powers-Samas Accounting Machines (Sales) Limited, Powers-Samas House, Holborn Bars, London, E.C.1.

British steel makes the world's news

"Avanti", "Figaro", "Der Kurier", the "Herald Tribune" — every day the world's news is put into print. And in almost every civilised country British printing presses are there to do it.

British printing machinery even goes to America, the home of giant-size newspapers.

This machinery is steel. Wherever you go the prefix 'British' means steel of the highest quality. New and better steels are constantly being developed, and wherever there is steel there is British steel.

*British steel
leads the world*



THE BRITISH
IRON AND STEEL
FEDERATION

SHORTER NOTES

The fiduciary issue has been cut by £50 million—the first post-Christmas reduction—reducing it to £1,725 million. In the four weeks since December 22 a total of £80.9 million of notes has returned to the Bank of England. This reflux is more than £16 million smaller than that of the corresponding period of last year, but the shortfall is primarily a reflection of the delay in returning notes caused by the threat of a rail stoppage.

★

A plant designed to produce 11 million lb of "Terylene" synthetic fibre a year was brought into operation by Imperial Chemical Industries this week at its Wilton Works on Tees-side. It was on schedule—about two years and eight months after foundations began to be laid. About half its output will be continuous filament yarn and half

staple fibre; of ICI's current output of "Terylene" (some two million lb a year) nearly all the staple fibre and 85 per cent of the filament is being sold at home to the British textile industry. It seems doubtful whether even this year's greatly increased rate of output will enable the company to abandon strict allocation of the new fibre; that must await completion of another unit at the Wilton plant to double its output—at the end of this year or early in 1956.

★

Mr R. P. Morison, QC, has been appointed independent chairman of the British Iron and Steel Federation in succession to the late Mr Frederick Grant, MC, QC.

★

In December the terms of trade moved another point against this country, to reach 102 (1953=100), the most unfavourable figure for nineteen months. The index of import prices rose by one point to 101, while export prices were unchanged at 99.

Company Notes

LANCASHIRE STEEL. The £1 ordinary shares of the Lancashire Steel Corporation were long the neglected counters in the steel share market. Their standing improved on the company's preliminary statement; the price then rose 1s. 9d. to 25s. That statement showed a slight increase in trading profits (from £1,956,580 to £2,074,551) in the year to October 2nd, although the prospectus had allowed for a drop in earnings. And the ordinary dividend was fixed at 9 per cent and not at the prospectus forecast of 8 per cent. The Corporation's full

commitments of £2.1 million with an ample margin to spare. One after another the steel companies are producing excellent balance sheets, and in a strong industrial equity market steel shares are rising. Lancashire Steel now stand at 26s. 3d. xd, to offer a yield of £6 17s. per cent. The market has come a long way from the day just over six months ago when the Stewarts and Lloyds equity was offered to the public; then the Lancashire Steel shares were priced on a yield basis of over 8 per cent.

★

UNITED STEEL. Production ran high in all United Steel Company's works in the year to September 30th; the output of each of the basic products—steel ingots, pig iron and coke—was the highest in the company's history. As already reported, the group's trading profit was £9,136,496 (compared with £9,111,141 in the 53 weeks to October 3, 1953) and the ordinary dividend 10 per cent (one per cent higher than the prospectus forecast).

In the latest financial year the group spent no less than £8,609,000 on capital account, completing the Appleby-Frodingham ironworks in the process. On

	1952-53	1953-54
Income and expenditure:—		
Gross income	80,889,000	82,488,000
Raw materials, etc.	48,839,000	48,904,000
Wages, etc.	18,097,000	18,974,000
Delivery charges	3,232,000	3,570,000
Taxation	5,516,000	4,388,000
Depreciation & retained profits	4,390,000	5,650,000
Net dividends	815,000	1,000,000

September 30th immediate outstanding capital commitments amounted to £4,316,000. The heavy investment has naturally left the group short of liquid assets. But that need cause no concern,

for the Iron and Steel Realisation Agency has subscribed for a £10 million debenture at £98; only £33 per cent had been paid on it on the balance sheet date. The remaining £6½ million is payable at call in instalments before the end of April. Since the last accounts were closed, the compensation value of the company's Yorkshire coal mines, now vested in the National Coal Board, has, subject to minor adjustments, been determined. The full amount of compensation should slightly exceed the company's conservative estimates. They stood at £877,163 on October 3, 1953, but have now been eliminated.

★

JUTE INDUSTRIES. The directors of Jute Industries had two objectives in mind when they reorganised the company's capital structure last August. They wished to facilitate the creation of new capital and they wanted to cut the throttling ties of the participating preference shares on dividend payments. They succeeded by eliminating the considerable element of equity in the preference

	Years to Sept. 30, 1953	1954
Consolidated earnings:—		
Trading surplus	1,052,562	1,308,668
Depreciation	120,000	200,000
Taxation	545,910	592,854
Net profit	408,352	538,507
Total dividends	148,500	181,500
Retained profits	357,204	503,264

shares, giving preference shareholders in return a holding in the ordinary stock. By free scrip issues, the original ordinary capital of £150,000 (in 2s. 6d. units) was replaced by an ordinary capital of £1,050,000 (in 10s. units).

Five months ago the directors were unwilling to forecast anything more than a minimum ordinary dividend of 16 per cent on the new capital. It was on that basis that the market value on the shares was established. Thus, when the directors declared a dividend of 20 per cent

SECURITY YIELDS

BANK RATE:
 4% --- 3.5% --- 3% ---

ORDINARY SHARES

2% CONSOLS

3% SAVINGS BONDS
 1955 - 65

ORDINARY SHARES: "Financial Times" Index
2% CONSOLS: gross yield
3% SAVINGS BONDS: 1955 - 65: gross redemption yield to latest date

1953 **1954** **1955**

£1 million unsecured notes created in 1949, the remainder by the issue of 140,000 4s. ordinary shares at 15s. each. The directors intend to make a 50 per cent free scrip issue on the ordinary capital as increased by the cash offer. They intend to capitalise £350,201 from the share premium account arising from the cash issue. In the sense that a free scrip issue is nothing more than a book-keeping transaction no justification need to be sought for this step. In the sense—and it is one often adopted by investors—that a free scrip issue is a broad hint of bigger dividend payments to come, then the decision is justified by the steady expansion in Decca's sales and profits. The 4s. ordinary shares are currently quoted at 56s. 9d., to offer a yield of 4 per cent on the last full year's dividend of 5½ per cent.

BRITISH INDUSTRIAL PLASTICS. This company, one of the handful of producers of moulding powders—the raw material of the plastic fabricators—in this country, has just enjoyed the best year in its history. Its trading profits in the year to September 30th went up from £441,987 to a new peak of £762,735. That advance was not unexpected, for last September the chairman, Mr Kenneth Chance, revealed that in the first nine months of the financial year turnover had risen by 40 per cent. The announcement, coming soon after a 50 per cent free scrip issue, put investors on the track of a bigger dividend.

They were not disappointed. In effect, the total equity payments have been raised from 13½ to 17½ per cent by the recommendation of a final dividend of 12½ per cent on the enlarged capital of £1,247,987. Investors had anticipated the dividend reasonably accurately. The 2s. shares rose only 1½d. to 6s. 4½d. after the announcement. Since then the price has drifted down to 5s. 9d. xd, so that the shares yield 6 per cent.

Next Account begins: February 2nd
Next Contango Day: February 2nd
Next Settlement Day: January

INDUSTRIAL equities came to the end of the old account in good heart. Prices again went ahead on the first day of the new account, carrying the *Financial Times* ordinary share index up to another peak of 192.6. In this period the gap between equity yields and gilt-edged yields continued to narrow and on Wednesday the *Financial Times* ordinary yield was only 0.6 of a point above the yield on old Consols. The gap was narrowing because as equities went ahead gilt-edged prices continued to fall. The falls reported in that market, which was unsettled by the weakness in sterling and fresh talk about money rates, were substantial. In banking shares, Barclays were particularly firm on the chairman's statement and insurance shares turned brighter with the new account. In the foreign market the most active issues were Japanese bonds but in spite of a large turnover prices showed little change.

In the industrial market by far the biggest gains were reported in shipping shares. One by one all the principal liner company shares took part in this advance. Another firm section was that dealing in motor and aircraft issues. Steel shares were also active and strong. That improvement owed something to the publication of healthy balance sheets from some of the leading companies and a good deal more to the wide investment interest in Colvilles offer for sale. Over 120,000 applications for the Colvilles equity were reported on Thursday. Paper-making issues were firm at the end of the old account and later on Wallpaper Deferred went ahead on the rise in wallpaper prices.

Oil shares lost a little ground at the end of the old account when some selling orders came into the market. But when the new account opened most of their prices hardened. Rather more interest was taken in rubber shares and prices tended to edge upwards. Tea shares were active and prices continued to advance very strongly.

Kaffirs were quiet and prices tended to slip back when some selling orders from the Cape were reported.

FINANCIAL TIMES INDICES					
1955	Security Indices		Yields		
	Ord.*	Fixed Int.†	2½ Cons.	Ord.	
Jan. 12...	190.2	115.54	3.82	%	4.45
" 13...	191.8	115.58	3.81	%	4.41
" 14...	191.8	115.54	3.79	%	4.41
" 17...	192.0	115.58	3.80	%	4.41
" 18...	192.4	115.52	3.81	%	4.43
" 19...	192.6	115.31	3.83	%	4.43
			Total bargains		
1955, High.	192.6	115.97	1955		
" Low..	(Jan. 19)	(Jan. 7)	Jan. 12	15	15,141
	184.2	115.31	" 13	13	13,400
	(Jan. 3)	(Jan. 19)	" 14	12	12,234
1954, High.	184.0	118.10	" 17	16	16,557
	(Dec. 31)	(Nov. 18)	" 18	14	14,271
" Low..	131.1	111.78	" 19	19	14,014
	(Jan. 1)	(Jan. 5)			

* July 1, 1935—100. † 1928—100.

Prices, 1954		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Jan. 12, 1955	Price, Jan. 19, 1955	Net Yield, Jan. 19, 1955	Gross Yield, Jan. 19, 1955	Prices, 1954		Last Two Dividends (a) (b) (c)			ORDINARY STOCKS		Price, Jan. 12, 1955	Price, Jan. 19, 1955	Yield, Jan. 19, 1955
High	Low					£ s. d.	£ s. d.	High	Low								
100 1/2	99 1/2	Exchequer 21% 1955	100 0/9	100 0/8	1 15 4	1 15 4	38/3	20/8 1/2	15 c	17 1/2	17 1/2	STEEL & ENGINEERING	39/-	38/6	4 10 11 1/2		
100 1/2	99 1/2	Do. As'td. Exchequer 1960	98 1/2	97 1/2	1 7 9	1 5 8	12/4	8/9	15 c	3 1/2	3 1/2	B.S.A. 4 1/2	11/-	11/3	6 11 6		
100 1/2	99 1/2	Do. As'td. Funding '66-68	97 1/2	97 1/2	1 17 7	3 4 11	24 7/4	23/3	10 b	5	5	Cammell Laird 5/-	24/6	25/3	...		
100 1/2	99 1/2	Exchequer 21% '63-64	99	98 1/2	1 11 0	2 14 3	73/6	49/9	10 b	5	5	Dorman Long 1/-	71/3	70/9	4 4 10		
105 1/2	101 1/2	Exchequer 3% 1960	104 1/2	103 1/2	1 0 0	2 8 8	45/6	34/6	...	12 1/2	12 1/2	Guest Keen N'fold 1/-	44 9/8	48/9	5 2 7		
105 1/2	99 1/2	Exchequer 3% '62-63	102 1/2	102 1/2	1 7 5	2 14 6 1/2	30 1/2	24 10 1/2	...	6	6	Stewarts & Lloyds 1/-	29 4/4	29/9	...		
101 1/2	99 1/2	Serial Funding 21% 1957	100 1/2	100 1/2	1 3 10	2 5 6	29/6	22/-	4 a	6	6	Summers (John) 1/-	29 4/4	29/9	...		
101 1/2	100 1/2	Serial Funding 3% 1955	100 1/2	100 1/2	0 9 1	2 2 0	41/10 1/2	23/9	15 c	2 1/2	2 1/2	United Steel 1/-	29 4/4	29/9	6 14 5		
101 1/2	100 1/2	War Bonds 21% '54-56	100 1/2	100 1/2	1 6 2	2 7 8 1/2	...	...	...	...	...	Vickers 1/-	39/6	40/-	3 15 0		
101 1/2	100 1/2	Funding 21% '52-57	100 1/2	100 1/2	1 5 3	2 10 11 1/2	32/-	21/4	15 c	4	4	Bradford Dyeing 1/-	29/9	29/6	6 15 7		
102 1/2	100 1/2	War Loan 3% '55-59	100 1/2	100 1/2	1 8 11	2 17 5 1/2	32 3/4	24/9	12 b	3	3	Brit. Celanese 1/-	29/6	29/6	6 15 0		
100 1/2	95 1/2	Savings Bonds 3% '55-65	99 1/2	99 1/2	1 14 7	3 1 6 1/2	31 1/4	24/8	10 b	2 1/2	2 1/2	Coats (J. & P.) 1/-	28/-	29/3	5 2 7		
101 1/2	97 1/2	Funding 21% '56-61	99 1/2	99 1/2	1 9 5	2 13 0 1/2	41/-	25/2	4 1/2	4	4	Courtaulds 1/-	42/6	42/9	4 14 10 1/2		
98 1/2	92 1/2	Funding 3% '59-69	96 1/2	96 1/2	2 0 0	3 8 4 1/2	32 3/4	23/8	10 a	7 1/2	7 1/2	Lanes, Cotton 1/-	31/-	31/6	7 18 9 1/2		
101 1/2	93 1/2	Funding 3% '66-68	97 1/2	97 1/2	1 17 7	3 4 11 1/2	39/9	30/6	15 b	2 1/2	2 1/2	Patons & Baldwins 1/-	32/3	32/6	6 3 1		
99 1/2	95 1/2	Funding 3 1/2% 1999-2004	94 1/2	94 1/2	2 2 0	3 14 9 1/2	...	...	...	...	...	MOTOR & AIRCRAFT					
105 1/2	100 1/2	Funding 4% '60-90	103 1/2	103 1/2	1 13 6	3 10 8 1/2	25/10 1/2	17/9	6 1/2	6 1/2	6 1/2	Bristol Aeroplane 10/-	19 4/4	19/4 1/2	5 3 3		
98 1/2	90 1/2	Savings Bonds 3% '60-70	95 1/2	95 1/2	2 1 2	3 9 11 1/2	12 5 1/2	6/3 1/2	4 a	4	4	British Motor 5/-	12/3	12/4 1/2	5 1 0		
98 1/2	90 1/2	Savings Bonds 2 1/2% '64-67	94 1/2	93 1/2	1 19 4	3 3 3 1/2	30/3	20/9	7 1/2	7 1/2	7 1/2	De Havilland 1/-	24/3	25/4 1/2	5 18 3		
106 1/2	101 1/2	Victory 4% '20-76	104 1/2	104 1/2	1 17 6	3 14 2 1/2	83/6	35/9	12 c	5	5	Ford Motor 1/-	80/3	82/6	2 18 2		
96 1/2	87 1/2	Savings Bonds 3% '65-75	92 1/2	92 1/2	2 2 2	3 10 5 1/2	49 4/4	23/10	3 a	7 1/2	7 1/2	Hawker Siddeley 1/-	51/6	52/6	4 0 0		
99 1/2	93 1/2	Consols 4% aft. Feb. '57	96 1/2	96 1/2	2 5 7	4 2 11/108	80/6	25 c	25 c	25 c	25 c	Leyland Motors 1/-	105/-	110/-	4 10 11		
93	84 1/2	Conv. 3 1/4% aft. April '61	88 1/2	87 1/2	2 4 1	4 0 7/81/3	44/-	12 1/2	12 1/2	12 c	12 c	Rolls Royce 1/-	78/9	80/-	2 18 4 1/2		
104 1/2	99 1/2	Conv. 3 1/4% 1969	102 1/2	102 1/2	1 16 4	3 8 8	9/-	5/5 1/2	12 c	12 c	12 c	Standard Motor 5/-	7/7 1/2	7/10 1/2	7 12 5		
100 1/2	99 1/2	Conv. 2% 1958-59	98 1/2	98 1/2	1 7 5	2 5 8 1/2	...	...	...	...	...	SHOPS & STORES					
69 1/2	63 1/2	Treas. 21% aft. April '75	65 1/2	65 1/2	2 2 2	3 17 1/30/6	22/9	22 1/2	22 1/2	22 1/2	22 1/2	Boots Pure Drug 5/-	32/-	31/9	3 10 10		
82 1/2	74 1/2	Treas. 3% aft. April '66	77 1/2	76 1/2	2 3 5	3 19 4/50/6	32/-	7 1/2	7 1/2	7 1/2	7 1/2	Debenhams 10/-	44/6	44/9	6 2 11		
101 1/2	92 1/2	Treas. 3 1/4% '77-80	97 1/2	96 1/2	2 1 7	3 13 10 1/63/-	26 7/8	45 b	15 a	15 a	15 a	G.T. Universal 5/-	60/-	61/6*	3 1 0		
101 1/2	92 1/2	Treas. 3 1/4% '79-81	97 1/2	97 1/2	2 1 5	3 13 5 1/117/6	92/9	17 1/2	17 1/2	17 1/2	17 1/2	Lyons (J.) 'A' 1/-	110/-	113/9	3 19 1		
91 1/2	83 1/2	Redemption 3% '86-96	87 1/2	86 1/2	2 3 3	3 13 7/79/6	36/11	45 b	15 a	15 a	15 a	Marks & Spen. 'A' 5/-	72/6	72/6	2 11 9		
92 1/2	84 1/2	War L'n 3 1/4% aft. Dec. '52	87 1/2	86 1/2	2 4 5	4 1 0/65/3	42/8	20 a	36 1/2	36 1/2	36 1/2	Woolworth 5/-	69/9	67/9*	3 6 5 1/2		
69 1/2	63 1/2	Consols 2 1/2%	65 1/2	65 1/2	2 2 1	3 16 7/84/7 1/2	33/7 1/2	37 1/2	37 1/2	37 1/2	37 1/2	British Petroleum 1/-	84/4 1/2	85/7 1/2	1 19 8 1/2		
97 1/2	88 1/2	Br. Elec. 3% '68-73	94 1/2	93 1/2	2 2 0	3 10 9/125 7/10	56/9	17 1/2	17 1/2	17 1/2	17 1/2	Burmah 1/-	132/6	132/6	2 12 10		
95 1/2	87 1/2	Br. Elec. 3% '74-77	93 1/2	92 1/2	2 1 10	3 10 1/65 1/2	428	12 b	12 b	12 b	12 b	a Royal Dutch 100 fl.	453*	451 1/2	2 8 7 1/2		
111 1/2	103 1/2	Br. Elec. 4 1/4% '74-79	108 1/2	108 1/2	1 17 7	3 13 5/121/-	77/10	10 1/2	10 1/2	10 1/2	10 1/2	Shell Reg. 1/-	126/3	128/1 1/2	3 10 10 1/2		
101 1/2	93 1/2	Br. Elec. 3 1/4% '76-79	98 1/2	97 1/2	2 1 1	3 13 5/34/-	17/6	5 1/2	5 1/2	5 1/2	5 1/2	Trinidad L'holds 5/-	34/3	34/3	5 6 3		
92 1/2	83 1/2	Br. Trans. 3% '78-88	87 1/2	86 1/2	2 4 3	3 13 11 1/33/6	22/-	16 c	16 c	16 c	16 c	5 Cunard 1/-	34/6	36/-	5 6 8 1/2		
97 1/2	88 1/2	Br. Trans. 3% '68-73	94 1/2	93 1/2	2 2 0	3 10 9/47/9	30/3	12 c	12 c	12 c	12 c	Furness Withy 1/-	48/6	54/6	4 8 1		
108 1/2	100 1/2	Br. Trans. 4% '72-77	104 1/2	104 1/2	1 18 9	3 14 2/61/3	31/3	16 b	16 b	16 b	16 b	P. & O. Def. 1/-	66/6	73/6	2 19 10 1/2		
92 1/2	84 1/2	Br. Gas 3 1/4% '90-95	87 1/2	87	2 3 0	3 13 0/64/-	41/9	7 1/2	7 1/2	7 1/2	7 1/2	MISCELLANEOUS					
103 1/2	96 1/2	Br. Gas 3 1/4% '69-71	101 1/2	101 1/2	1 17 3	3 9 6/97/6	67/9	12 1/2	12 1/2	12 1/2	12 1/2	4 Assoc. Elect. 1/-	66/3	70/4	4 0 0		
108 1/2	99 1/2	Br. Gas 4% '69-72	104 1/2	104 1/2	1 16 7	3 11 6/52/6	33/-	7 1/2	7 1/2	7 1/2	7 1/2	5 Assoc. Port. Cem. 1/-	102/6	99/4	3 10 5		
												2 1/2 B.I.C.C. 1/-	49/6	49/3	4 1 3		
												7 1/2 Bowater Paper 1/-	78/9	80/-	3 0 0		
												4 Brit. Aluminium 1/-	40/9	41/3	4 17 0		
												8 1/2 Brit. Amer. Tob. 10/-	52/-	53/-	4 5 9		
												3 Canadian Pacific \$25	\$57 1/2	\$55 1/2	5 0 6		
												4 1/2 Decca Record 4/-	56/6*	56/6	3 19 8		
												4 Dunlop Rubber 10/-	30/-	32/-	4 7 6		
												4 English Elect. 1/-	56/3	57/6	3 14 2		
												8 1/2 General Elect. 1/-	60/-	60/-	4 3 4		
												4 Imp. Chemical 1/-	43/9	44/6	3 16 5 1/2		
												8 1/2 Imp. Tobacco 1/-	60/6	59/-	6 15 7		
												\$2.35 \$2.90 Inter. Nickel n.p.v.	\$108 1/2	\$107 1/2	4 16 3		
												7 1/2 London Brick 1/-	67/6	67/6	4 17 6		
												6 1/2 Monsanto Chemical 5/-	33/-	33/-	3 0 7		
												14 1/2 Tate & Lyle 1/-	85/6	84/6	4 5 3		
												7 1/2 Tube Investments 1/-	82/6	82/6	4 4 10		
												5 1/2 Turner & Newall 1/-	109/3	109/6	4 2 2		
												6 Unilever 1/-	81/-	78/6	3 4 3		
												14 1/2 United Molasses 10/-	41/-	39/9	5 13 4		
												2 1/2 Cons. Tea & Lands 1/-	48/9	48/9	7 9 3		
												10 c London Asiatic Rbr. 2/-	2/4 1/2	2/4 1/2	8 10 11		
												7 1/2 United Sua Betong 1/-	46/10 1/2	46/10 1/2	7 9 4 1/2		
												MINES					
												20 a Anglo-Amer. 10/-	8 1/2	8 1/2	3 8 1		
												80 a De Beers 5/ Bearer	130/-	129/4	7 15 6		
												... Free State Geduld 5/-	116/3	111/10 1/2	Nil		
												10 b Randfontein 1/-	69/4 1/2	68/1 1/2	4 8 10		
												24 c London Tin 4/-	7/3 1/2	7/2 1/2	13 7 1		
												50 a Rhokana 1/-	32 1/2	32 1/2	7 15 1		

Prices, 1954		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Jan. 12, 1955	Price, Jan. 19, 1955	Yield, Jan. 19, 1955
High	Low	High	Low			£ s. d.
92	84 1/2	97 1/2	90 1/2	Aust. 3 1/4% '65-69	94*	94
98 1/2	98 1/2	101 7/8	97 1/2	Ceylon 4% '73-75	101	101
73	66 1/2	106 1/2	98 1/2	N. Zealand 4% '76-78	104 1/2	103 1/2
95 1/2	90 1/2	79 1/2	71	L.C.C. 3% aft. 1920	75	75
81 1/2	73 1/2	99 1/2	95	Liverpool 3% '54-64	99	98 1/2
104 1/2	101 1/2	87 1/2	80 1/2	M. Wtr. 'B' 3% '54-2003	82 1/2	82 1/2
...	...	104 1/2	100	Agric. Mort. 5% '59-89	100 1/2	100 1/2
...	...	109 1/2	7 1/2	German 7%	161 1/2	160 1/2
153 1/2	119	168 1/2	102	German 5%	163	163 1/2
176	136	170 1/2	132 1/2	Japan 5% 1907	194	194
		198 1/2	167	Japan 5 1/2% Conv. 1930	194	194

Prices, 1954		ORDINARY STOCKS		Price, Jan. 12, 1955	Price, Jan. 19, 1955	Yield, Jan. 19, 1955
High	Low	(a) (b) (c)				£ s. d.
51/9	42/3	%	BANKS & DISCOUNT	55/6	56/6*	4 4 11
75/4 1/2	58/9	7 a	5 b Barclays 4 1/2	69/6	68 1/2*	4 8 3
		7 a	8 b Lloyds 'A' 5 1/2 1 pd.	88/-	86 1/2*	4 3 3
			... Bank of India fully pd.	...	...	4 7 10

	Jan. 12	Jan. 19		Jan. 12	Jan. 19		Jan. 12	Jan. 19
	\$	\$		\$	\$		\$	\$
Balt. & Ohio ..	38 ¹ / ₂	38 ¹ / ₂	Am. Smelting.	46 ¹ / ₂	45 ¹ / ₂	Inter. Paper ..	83	84 ¹ / ₂
Can. Pac.	30 ¹ / ₂	30	Am. Viscose ..	42 ¹ / ₂ *	42 ¹ / ₂	Nat. Distill.	23	22 ¹ / ₂
N.Y. Cent.	35	33 ¹ / ₂	Cel. of Am.	25	24	Sears Roebuck ..	76	75 ¹ / ₂
Pennsylv.	23 ¹ / ₂	23 ¹ / ₂	Chrysler	69	67 ¹ / ₂	Shell	60	58
Amer. Tel.	173 ¹ / ₂	174 ¹ / ₂	Gen. Elec.	50	49 ¹ / ₂	Std. Oil of N. J.	110 ¹ / ₂	107 ¹ / ₂
Stand. Gas	15	15 ¹ / ₂	Gen. Motors ..	96	94 ¹ / ₂	U.S. Steel	71	70 ¹ / ₂
United Corp.	6 ¹ / ₂	6	Goodyear	105 ¹ / ₂	104 ¹ / ₂	Westinghouse ..	79	78
W. Union Tel.	80 ¹ / ₂	77	Inter. Nickel ..	58 ¹ / ₂	57 ¹ / ₂	Woolworth	52	51 ¹ / ₂

96/-	31/-	8 a	15 b	Guthrie's	10 c	12 d	14 e	16 f	18 g	20 h	22 i	24 j	26 k	28 l	30 m	32 n	34 o	36 p	38 q	40 r	42 s	44 t	46 u	48 v	50 w	52 x	54 y	56 z	58 aa	60 ab	
		15 a	7 b	Whitbread	'A' Ord.	£1 92/6	12/6	14/6	16/6	18/6	20/6	22/6	24/6	26/6	28/6	30/6	32/6	34/6	36/6	38/6	40/6	42/6	44/6	46/6	48/6	50/6	52/6	54/6	56/6	58/6	60/6

* Ex dividend. † Free of tax. Gross yield. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 50%. (e) To earliest date. (f) Flat yield.
(g) On 14%. (h) Also 4% tax free bonus and 50% tax free from capital profits; on 14·8%. (i) On 13½%. (j) On 11½%. (k) On 8%. (l) To latest date.
(m) On 10%. (n) On 9½%. (o) On 9%. (p) On 8½%. (q) On 22% gross. (r) On 37½%. (s) On 22·7% gross. (t) On 12·6%. (u) Interim for 15 months.
On 12%. (v) On 7¼%. (w) On 17½%. (x) On 12¼%. (y) On 11%. (z) On 8¼%.

Statistics

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

BRITISH			OVERSEAS		
Prices and Wages.....	Jan. 1st	Western Europe :	Jan. 1st		
Production and Consumption	Jan. 8th	Production and Trade.....	Jan. 8th		
Manpower.....	This week	British Commonwealth	Jan. 8th		
External Trade.....	Dec. 25th	Western Europe :			
Financial Statistics	This week	Prices and Money Supply	This week		
Industrial Profits.....	Jan. 15th	United States	Dec. 25th		
	World Trade.....	Jan. 15th			

Manpower in Great Britain

	Unit	Monthly averages			1953			1954			
		1952	1953	1954	Oct.	Nov.	Dec.	Sept.	Oct.	Nov.	Dec.
TOTAL MANPOWER ⁽¹⁾											
Working population :											
Total	'000s	23,294	23,373	23,528	23,556	23,575	23,474	23,697	23,723	23,775	...
Men	"	15,864	15,883	15,918	15,951	15,945	15,920	15,984	15,910	16,004	...
Women	"	7,430	7,490	7,610	7,605	7,630	7,554	7,713	7,733	7,771	...
Armed Forces.....	"	872	865	839	862	857	850	836	834	834	...
Civil employment :											
Total	"	22,119	22,238	22,465	22,383	22,400	22,288	22,614	22,635	22,685	...
Agriculture, forestry and fishing.....	"	1,112	1,087	1,069	1,074	1,049	1,039	1,074	1,044	1,024	...
Mining and quarrying	"	875	877	869	867	866	867	866	865	865	...
Building and contracting	"	1,435	1,437	1,422	1,434	1,430	1,401	1,425	1,425	1,422	...
Distributive trades	"	2,616	2,664	2,702	2,698	2,738	2,704	2,725	2,746	2,792	...
Public administration.....	"	1,336	1,320	1,312	1,316	1,314	1,313	1,307	1,306	1,306	...
Manufacturing industries.....	"	8,626	8,746	9,009	8,928	8,955	8,932	9,138	9,195	9,234	...
CHANGES IN EMPLOYMENT ⁽¹⁾											
Increase or decrease since June, 1950 :											
Employees in engineering ⁽²⁾	"	+ 212	+ 213	+ 343	+ 280	+ 292	+ 295	+ 406	+ 435	...	...
" " consumer goods industries ⁽³⁾	"	- 126	- 8	+ 67	+ 71	+ 78	+ 56	+ 108	+ 126	...	...
UNEMPLOYMENT											
By duration :											
All durations—total	"	414.2	342.0	284.8	309.0	322.7	321.8	236.0	253.9	263.1	256.3
" " —men	"	227.8	218.2	184.4	193.6	203.6	207.5	149.1	159.6	165.9	163.4
" " —women	"	186.4	123.8	100.4	115.4	119.1	114.3	86.9	94.3	97.2	93.0
Temporary or under 2 weeks—men.....	"	87.8	68.8	58.0	63.7	62.0	62.6	51.7	55.9	52.4	50.4
" " " —women	"	94.7	44.0	36.5	44.4	41.4	35.6	38.5	38.9	36.3	32.0
Over 2 weeks—men	"	85.9	96.7	81.7	81.4	86.2	89.4	62.7	64.3	69.3	70.9
" " —women	"	50.2	46.3	37.1	36.3	40.4	42.4	24.6	27.9	31.1	32.2
By industry ⁽⁴⁾ :											
Textiles	%	8.6	1.4	0.9	0.9	0.9	0.8	0.9	0.9	0.9	0.9
Clothing.....	"	2.9	1.3	1.3	1.2	1.5	1.5	1.1	1.0	1.2	1.2
Vehicles.....	"	0.7	0.8	0.5	0.6	0.6	0.6	0.4	0.4	0.4	0.4
Engineering, etc.....	"	1.4	1.4	1.1	1.2	1.2	1.3	0.9	1.1	1.0	0.9
Coal-mining	"	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.1
Distributive trades.....	"	1.5	1.5	1.3	1.4	1.4	1.3	1.0	1.1	1.1	1.0
By regions ⁽⁵⁾ :											
Great Britain.....	"	2.0	1.6	1.3	1.5	1.5	1.5	1.1	1.2	1.2	1.2
London and South Eastern	"	1.3	1.2	1.0	1.1	1.2	1.2	0.7	0.8	0.9	0.8
Eastern	"	1.3	1.3	1.2	1.0	1.2	1.2	0.9	1.0	1.0	1.0
Southern	"	1.4	1.4	1.1	1.4	1.5	1.4	0.8	1.1	1.1	1.1
South Western.....	"	1.5	1.6	1.5	1.6	1.8	1.7	1.1	1.3	1.5	1.6
Midland.....	"	0.9	1.1	0.6	0.8	0.7	0.7	0.6	0.5	0.5	0.5
North Midland.....	"	1.0	0.7	0.6	0.5	0.6	0.6	0.5	0.5	0.6	0.5
East and West Ridings.....	"	1.9	1.2	0.9	1.1	1.1	1.1	0.8	0.8	0.8	0.8
North Western.....	"	3.6	2.1	1.5	1.7	1.8	1.7	1.3	1.3	1.3	1.3
Northern	"	2.6	2.4	2.2	2.2	2.4	2.4	1.9	2.0	2.1	2.0
Scotland	"	3.3	3.1	2.8	2.7	2.9	3.0	2.4	2.4	2.6	2.7
Wales.....	"	2.9	3.0	2.5	2.7	2.7	2.7	2.1	2.2	2.3	2.2
VACANCIES											
Unfilled vacancies notified to Employment Exchanges :											
Total	'000s	230	270	...	276	272	270	348	340	...	...
Men	"	131	147	...	153	150	147	195	193	...	...
Women	"	99	123	...	123	122	123	153	147	...	...
DISPUTES ⁽⁶⁾											
Workers involved.....	"	35	114	...	39	39	1,098	35	101	40	...
Working days lost :											
Total	"	149	182	...	116	94	1,134	123	1,114	304	...
Mining and quarrying	"	55	33	...	33	43	24	46	41	50	...
Engineering, etc.....	"	66	127	...	24	25	1,068	67	256	223	...
Other industries and services.....	"	28	22	...	59	26	42	10	817	31	...

⁽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	51	0.4	43	2	36	55	52	21
1952.....	253	114	143	163	114	149	129	97	140	152	148	104
1953.....	239	107	134	165	111	173	129	96	134	152	139	107
1954, July.....	260	105	135	150	109	191	126	96	134	157	139	118
" August.....	254	105	135	153	109	192	126	97	134	156	138	118
" September.....	253	105	134	151	110	194	126	97	134	156	138	117
" October.....	254	105	133	150	110	199	...	97	136	154	138	...
" November.....	258	...	136	151	...	199	...	...	...	154	139	...

COST OF LIVING ⁽¹⁾ (1948 = 100)												
1938.....	31	27	60	6	64	0.4	55	2	49	63	65	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, July.....	217	107	124	142	108	185	...	121	138	145	131	125
" August.....	216	108	...	142	108	185	127	121	137	145	131	123
" September.....	217	107	...	143	108	186	...	121	137	144	131	121
" October.....	217	107	125	143	109	185	...	...	138	143	131	122
" November.....	218	107	...	144	...	187	...	...	...	143	...	...

IMPORT PRICES ⁽¹⁾ (1948 = 100)												
1938.....	...	27	40	7	39	...	39	2	24	32	45	21
1952.....	250	116	131	186	121	...	129	108	132	132	152	91
1953.....	270	110	118	168	106	...	121	99	117	125	140	89
1954, June.....	259	106	113	167	102	...	125	100	115	131	139	100
" July.....	261	102	...	...	104	...	125	98	112	120	...	84
" August.....	255	105	...	166	103	...	126	99	111	119	138	84
" September.....	251	104	...	...	104	...	126	...	109	...	...	101
" October.....	243	...	...	...	101	...	124	...	...	...	...	87

EXPORT PRICES ⁽¹⁾ (1948 = 100)												
1938.....	...	25	40	6	51	...	37	2	25	32	42	24
1952.....	263	120	115	157	131	...	126	103	117	137	153	122
1953.....	239	101	110	147	123	...	127	99	104	119	134	110
1954, June.....	242	92	107	141	119	...	127	104	101	109	132	110
" July.....	233	90	...	...	118	...	127	101	97	122	...	106
" August.....	237	88	...	138	118	...	127	101	98	121	133	104
" September.....	239	91	...	...	117	...	126	...	97	...	...	98
" October.....	236	...	...	...	117	...	125	...	...	...	...	105

CURRENCY IN CIRCULATION ⁽¹⁾												
End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £T.
1938	...	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, July	11.02	106.4	1,872	2,420	12.16	3.38 ^a	70.7	1,380	3,498	3,023	4.52	1,497
„ August	10.95	105.6	1,812	2,401	12.08	3.47 ^a	70.8	1,385	3,466	3,013	4.58	1,517
„ September	11.03	105.2	1,837	2,444	12.37	3.61 ^a	71.3	1,402	3,493	2,993	4.67	1,548
„ October	11.29	...	1,880	...	...	3.58 ^a	73.1	1,390	3,553	3,200	4.80	1,603
„ November	...	...	...	...	...	...	74.1	...	...	...	...	1,549

Financial Statistics

EXCHEQUER RETURNS

For the week ended January 15th there was an "above-line" surplus (after allowing for Sinking Funds) of £197,221,000 compared with a surplus of £96,286,000 in the previous week and a surplus of £189,579,000 in the corresponding period of last year—this brought the cumulative deficit to £61,855,000 (£257,952,000 1953-54). Net expenditure "below-line" last week reached £18,969,000, bringing the total cumulative deficit to £394,272,000 (£577,130,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to Jan. 16, 1954	April 1, 1954 to Jan. 15, 1955	Week ended Jan. 16, 1954	Week ended Jan. 15, 1955
Ord. Revenue					
Income Tax	1800,000	974,151	969,956	198,631	199,933
Sur-tax	132,000	76,300	76,000	10,500	11,400
Death Duties	164,775	128,700	145,500	3,400	3,600
Stamps	55,000	44,000	58,070	1,400	1,200
Profits Tax & E.P.T.	172,000	156,300	140,800	4,000	3,500
Excess Profits Levy	60,000	51,350	65,050	1,000	1,700
Special Contribution and other Inland Revenue	1,000	920	980	50	...
Total Inland Rev.	2384,375	1431,721	1456,356	218,981	217,333
Customs	1062,500	842,805	890,847	19,602	20,993
Excise	719,000	557,740	588,643	4,050	5,340
Total Customs and Excise	1781,500	1400,545	1479,490	23,652	26,333
Motor Duties	77,000	48,575	50,847	18,643	19,596
PO (Net Receipt)	21,000	10,900	2,600	...	50
Broadcast Licences	24,000	21,994	21,771	...	...
Sundry Loans	245,000	96,504	144,185	464	9,126
Miscellaneous	...	...	...	...	...
Total	4532,875	3010,240	3170,249	261,740	298,771
Ord. Expenditure					
Debt Interest	570,000	463,560	454,254	1,116	...
Payments to N. Ireland Exchequer	51,000	36,624	36,593	...	...
Other Cons. Fund	10,000	8,378	7,885	...	118
Supply Services	3855,399	2732,974	2706,876	70,100	74,500
Total	4486,399	3241,536	3205,608	71,392	74,418
Sinking Funds	36,000	26,656	26,496	770	700
"Above-line" Surplus or Deficit	257,952	61,855	189,579	197,221	...
"Below-line" Net Expenditure	319,178	332,417	20,289	18,969	...
Total Surplus or Deficit	577,130	394,272	169,290	178,252	...
Net Receipts from:					
Tax Reserve Certificates	128,250	193,681	76,233	72,950	...
Savings Certificates	12,550	30,000	500	3,000	...
Defence Bonds	33,581	13,237	185	1,853	...

* Since end September the capital expenditure of the Post Office has been charged directly on the Exchequer (instead of being financed from the Savings Funds) and is consequently included in "below-line" expenditure and the total deficit. As at January 15th this item stood at £30,400,000.

THE MONEY MARKET

Credit again tightened in Lombard Street in the week covered by the Bank return. Special aid from the authorities was given every day except Tuesday and on Wednesday (the banks' make-up day) one or two discount houses were forced to take seven-day loans from the Bank at the penal rate. Throughout the week March and early April securities changed hands at 1½-1½ per cent.

The rise in the Treasury bill rate that has proceeded since mid-November slackened off at last week's tender. The market raised its bid by only 1d., to £99 10s. 3d. per cent, for the unchanged offer at £230 million, and the average rate of discount on all bills increased by only 7.68d. per cent, bringing it to £1 18s. 11.97d. per cent. Applications fell by more than £31 million to £344.1 million, so that the market secured a higher allotment (61 per cent against 43 per cent) despite its smaller bid.

Gold prices have risen in sympathy with the weakness of sterling; at Wednesday's fixing the price rose to 251s. 9½d.—a record level. These moves reflected the current weakness of sterling but with some recovery on Thursday the gold price declined to 251s. 8d. and was a penny per ounce lower after the fixing. At \$2.78 on Tuesday sterling touched its lowest for two years.

The Bank return shows a reflux of notes of £33.1 million; the fiduciary issue has been reduced by £50 million, to £1,725 million, but the reserve in the banking department still amounts to £47.6 million.

LONDON MONEY RATES

Bank rate (from 3½% 13/5/54)	Discount rates
Bank bills: 60 days	1½
3 months	1½
4 months	1½-2
6 months	2½-2½
Deposit rates (max)	
Banks	1½
Discount houses	1½
Money Day-to-day	1½-2½
Short periods	1½-3
4 months	2½-3½
6 months	3-4
Fine trade bills:	
3 months	2½-3
4 months	2½-3½
6 months	3-4

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	January 19	January 13	January 14	January 15	January 17	January 18	January 19
United States \$	2-78 2-82	2-78 2-78 2-78 2-78	2-78 2-78 2-78 2-78	2-78 2-78 2-78 2-78	2-78 2-78 2-78 2-78	2-78 2-78 2-78 2-78	2-78 2-78 2-78 2-78	2-78 2-78 2-78 2-78
Canadian \$	2-68 2-68 2-68 2-68	2-68 2-68 2-68 2-68	2-68 2-68 2-68 2-68	2-68 2-68 2-68 2-68	2-68 2-68 2-68 2-68	2-68 2-68 2-68 2-68	2-68 2-68 2-68 2-68	2-68 2-68 2-68 2-68
French Fr.	972-65 987-35	976 976 976 976	976 976 976 976	976 976 976 976	976 976 976 976	976 976 976 976	976 976 976 976	976 976 976 976
Swiss Fr.	12-15 12-33 12-33	12-25 12-25 12-25 12-25	12-25 12-25 12-25 12-25	12-25 12-25 12-25 12-25	12-25 12-25 12-25 12-25	12-25 12-25 12-25 12-25	12-25 12-25 12-25 12-25	12-25 12-25 12-25 12-25
Belgian Fr.	138-95	139-40 139-40 139-40	139-40 139-40 139-40	139-40 139-40 139-40	139-40 139-40 139-40	139-40 139-40 139-40	139-40 139-40 139-40	139-40 139-40 139-40
Dutch Gld.	10-56 10-72	10-58 10-58 10-58 10-58	10-58 10-58 10-58 10-58	10-58 10-58 10-58 10-58	10-58 10-58 10-58 10-58	10-58 10-58 10-58 10-58	10-58 10-58 10-58 10-58	10-58 10-58 10-58 10-58
W. Ger. D-Mk.	11-67 11-84 11-84	11-75 11-75 11-75 11-75	11-75 11-75 11-75 11-75	11-75 11-75 11-75 11-75	11-75 11-75 11-75 11-75	11-75 11-75 11-75 11-75	11-75 11-75 11-75 11-75	11-75 11-75 11-75 11-75
Portuguese Esc.	79-90 81-10	79-90 80-00 79-90 80-00	79-90 80-00 79-90 80-00	79-90 80-00 79-90 80-00	79-90 80-00 79-90 80-00	79-90 80-00 79-90 80-00	79-90 80-00 79-90 80-00	79-90 80-00 79-90 80-00
Swedish Kr.	14-372 14-592	14-517 14-52 14-517 14-51	14-517 14-52 14-517 14-51	14-517 14-52 14-517 14-51	14-517 14-52 14-517 14-51	14-517 14-52 14-517 14-51	14-517 14-52 14-517 14-51	14-517 14-52 14-517 14-51
Danish Kr.	19-191 19-481	19-362 19-37 19-362 19-37	19-362 19-37 19-362 19-37	19-362 19-37 19-362 19-37	19-362 19-37 19-362 19-37	19-362 19-37 19-362 19-37	19-362 19-37 19-362 19-37	19-362 19-37 19-362 19-37
Norwegian Kr.	19-85 20-15	20-017 20-021 20-017 20-021	20-017 20-021 20-017 20-021	20-017 20-021 20-017 20-021	20-017 20-021 20-017 20-021	20-017 20-021 20-017 20-021	20-017 20-021 20-017 20-021	20-017 20-021 20-017 20-021
United States \$		Par. 1/2c. dis	Par. 1/2c. dis	Par. 1/2c. dis	Par. 1/2c. dis	Par. 1/2c. dis	Par. 1/2c. dis	Par. 1/2c. dis
Canadian \$		Par. 1/2c. dis	Par. 1/2c. dis	Par. 1/2c. dis	Par. 1/2c. dis	Par. 1/2c. dis	Par. 1/2c. dis	Par. 1/2c. dis
French Fr.		1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis
Swiss Fr.		1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis
Belgian Fr.		1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis
Dutch Gld.		1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis
W. Ger. D-Mk.		1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis
Swedish Kr.		1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis
Danish Kr.		1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis
Norwegian Kr.		1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis	1 1/2c. dis
Gold Price at Fixing		251/64	251/7	...	251/7	251/8	251/9	251/9
Price (s. d. per fine oz.)		251/64	251/7	...	251/7	251/8	251/9	251/9

BANK OF ENGLAND RETURNS

	1954	1955
	Jan. 20	Jan. 13 Jan. 20
Issue Department*		
Notes in circulation	1,543.2	1,710.9 1,677.8
Notes in banking dept.	57.1	64.5 47.6
Govt. debt and securities	1,596.8	1,771.2 1,771.2
Other securities	0.7	0.8 0.8
Gold coin and bullion	2.9	3.4 3.4
Banking Department		
Deposits:		
Public accounts	13.5	21.6 12.2
Treasury special account	7.2	2.2 2.2
Bankers	284.0	262.5 268.1
Others	69.3	65.4 66.1
Total	374.0	351.6 348.6
Securities:		
Government	295.6	272.4 281.9
Discounts and advances	20.4	15.7 20.1
Other	16.7	14.9 14.9
Total	332.7	303.0 316.9
Banking department reserve	59.5	66.8 66.8
"Proportion"	15.9	19.0 14.3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,725 million to £1,775 million on December 15 1954.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment	Allotted at Max. Rate*
	Offered	Applied For	Allotted		
1954					
Jan. 15	220.0	335.3	210.0	42 7-72	51
Oct. 15	270.0	429.1	270.0	31 11-18	49
" 22	260.0	416.5	260.0	31 11-30	49
" 29	250.0	439.2	250.0	31 7-19	47
Nov. 5	260.0	413.0	260.0	31 7-16	48
" 12	260.0	424.2	260.0	31 6-98	45
" 19	260.0	424.9	260.0	32 5-80	41
" 26	250.0	431.7	250.0	32 6-84	39
Dec. 3	250.0	411.2	250.0	33 6-12	43
" 10	260.0	425.4	260.0	34 8-97	40
" 17	270.0	486.2	270.0	35 10-51	59
" 24	270.0	382.4	270.0	36 11-56	62
" 31	260.0	373.5	260.0	37 3-82	68
1955					
Jan. 7	230.0	375.5	230.0	38 4-29	43
" 14	230.0	344.1	230.0	38 11-97	61

* On Jan. 14th tenders for 91 day bills at £99 10s. 3d. secured about 61 per cent. of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of 220 million.

WILLIAMS DEACON'S
BANK LIMITED

(Member of the London Bankers' Clearing House)

HEAD OFFICE:

MOSLEY STREET . MANCHESTER

PRINCIPAL LONDON OFFICES:

20 BIRCHIN LANE, E.C.3 - 9 PALL MALL, S.W.1

CAPITAL ISSUED £8,525,000

CAPITAL PAID UP £2,275,000

RESERVE FUND £2,275,000

TOTAL ASSETS:

£163,536,278

31st December, 1954.

Associated Banks:

The Royal Bank of Scotland: Glyn, Mills & Co.

ALLIANCE
ASSURANCE COMPANY LIMITED

Head Office:

BARTHOLOMEW LANE, LONDON, E.C.2

Established 1824

The Finest Service

for

All Classes of Insurance

REPRESENTATION THROUGHOUT

THE UNITED KINGDOM

THE BRITISH COMMONWEALTH AND
ELSEWHERE ABROAD

The Company undertakes the duties of
Executor and Trustee

HALIFAX
BUILDING
SOCIETY

ASSETS £225,000,000

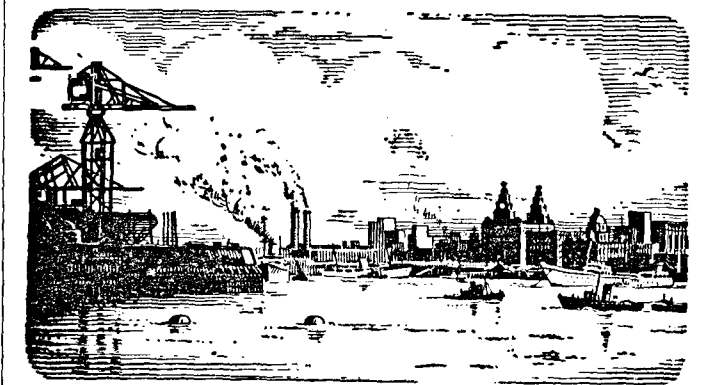
RESERVES £10,000,000

The Society's Homebuying and Investing Services
are described in booklets "A Home of Your
Own" and "Savings and Investments" available
at all the Society's branches and agencies.

HEAD OFFICE HALIFAX YORKS.

LONDON 51-55 STRAND W.C.2

Branches and Agencies throughout
the United Kingdom



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 31st December, 1954) £363,655,940

COMPANY MEETINGS

BARCLAYS BANK LIMITED

A YEAR OF GREAT ACTIVITY

RESTORATION OF CONFIDENCE AND BUSINESS PROSPERITY

MR A. W. TUKE ON OVERSEAS BANKING DEVELOPMENT

The annual general meeting for the year 1955 of the stockholders of Barclays Bank Limited will be held at the head office, 54, Lombard Street, London, EC, on February 10th.

The following is the statement of the chairman, Mr Anthony William Tuke, on the report and accounts for the year ended December 31, 1954, which has been circulated to stockholders:

We welcome as an addition to our board one of the country's most distinguished leaders, Field-Marshal Lord Alexander of Tunis, to whose appointment we had been looking forward as soon as he was free from his ministerial obligations. The stockholders present at the meeting will be invited to re-elect him in the usual way. There have been no other changes in the composition of our board since the last annual meeting.

During the latter part of the year Sir Cecil Ellerton, my deputy chairman, has paid an extensive and most useful visit to our banking friends in America and to our own bank in Canada.

Stockholders will have observed from the accounts that we are able to show a further increase in our net profit, thanks mainly to having had additional resources at our command, and to a growth in the more lucrative though risk-bearing assets. We are thus able to allocate £1 million to reserve from the profits of the year, and we have also been able to release the substantial sum of £3 million from contingency account, which is partly derived from certain provisions made before and during the war for debts which have recently been repaid.

As a result of these two transfers our reserve fund has been augmented by a total of £4 million, and now stands at £16,750,000. As compared with two years ago, our capital and reserve fund taken together have been increased from £31,608,217 to £39,664,703. We are recommending a final dividend of 5 per cent, making 10 per cent for the year, together with a special dividend of 2 per cent on the ordinary stock, and, on the staff stock, a final dividend of 10 per cent, making the fixed 20 per cent for the year. The extra dividend on the ordinary stock is intended to be of a temporary character.

Stockholders will remember that in 1953, when we rearranged our capital, we made a substantial transfer from reserve fund to capital account and I then expressed the hope of the directors that it should be possible to pay a dividend of 10 per cent on the new ordinary stock. A dividend at this rate would represent the equivalent of the increase from 14 per cent to 16 per cent, which the former "B" stockholders received in 1953 as part of their consideration for admitting the former "A" stockholders, whose dividend had been limited to 10 per cent, to participate equally with them in all future distributions. The special dividend of 2 per cent recommended in respect of 1954 will, of course, be payable to all the ordinary stockholders without any qualification.

It is the opinion of the board that the issued capital of the bank should be further increased from time to time, at least to keep pace with the growth in the fixed assets, and

that in present conditions this would be best achieved by the occasional capitalisation of reserves. Provided that the rate of dividend were maintained at 10 per cent, this would have the effect of increasing the distribution of profit to the ordinary stockholders.

Your directors, however, do not consider that the time has yet arrived for a further capitalisation of reserves, but they feel that, having regard to the results that have been obtained, an increased distribution of profit can now be recommended. In their view this can appropriately be done by a special dividend of 2 per cent, which, provided that disposable profits remain at their present level, it is hoped to continue until a further capitalisation as described can be made, when the additional amount now being distributed would be absorbed in whole or in part in paying dividends on the increased capital.

LENDING POLICY

Apart from an average increase of about £40 million in our investments, and of about £15 million in our advances, to which I have already referred, there is little of interest to report in regard to our current assets. I would, however, like to say something about certain criticisms which from time to time bankers hear or read of their policy in regard to the granting or withholding of advances to their customers.

In general, it may be said that our critics fall into two classes—those who speak from personal experience in a limited field, and those who take a wider if more academic view, based on what they believe to be the general practice of bankers. It is not impossible, I suppose, that the latter class may include individuals who belong also to the former. I do not at all object to criticisms of the way in which we do our business, especially when they are not entirely destructive in character. If I may adopt an apt though perhaps rather inelegant metaphor employed recently by one of our more friendly academic critics, they may serve to prevent us from growing too many barnacles.

ANSWER TO CRITICS

My first answer to our critics is that, subject only to the operations of the Capital Issues Committee, and to the expressed desire of the authorities that in our lending policy we should conform to the directions issued to that body from time to time, the banks in England and Wales have complete freedom on the question whether an advance should be allowed or withheld, and whether it should be secured or unsecured; and there is completely free competition between them in this field. This is a safeguard to the customer and a salutary stimulus to the banker.

The existence of a governmental body which has the power to prevent a customer from borrowing money which his banker would be prepared to lend to him is regarded by some as a diabolical interference with free enterprise; but to give the devil his due the directives under which this Committee work are not, at any rate today, very readily distinguishable from the doctrines of sound

banking as laid down in the text-books written by eminent bankers of past generations. Even so, perhaps some of us would like to be allowed occasionally to break our own rules.

My second point is that most of us would much rather say yes than no to any request from a customer if we properly can. What is more, it pays us to do so, both because it promotes goodwill, on which the whole of our business depends, and because (I will admit it) advances give us a better yield than any other of our current assets, though allowance must be made for the bad debts which inevitably occur even in the best regulated banks; sometimes in the advances which had earlier appeared to be very well secured.

UNSECURED ADVANCES

It is, I believe, contended by some of our critics that we are not sufficiently ready to make unsecured advances to our customers. I would say, in reply to that, that we are very willing to make such advances in appropriate cases; but this raises the question of the principles by which we are guided on this subject.

A business whose finances are firmly based, in the sense that the quick assets (stock and book debts) exceed the total of the trading and other creditors by a substantial margin, may reasonably ask for temporary finance, especially for seasonal purposes, and the banker will usually be very ready to provide it, often without asking for specific security. The banker must be the sole judge of what he is prepared to do in this respect, but he will not forget that another banker may take a different view.

It is understandable that, as a general rule, the larger the capital resources of a business which I have laid down. But medium-sized and even small businesses are by no means excluded, provided that there is a proportionately large surplus of liquid assets. We do not regularly collate statistical information on the amount of our unsecured lendings, but on a selected date some months ago we found that in fact between one-fifth and one-quarter of the whole of the money advanced to our customers was not covered by security.

A good example of the unsecured advance is the accommodation frequently given to a tenant farmer. There is probably no occupation in which the personal factor is more important than in farming; apart from his financial position the test is the character of the man and his skill and assiduity as a farmer.

Since 1939 the development of agriculture has been very striking, the estimated increase in net output being of the order of 50 per cent, though from the point of view of saving imports this is not a net gain because it has been achieved in part by increased mechanisation, which means greater consumption of imported fuel. The increased production has involved a large outlay of capital, particularly as it followed many years of depression and neglect, but there has been no undue pressure on the banks from their farming customers, and speaking generally we could give them more direct support if they asked us to do so.

We must remember, however, what great activity the agricultural revival has caused in the industries allied to agriculture, which have had to find fresh financial resources, in part from the banks, for their own development.

Though it is true that agriculture has attracted many new investors and much new money, the development has been financed in the main by the thrift of the agricultural community itself. This, I think, is the method which would have commended itself to the poet Horace:

*Beatus ille, qui procul negotiis,
ut prisca gens mortalium,
paterna rura bobus exercet suis,
solutus omni fenore.**

In these days the oxen have, I fear, given way to the tractor, but it may still be true that the happiest man, although perhaps not the most enterprising, is he who has no bank interest nor hire purchase instalments to pay. He might be happier still if he had no forms to fill up for the Ministry of Agriculture. Horace himself puts these words into the mouth of a banker, or money-lender, who is always about to retire to the country, but meanwhile relents tomorrow the money which he has called in today. Thanks to the improvement in transport facilities since Horace's day, a gentleman in the City can now play his trade during the week and enjoy the blessings of the countryside at the weekend.

I have described the typical borrower of money without specific security. On the other hand, broadly speaking, it is not appropriate that a private individual, who is wholly or mainly dependent on his heavily taxed monthly salary, should borrow money unsecured from his bankers. If he cannot make ends meet in the month of February, he is not very likely to do so in March, in which he and his family have three more dinners to eat.

There may well be excellent reasons why, on occasion, his current outgoings exceed his current income. The expenses of illness and education are obvious examples; but with taxation at its present level, few salaried men have any margin for extra expenditure, which must perforce come out of savings, either past or future. A temporary loan may well be justified, especially if the savings of the past are invested in the family home or in a life policy.

Even if the investment is in more marketable form and the price is abnormally favourable, as it has been recently in certain classes of securities, no one likes realising his hardly won capital. Like Mr Micawber, we all tend to hope against hope that something will turn up, or even that a drop of comfort may one day be distilled from the stony heart of the Chancellor to make life a little easier for us before we die; but in the banker's eyes this prospect is rather too uncertain to form the basis for an unsecured advance.

THE CARROT OF PROFIT AND THE STICK OF COMPETITION

Without laying claim to any higher motives, to which I hope, nevertheless, that some of us are not entirely insensitive, I would contend that so long as the banks remain independent, as they are today, the carrot of profit and the stick of competition will together ensure that the customer gets all the credit which his financial position justifies, whether secured or unsecured, and sometimes perhaps a little more.

There is one class of critic who may not be satisfied with my answers: he who says that our methods are altogether too haphazard and unscientific and that everything depends too much on the whim of the individual branch manager. He would perhaps like the prospective borrower to fill up a

* Horace. Epodes II. 1-4.

complicated form and send it to the appropriate planning authority, where a formula, evolved by some clever ignoramus, would be applied to it, and, after a due lapse of time, the bank would be informed how much credit should be allowed to that particular customer.

I cannot offer any answer to that sort of critic because I know that nothing will satisfy him except the figments of his own imagination, but I do wonder whether his form will provide spaces for information about the customer's character, industry and business ability and, if so, how they will be evaluated under the formula. That sort of thing may sound fantastic, but it could easily happen if the planners were able to get the bit between their teeth.

In the meantime, if I were a customer, I would rather put my faith in the decision or recommendation of the manager of my independent, competitive bank, however whimsical and unscientific he might be, and I would hope that, if he made a mistake, it might possibly be in the direction of allowing me a little more credit than I deserved, though no more than I could readily repay in the ordinary course of my business.

There has been a substantial increase in our premises account in the past year, reflecting the fact that it has been possible to obtain licences fairly freely for the reinstatement of war damage, where we nearly always spend much more than the amount which we have received as compensation. In certain cases we have also been able to undertake extensions of existing buildings to provide for increased business.

It will be understood that these extensions have fallen somewhat into arrears in the past 15 years, and we must expect to spend large sums on our premises for some time to come, especially now that licences are no longer necessary. In the first instance, the new buildings are entered in our books at the high present-day prices, but depreciation is applied annually to each of our properties, new and old, in relation to its cost, and we also hold a substantial unallocated reserve which is deducted from the gross total in order to produce the figure which appears in the balance sheet.

Therefore the total of the account, based as it is on costs incurred in most cases before 1939, and in many cases before 1914, is very moderate in relation to the realisable value of the properties in the money of today.

BARCLAYS BANK DCO

Our investments in subsidiaries are shown this year in a simplified form, following the recent reorganisation of the capital of Barclays Bank DCO and the repayment of the notes of Barclays Overseas Development Corporation. As compared with last year, the total at £13,856,946 shows an increase of £375,000 only, this being the amount of additional money which we subscribed in the scheme of reorganisation to which I have referred.

In August last I sent full particulars of these proposals to the stockholders. I need not, therefore, recapitulate the details of the scheme, which was duly approved at meetings of the stockholders of Barclays Bank DCO in September, but it may be well that I should take this opportunity of inviting you to consider to what extent the passage of time has justified the faith of those who initiated this great venture in 1925. None of them is with us today, although my senior colleague, Colonel Sir Edward Bolitho, joined our board only a few weeks after the project was announced.

The moving spirit in the amalgamation, under the aegis of Barclays Bank Limited, of the three constituent banks, the Colonial Bank, the Anglo-Egyptian Bank Limited and

the National Bank of South Africa Limited, was without doubt my distinguished predecessor, Mr F. C. Goodenough. His great energy and vision had hitherto been applied mainly to the expansion of our business in this country, starting from its small beginnings in 1896, when twenty private banks combined for their mutual defence against the all-absorbing joint stock companies until the day, just over twenty years later, when Barclays Bank had itself become one of the "Big Five" joint stock banks of this country.

Much of the expansion at home was achieved by means of the outright purchase of local businesses from their partners or shareholders, either for cash or by an exchange of shares. In the case of the overseas business, the three constituent banks were amalgamated under the name of Barclays Bank (Dominion, Colonial and Overseas); "A" shares and 8 per cent preference shares in this new company were then issued to the shareholders of the old banks in exchange for their existing holdings.

By this means we acquired a minority holding (about 30-40 per cent) in each class, but we did not attempt to buy out any of our fellow-shareholders. It was, however, felt to be desirable that in addition to the combined published and inner reserves of the three banks, the depositors in what was in their eyes a new bank should have the further support of some uncalled capital. This was provided by a special issue to Barclays Bank Limited of 500,000 "B" shares of £5 each, of which £1 was paid up, leaving an uncalled liability of £2 million.

In return for assuming this responsibility at that time, it seemed appropriate that these partly paid shares should carry special voting rights.

After an interval of thirty years the position has changed: the venture is no longer new, and if it ever required such additional support this does not seem to be the case today. We have therefore readily agreed, on the shares becoming fully paid, to forgo the privilege which accompanied the contingent additional responsibility, and to put ourselves, in all respects, alongside the other stockholders in a single class of ordinary stock. In amount we have, and intend to maintain, a holding of rather more than 50 per cent, which is sufficient for all practical purposes.

It is not, however, our policy, as we see it at present, to increase materially the proportion of our present holding, as we feel sure that it is in the interests of Barclays Bank DCO, and therefore in our own interests, that this stock should be held as widely as possible among the members of the public and among those who may be, or may become, its customers.

NEED FOR TAX CONCESSIONS TO NON-RESIDENT SHAREHOLDERS

In this connection it is a matter of great regret that the income tax law of this country is such that the holding of shares in a British company is normally unattractive to a non-resident. It would be of immense value to the goodwill of Barclays Bank DCO if its stock were widely held by investors in the territories in which it operates, but in fact the proportion so held has been diminishing ever since the Bank was formed and has now been reduced to an insignificant figure, solely, I am sure, for the reason to which I have referred. And it is not only the goodwill of the company concerned which is adversely affected.

There are assets more precious than money which are jeopardised when the strong ties of mutual interest between the members of the British Commonwealth and Empire are

weakened by unnecessary inflexibility in a matter of this kind. It is true that certain income tax concessions are allowed to the non-resident holder of such investments, but they are, in my opinion, quite inadequate in amount; moreover, they are calculated on an unrealistic basis, namely, the personal and other allowances enjoyed by a resident in the United Kingdom, which are quite irrelevant to the affairs of the non-resident and in any case do not give any relief to corporate holders.

The position might be quite different if the allowance could in some way be related to the proportion of the company's income which is earned overseas, and it would appear that a practicable solution might be evolved on this basis.

RECORD OF REMARKABLE GROWTH

If we adopt the conventional measuring rod of a bank's progress, namely its liabilities to its creditors, we find that the growth of the business since 1925 has been remarkable. The combined deposits of the three banks in 1926 amounted to £52 million; at September 30, 1954, they were £494 million, or nearly ten times as great.

It must be admitted at once that much of this is due to the increase of prosperity and to the inflation of the price level throughout the world, the one a beneficial and the other a harmful influence. How much is due to each, and how much again to their obtaining a larger share of the business available, it is impossible to say, but it is of interest to observe that the deposits of Barclays Bank Limited, which in 1926 were little more than £300 million, are now over £1,400 million, or more than four and a half times as great, and I would say that all three influences have been in operation in this country also.

Another telling comparison in the record of Barclays Bank DCO is in the number of branches: 426 in 1926; double that number today.

In considering the progress achieved since 1925, a period representing almost a generation in terms of human life but a much less significant fraction of the history of a great trading company, I should like to call attention to some of the words used by Mr F. C. Goodenough in his speech to the shareholders at the annual meeting of Barclays Bank Limited on January 21, 1926.

"We regard the step that we have taken as a practical measure which will promote the industrial and commercial interests of the Empire and will help both its internal and external trade. These territories will need a continuous supply of fresh capital, as they become ripe for development. I need hardly say, however, that the provision of permanent capital is not one of the duties of a bank, our business being that of supplying floating or circulating capital, and of granting credits for the handling of exports and imports and for other temporary purposes, but there can be no doubt that a strong and well-organised banking system can be of great service, by giving encouragement to trade through the use of banking credit and deposits for those temporary purposes, wherever they may chiefly be needed from time to time. This will be all the more advantageous, since the busy seasons in the various territories do not coincide.

"There can be no doubt that as the wealth of those regions continues to increase, there will be a growing disposition on the part of the investing public to supply more permanent capital, as further developments are needed. There will be much to be gained for our new subsidiary through economy of administration and improved organisation, as well as through

the interchange of staff, especially the higher members of the staff, and in these, as well as in other matters, the close co-operation with our own bank, subject, of course, to sound and proper limits and principles, should prove to be of great advantage."

Mr Goodenough died in 1934, nine years after these words were spoken, but if he were here today after the lapse of another twenty years he would not, I believe, wish to alter any of them, and he would, I am sure, rejoice to see how amply his hopes and his prophecies are being justified, and how the income derived by the parent bank from this investment has been slowly but surely increasing throughout the period.

In these matters it is always best to move slowly; to give the digestive process time to work; to allow lesser loyalties to become merged in greater, which can hardly be fully attained in the lifetime of individuals some of whom were formerly in active competition with one another. The Barclay principle of direction through local boards was immediately instituted in the new organisation, and our system of decentralised executive control is being gradually applied in its entirety to the various territories served by our subsidiary.

The interchange of staff has been practised from the start, not only between the parent bank and the subsidiary, but also between the various sections of Barclays Bank DCO itself. Until recently this has mainly concerned the higher members of the staff, as Mr Goodenough envisaged, but the principle has now been extended so as to cover the temporary exchange between home and overseas of selected men of less seniority, to give them a wider experience which will, we are confident, be most valuable to them and to the bank in their subsequent careers.

I would also call the attention of stockholders to Mr Goodenough's reference to the distinction to be drawn between bank credit and permanent capital. The pure milk of this classical doctrine, as enunciated by him, has been somewhat watered in recent years, when the banks have been persuaded to provide a limited amount of what may be called semi-permanent capital for British industry by their financing of the Industrial and Commercial Finance Corporation, and also through their loans to the Finance Corporation for Industry.

This policy is justified provided that the amount of the investment remains moderate in relation to the capital and reserves of the banks concerned, as it is today, and insignificant in relation to the total of their assets; and in so far as these companies relieve the banks of proposals from their customers for credit for which direct bank finance is not really appropriate, they perform a positive service to the banks themselves as well as to their customers.

Following this example, Barclays Bank DCO itself set up in 1946 a small subsidiary, Barclays Overseas Development Corporation, to perform a similar service in the various territories in which the bank is represented, with the intention that it should operate mainly, though not exclusively, in those which are administered from London. This company has made a satisfactory if modest start, and it paid its maiden dividend in 1952.

At one stage we provided it with finance on loan account to the extent of £3 million, and this loan, which was always intended to be temporary, has recently been paid off. The Corporation now has a capital and share premium account of £6 million, all provided by Barclays Bank DCO, and it has just raised an additional £1 million by an issue of unsecured loan stock which has been placed on the London market.

The capital resources of the countries in which it operates are by no means sufficient for their development, and it is most desirable

that the public, not only in this country but in the creditor countries overseas, should be enabled to feel confidence in investing capital in these territories, where there are still surely countless opportunities for combining public benefit with private profit. It is our hope that our Development Corporation has already contributed something to the building up of this confidence, and will continue to do so in the future.

CONTINUED INCREASE IN PROSPERITY

In the business world in this country it has been a year of great activity, though there have been no spectacular events, if we except the recent revelation of the progress which has been made since the war in the application of the principles of atomic energy to peaceful uses; progress which may, for all that we can foresee today, be the forerunner of a second industrial revolution.

We have seen no strokes of genius by governmental or other authorities in home affairs, but more controls have been removed, and industry and commerce have further demonstrated their power to expand when left alone. Even the most obstinate Bourbons must surely see that life in this country has become more agreeable in the last few years, even if it is a little more expensive.

Some anxiety has been expressed in recent weeks about the possible recurrence of inflation, of which there is always a danger at a time of very full employment. Without doubt much of the expansion of the supply of money in the past year has been required by higher production and by the increase in our reserves of gold and dollars. There is in fact no economic barometer for the exact measurement of inflationary pressure.

There are certain symptoms by which danger can be recognised, such as rising prices, especially of raw materials and wholesale goods; shortages in the shops and delays in deliveries; a rapid and continuous deterioration in our balance of trade; in fact, an excess of demand over supply in any field. With the important exception of the labour market and possibly of the Stock Exchange, it cannot be said at the moment that any of these dangerous symptoms is apparent, and even in the labour market the pressure is by no means uniform throughout the United Kingdom.

There are certain places where the supply still exceeds the demand, notably in Northern Ireland, where several subsidiary factories have already been set up by English industrialists with encouragement from the Government. There is, however, a general feeling that danger is not far below the surface, and if this is a correct diagnosis the "good" budget which is so confidently anticipated on all sides may prove after all to have been a mirage.

The continued increase in our prosperity throughout last year was the more remarkable in the face of a distinct recession of business turnover in the United States of America, a phenomenon which might have been expected to provoke serious reactions in this country. In fact we took it in our stride, even if no one can say quite how we managed it. In economic forecasting the only thing that seems certain is its uncertainty. It is, I believe, all a question of confidence, a delicate plant which cannot be forced but which in favourable conditions flourishes like the proverbial green bay-tree, or one might say like weeds in a wet summer.

GROWTH OF CONFIDENCE

A growth of confidence seems to be the only acceptable explanation of the recent favourable turn in the tide of the Savings Movement, which would appear to deny rather than confirm the recurrence of inflation. The full implications of the

which are published on this subject are not easy to comprehend at a glance.

First of all the student must be careful to see whether or not a given total of new savings includes interest accrued. Secondly, a net improvement in a given period may be due to increased deposits or to decreased withdrawals. Thirdly, in withdrawals it is impossible to distinguish capital from interest, and therefore deposits and withdrawals cannot really be balanced against one another. But when one has unravelled these complications as best one may, it is evident that in the past year there has been a most satisfactory change in the habits of a section of the population.

The timing of the change is, however, difficult to understand. At the beginning of the year, when it became clearly marked, there was no specially good news to cause a change in sentiment. One can only say that it had gradually dawned on the man in the street that things were better; that it was worth while to put some money aside for future needs; that prices were no longer going up every day but that, on the contrary, many of the more durable household goods had become a little cheaper. In fact, he had realised that the injection of excessive inflation into the economy had ceased, although he had not perhaps expressed his thoughts quite in that form.

The following simplified table, extracted from the officially published figures of National Savings, consisting of Savings Certificates, Defence Bonds, Post Office and Trustee Savings Banks' Deposits, shows the extent of the improvement which appears to have taken place during the past year. To take a date later than October would be misleading, on account of the raising of the upper limits introduced at that time.

	Jan. 1, 1954, to Oct. 30, 1954. £'s million	Jan. 1, 1953, to Oct. 31, 1953. £'s million
*Deposits	918.2	857.8
†Withdrawals	885.0	916.5
	+33.2	-58.7

*Excluding accrued interest.
†Including an unknown amount of interest on Post Office and Trustee Savings Banks' Deposits.

The truth seems to be that although fluctuations in sentiment are related to fluctuations in real values, their timing is unpredictable before the event and often inexplicable after it. This was well illustrated in the course of events after the change of Government in this country in October, 1951, when Stock Exchange prices continued to fall for several months after the drain in our overseas reserves had been checked and then, in June, 1952, suddenly turned round and started a rise which has continued for over two years without serious interruption.

These phenomena may puzzle the business man, but they do not alarm him because he is accustomed to them. They do, however, make life rather difficult for those who want to order our affairs according to a master plan.

A natural and very satisfactory result of the restoration of confidence and of business prosperity is that there has been a long series of good reports from industrial companies bringing in many cases tangible benefits to shareholders. Unhappily, this has produced an unfavourable reaction in certain quarters where it would seem that logical thought has yielded place to pathological prejudice, or has become clouded with philosophic doubts. I would beg those who are affected in these ways to put aside any preconceived bias and to consider certain questions which I will set out.

Firstly, who are the principal beneficiaries

of an increased industrial dividend or other distribution? Are they a small number of large individual investors who will pay tax at rates up to 19s. in the £ on the increase, or are they a multitude of men and women, individually by no means rich, who are investors in their own right or through the medium of insurance companies, pension funds and other corporate bodies? Secondly, who is going to invest new money in industry, if he cannot expect to get a good return on it when times are good? He is bound to run the risk of getting a bad return, or none at all, when times are bad. Thirdly, when industrial wages have been increased on the average by 200 per cent, compared with 1938, and dividends by only 50 per cent (I am quoting the figures for 1953) has the time really arrived to regard any further increase in dividends as the signal for a "free for all" scramble for increased wages?

PROFIT, DIVIDEND AND WAGE QUESTION

The essential principle in regard to any comparison of wages with dividends is that the expenses of running the business, which include the payment of a fair wage to the employees, including the salaried staffs, who have hitherto done less well than the weekly wage-earners, have to be met in full out of the gross receipts before there is anything at all available for the proprietors.

After that, in theory at least, everything that the tax-gatherer spares should go to the proprietors, either as dividend or as addition to the reserves, which are their property. What is a fair wage at any given time may be arguable, but this at least explains why, on the figures which I have given, wages moved proportionately so far ahead of dividends in the postwar era of inflated prices.

This is not to say that the whole of any further surplus should in fact be paid over to the shareholders. It is likely that, for more reasons than one, the directors of a prosperous business will wish to make service in their company more attractive than service in a rival concern. Whatever form this may take, whether it be a fund to supplement the State pension, or some bright new paint in the works, it will cost money; but it may be expected to give rise to greater contentment and thus to produce ever greater prosperity.

Therefore, the more prosperous a company is the better are the prospects for its employees. This proposition is, I believe, fully accepted by the trade union movement in America. It is a great pity that in this country it seems to be quite widely held in certain quarters that profits are a regrettable, if not a positively wicked, by-product of business activity, and that to be successful is in some way antisocial.

I contend that profits need no moral justification, and if my words should reach the eyes of any doubting Thomas or envious Casca, I hope they may serve to allay his doubts or abate his envy.

PLOUGHING BACK

There is another aspect of the same problem which has received some attention from the critics recently: rather more, I think, than it deserves. They have been saying that industry is not ploughing back enough of its profits in the form of new machinery and equipment.

This criticism has been regarded erroneously as being synonymous with the accusation that industrial companies are increasing their dividends too freely, and some remarks made by the Chancellor of the Exchequer at a city dinner in the autumn of last year appeared to lend support to this proposition. Later the Chancellor in Parliament corrected this misapprehension, making it clear that he had wished to refer to the

disposal, within the business, of that portion of the annual profit which is withheld from distribution and placed to reserve.

What is the guiding principle on which directors should decide this question? I should say that, subject to any overriding need to pay for past extensions which have been financed on borrowed money, or in other ways to improve the liquidity of the business, they will ask themselves whether they are satisfied that the new machinery or equipment will make an adequate contribution to the company's profits. If they are satisfied, they will proceed, but even then the proposition requires some qualification.

When the register of unfilled vacancies is already expanding the emphasis should be on the saving of labour by the replacement of out-of-date machinery. If they are not satisfied that the project will be profitable, they will retain the additional reserve in a liquid or semi-liquid form, which may well be a short-dated Government security, against the day when they can see their way more clearly.

In estimating the profitability of the new machinery, one of the most important elements is its depreciation, and the generous allowances introduced by the Chancellor in his last two Budgets have been a great encouragement to the renewal and modernisation of industrial equipment. Allowances of this kind, apart from the heavy fine which is imposed on dividends in the form of the tax on distributed profits, are sufficient to encourage directors to take far-sighted views in the conduct of the company's business, and are far more potent to this end than any amount of exhortation, however authoritative or eloquent.

There is also the point of view of the shareholder to be considered. The profits all belong to him, as I have already pointed out, and if they were all distributed he might be expected to save and reinvest in industry part at any rate of the surplus, from which he would eventually draw an increased income. If this opportunity is to be denied to him (and let it be remembered that "he" is very possibly an insurance company or a pension fund) he is entitled to complain if he does not receive in due course additions to his dividends at least sufficient to compensate him for the loss of the income which he would otherwise have received from his own investment of the surplus.

POLITICAL UNITY IN WESTERN EUROPE

I cannot conclude this review without a reference to the recent lightning of the clouds which have so long overhung the political atmosphere of Western Europe. Although the final acts of ratification are not yet complete, it would seem that, at the eleventh hour, the nations have at last been able to come into line in regard to their future relations with Western Germany, and so to avoid the risk, which was perhaps imminent, of the whole country achieving reunion under the exclusive protection of Moscow.

We may well feel proud that the agreement was due in large measure to the initiative of our Foreign Secretary at, and before, the recent London Conference, and that we have resumed that moral leadership in the world, which is our undoubted destiny and very heavy responsibility. It is perhaps not too much to hope that having now acknowledged our responsibilities in regard to our neighbours across the Channel, we may find means of gradually leading them towards greater economic as well as political unity.

It is an interesting paradox that, while the peoples of the Commonwealth and Empire become daily more conscious of their desire for independence, the independent peoples of Europe are becoming more conscious of their need for unity, even at the cost of sacrificing some of their national sovereignty.

WILLIAMS DEACON'S BANK LIMITED

SATISFACTORY FINANCIAL RESULTS OF YEAR'S WORKING

DEPOSIT FIGURE AGAIN A RECORD

PERIOD OF MARKED ECONOMIC PROSPERITY

RECENT PROGRESS LEAVES NO ROOM FOR COMPLACENCY

SIR ERIC A. CARPENTER ON THE HIGH LEVEL OF ACTIVITY

The annual general meeting of Williams Deacon's Bank, Limited, will be held in Manchester on Thursday, February 10, 1955. The following is the statement by the chairman, Sir Eric A. Carpenter, OBE, on the report and accounts for the year ended December 31, 1954:

The proceedings at the annual general meeting will be restricted to the transaction of formal business and I propose to continue the practice of recent years in issuing a brief statement on the bank's affairs in advance of the meeting.

As from January 1, 1955, we elected Mr David F. Landale to the board and I offer him in your name a cordial welcome. His personal qualities and great experience will, I have no doubt, make him an invaluable colleague.

ACCOUNTS

I now turn to the accounts, from which you will see that deposits stand at £147,667,137, an increase of £4,939,250 on last year's record figure. They are somewhat swollen by several large balances which are expected to be of a temporary nature.

On the assets side, the liquid items, namely cash, money at call and discounts, amount in total to £46,293,613 or 31 per cent of our deposits.

British Government securities stand at £49,035,158. Gilt edged prices increased steadily, as indeed did most other Stock Exchange securities up to the early part of December, but there has since been a fall though the short dated securities which form the bulk of the investments of the clearing banks still stand at higher figures than they did a year ago. We have valued our British Government securities, in accordance with our invariable practice, at market price or less.

Advances at £45,072,935 show an increase of £7,248,806.

Our net profit, after making the usual provisions (which include contributions to staff pension and widows' and orphans' funds and appropriations to contingencies account) is £311,095 an increase of £19,564 on the year. With the balance brought forward of £181,523 this gives a total of £492,618 to be dealt with. After transferring £150,000 to pension fund we propose to pay dividends at the rate of 14 per cent on the "A" shares and 12½ per cent (the maximum) on the "B" shares and to carry forward £187,071. I feel sure you will agree that these results are satisfactory. Although the rate of dividend for the whole year is the same as last year, the cost will be £13,750 greater because of the increase in the paid-up capital of £400,000 in September. This increase, which took the form of an issue of 400,000 "B" shares of £1 each, fully paid, was accomplished by a transfer from the published reserve fund, which itself was increased by the transfer of £675,000 from inner reserves. The whole operation brings the

capital and published reserves into more appropriate proportion to the assets employed in the business.

During the year branches have been opened at Newbury, Newcastle-on-Tyne and Bournemouth. At the last-named place there is also a trustee branch.

GENERAL REVIEW

I now turn to more general matters. The year 1954 I regard as one for which we can be quietly grateful. In the early months the strength of the bonds which unite the Commonwealth was never more warmly demonstrated than during the extensive tour of Her Majesty the Queen and the Duke of Edinburgh.

At the end of November the celebrations to mark the 80th birthday of our universally respected and beloved Prime Minister have given cause for a broad view of the momentous times through which he has lived and had so large a part in shaping.

The war in Indo-China has stopped, the Trieste problem has at last been dealt with and settlements in Persia and in Egypt have contributed substantially to the tranquillity of the Near East. In the Queen's Dominions, it is true we still have the troubles in Malaya and Kenya but these show some signs of diminishing.

On the whole, therefore, the year has seen a distinct lessening of tension and the Government can claim a good deal of credit for the feeling of greater security which pervades the Western World following upon the London agreements.

ECONOMIC SPHERE

We have much to be thankful for in the economic sphere, though the burden of armaments remains with us. The year started with the Sydney Conference of Commonwealth Ministers, which adopted a cautious attitude in view of the possibility of an intensified recession in the United States. At the same time, the Randall Commission's report in the US itself demonstrated that full convertibility was not going to be easily attainable.

In April the Chancellor encouraged the country to continue with the progress already achieved in economic affairs, and in his Budget added an incentive to investment by granting a new investment allowance for income tax purposes on new agricultural and industrial buildings and on new plant and machinery. It will be appreciated that this new allowance is a real remission of taxation as distinct from the earlier initial allowance which, although extremely welcome, was merely a deferment.

Although exchange control is necessarily still with us, further controls have been abolished, and a great event of the year has been the end of food rationing, nine years after the end of the war. Production in these

islands has increased and we see new records in iron and steel production, in the number of houses built, in exports and in commercial activity generally.

There is, however, no room for complacency. If we have done well in the export market our rivals have done better. Germany and Japan show bigger increases in their exports than we do, and the same applies to the United States. Indeed, the economic history of the United States during 1954 has been remarkable. The Federal Reserve policy of active ease, massively reinforced by an immense public confidence, seems literally to have enabled the economy to ride, and in the end to reverse, what at one time looked like developing into an ominous recession. In this connection also, it has been remarkable—and very different from 1949—that our economy in this country has been able not only to withstand the American recession but to flourish almost unabatedly through it. This is really most stimulating and gives grounds for confidence and satisfaction.

Nevertheless, there is some weight in the view which has been put forward that our ability to remain unaffected by an American recession depends on a great many apparently unrelated factors. For example, it matters a great deal at what season of the year an American recession really begins to bite because, of course, the sterling area trade with the dollar area is to a large degree seasonal and the demand for dollars is not uniform throughout the year. A second consideration is whether the recession on the other side is affecting severely those industries which import sterling area materials.

CONVERTIBILITY

The year has seen continued and steady progress towards the ultimate goal of full convertibility for current sterling. Complete freedom to transfer capital as well as current earnings anywhere at any time, as was the case before the war, must, I fear, remain a very distant objective. There have, however, been some administrative relaxations, including greater freedom for emigrants to withdraw their capital, a gradual release of blocked sterling arising from legacies to persons in Canada and the United States, and, perhaps more significant still, the provision of the necessary exchange facilities to allow of the re-opening of the Liverpool Cotton Market. Moreover, investments by British concerns of not inconsiderable sums have been permitted in the Dollar Area, especially in Canada, the London Gold Market re-opened in March and, most important of all, the increased degree of freedom of transferable sterling, in itself, of course, a measure of convertibility, has strengthened and confirmed the position of sterling—practically speaking—as the greatest international trading currency. As to the approach to full convertibility for current sterling, there are and must be dangers into which I need not enter. It is notable that of late months the pressure, particularly from the Continent,

for an accelerated speed of approach has tended to die down. Indeed, this is a question for the solution of which both patience and caution are alike necessary.

In this connection, the talks now going on at Geneva for the review of GATT are of the utmost importance. It is essential that the rules relating to tariffs, quotas, subsidies and other devices should be clearly laid down and agreed between the nations. If convertibility when it comes is to have a chance of lasting success, but the negotiations are complex and detailed and include such difficult problems as Japanese competition now that Japan is likely to be admitted to membership of GATT.

The improvement in the gold and dollar reserves continued apace during the first six months of the year. This increase was achieved despite declining American aid. At the end of June the total amounted to £1,078 million. Since then in spite of the payment of \$99 million in respect of the EPU settlement, \$112 million to the IMF for the repurchase of sterling and of adverse seasonal factors the reserves at the end of November still stood at £1,044 million. At the end of the year the annual instalments on the United States and Canadian debts caused a reduction to £986 million.

A very satisfactory feature of the monthly returns has been the surplus earned each month, with one exception, in the Sterling Area's trade with Europe. It is true that these surpluses have been small, but none the less they have continued in spite of increased travel allowances and relaxations in our trade with Europe, and are due in large part to increased exports from this country.

Whilst it is right that we should feel solid satisfaction at the course of the reserves during the year, it is as well to remember that they are even now considerably below the amount at the end of 1950, and that the margin for contingencies is still relatively narrow. It cannot be stressed too strongly that these reserves constitute the reserve of the whole Sterling Area.

IMPORTS AND EXPORTS

The figures of imports and exports have been distorted at the end of the year by the dock strike, and it will be some time before the full effects of this and of the ship repairs strike are known.

For the first six months exports rose by some 7 per cent in value over the corresponding period of 1953, a most satisfactory increase under any circumstances though not, as mentioned above, as good as the figures for the same period of some of our competitors, notably Germany and Japan, and even the United States, which derived a stimulus from the recession in their home market. Even so, our export performance was the principal factor in the highly satisfactory outcome of the balance of payments for the first half year, when a rate of increase of £300 million per annum was achieved. Inevitably, exports to North America actually declined a little. In the third quarter, exports rose by only 4 per cent. Imports, unfortunately, followed a reverse pattern, actually falling slightly in value, though not in volume, in the first six months and rising by 1½ per cent in value in the third quarter.

The export experiences of individual industries varied greatly. Cotton and woollen textiles barely maintained their position but other textiles, including rayon, showed an increase, though all were still well below 1951. Vehicles, on the other hand, broke new records, being nearly 9 per cent up, machinery was 6 per cent up and other metal manufactures 7 per cent up. An interesting development was the increase in exports of petroleum products by 12 per cent now that the new refineries approach full production.

PRODUCTION

The increase in the total product of industry has been maintained at a rate nearly equal to that of 1953, when the figure was almost 7 per cent for the year. Once again coal production has hardly increased at all, though output has been maintained with fewer workers available. It is in the manufacture of vehicles that the rate of increase has literally leapt ahead with a figure of 13 per cent following last year's somewhat smaller figure, and this was achieved with an increase in manpower of only 4½ per cent. All the engineering and metal trades showed up well, giving a good return for the additional workers they were able to attract. In textiles, too, the labour position improved slightly and production has increased though it is not yet back at the record figures of 1951, due to the special problems of competition in the export market.

In building, despite the handicap of the weather, the number of houses completed has continued to rise without any increase of any moment in the manpower employed on them. Moreover the proportion of houses built for private owners which do not attract the heavy state subsidies granted to houses built for the local authorities has risen appreciably. Houses are a form of investment which give dividends in extra comfort but do not directly help in the battle for exports, and it may be that the time is approaching when they should not have quite the same high priority as investment in buildings and plant which directly affect our ability to compete in world trade.

I cannot too strongly support the Chancellor in his appeals recently for more investment in industry, with its corollary of greater efficiency, and I am glad to note that industrialists generally have not been slow to respond. The closing months of the year have brought many announcements of big investment programmes, and the banks are playing their part in helping with the necessary finance where it is appropriate.

COMPETITIVE POSITION

The general picture, therefore, for this country is, with the exception of one or two industries, one of very marked prosperity. The same could, I think, be fairly said, now that the United States is clearly emerging from its recession, of the trading world generally. From all quarters of the globe the same reports of greater productivity are heard, and there seems no doubt that much of this derives from a rise in the standard of living in great and hitherto, relatively speaking, economically undeveloped areas. It could well be argued that the immediate future holds the prospect of a very considerable increase in the volume of world trade from which this country could hardly fail to benefit.

Nevertheless, what I said above about our competitors, notably Germany and Japan, should be borne well in mind. We should not let this present progress in what may prove to be a very favourable economic climate blind us to our true competitive position. Neither Germany nor the United States, nor any other trading community, except possibly Japan, has to suffer the burden of taxation which we in this country have to endure, and however much one welcomes the recent investment allowance, the time has surely come when common prudence as well as common sense suggests the lightening of taxation upon individuals. The figure at which surtax starts to be imposed, namely, £2,000 per annum, is certainly too low. The Index of Retail Prices shows us that £855 in 1938 had the same spending power as £2,000 today. If that be so, it seems an extraordinarily modest figure at

which to limit the earned income allowance, and to commence to impose heavy, progressive, additional taxation. It is much to be hoped that the Chancellor will give consideration to this point. In this country, mercifully, we are able to count upon the strong sense of loyalty which exists in the Public Service, in semi-public institutions and throughout industry. Nevertheless, one cannot quite see how this high standard can be indefinitely maintained with a level of taxation so destructive of incentive.

INDUSTRY

Shipowners face the New Year in a much more cheerful frame of mind. Tramp shipping freights, time charter rates and tanker rates have been rising steeply in the last quarter of the year from the unremunerative level at which they stood in the middle of the year. Good profits can now be earned even by older ships, and, as a result of rising freight rates, the value of second-hand ships has risen steeply.

The cost of new tonnage continues to mount, and the 20 per cent investment allowance for new ships is especially welcome to shipowners.

Shipbuilders are now facing severe competition from the Continent, and close co-operation between workers and management will be needed if they are to surmount it when the present arrears of orders have been completed.

The weather has made 1954 an almost disastrous year for agriculture. Although the wheat crop has been practically as large as in the previous year, a larger acreage was planted and the quality of much of the crop is very poor. Coarse grain crops were much lower than the drop in area planted, and potatoes were particularly affected.

The net result is that the farmer's income has dropped slightly in 1954; but, although prices and production have been decontrolled, he still has a measure of protection to his price-level in the form of various subsidies.

It is generally agreed that maximum production is essential in agriculture for strategic reasons as well as for the effect on the balance of payments, and the only question is whether present arrangements give the best results both to the farmer and to the taxpayer.

The output of both steel and pig iron is yet again a record as the large amounts of capital put into the industry in the years since the war come to fruition, and it is expected that the steel target of 18,500,000 tons will be achieved, another increase of nearly a million tons on the previous year. Even so, the engineering and building industries have been able to absorb it all, and shortages have reappeared in some places, particularly of steel sheet, so much in demand by the motor vehicle industry. Further expansion of productive capacity is planned for the next few years, and the industry needs no exhortation from the Chancellor to invest capital for greater and more efficient output.

A new development has been the closer touch established with the continental Coal and Steel Pool.

The coal mining industry shows only a negligible rise in productivity. Manpower, both in numbers on the books and in effective employment, has again declined during the year, but output per shift is a little better and there has been a small drop in absenteeism.

The cotton trade has had a difficult year and is much concerned about competition, especially that from India and Japan. Japan increased her cotton exports in the first nine months by nearly 50 per cent, and of the total

some 40 per cent went to the sterling area but only 19 per cent to the dollar area.

Indian exports to this country increased by several times in the same period, and although they are a help to our finishing trades the fact that they come in free of duty and without conditions enables them to compete directly in the home market.

Nevertheless yarn production in this country is nearly up to the best since the war.

The Liverpool Cotton Market reopened in May, since when trade in the raw material has been gradually returning to private hands.

BANK'S EXPANDED ACTIVITIES

You will not be surprised to learn that as the year came to a close we received favourable reports from nearly all areas where the bank operates indicating a continued high level of activity, and this was particularly so from those districts concerned in the various branches of the engineering industry, and with iron and steel manufacture. So far as the bank itself is concerned, I am pleased to say that there has been a most satisfactory expansion in our connections and in our activities, including those areas where we have opened new branches. Both our foreign and trustee departments have been very active.

I should like to take the opportunity in conclusion of expressing on behalf of myself and of every member of the board, to Mr King, the general manager, to the assistant general managers, and to all members of the bank's staff throughout the service, our best thanks for their devoted labours during the year and our sincere appreciation of their enthusiasm and their efficiency.

APEX (TRINIDAD) OILFIELDS LIMITED

MR MALCOLM MACLACHLAN'S SPEECH

The thirty-fifth annual general meeting of Apex (Trinidad) Oilfields Limited was held on January 20th in London.

Mr Malcolm MacLachlan, chairman and joint managing director, submitting the accounts for the year ended September 30, 1954, said that the net profit for the year was £631,000. The directors recommended a final dividend of 1s. 3d. free of income tax per 5s. unit of stock, making a total dividend equivalent to 1s. 6d. free of income tax per unit of stock on the issued capital of £1,100,000. The production for the year amounted to 3,007,000 barrels of crude oil and 4,085,000 gallons of casinghead gasoline. The company's total production of oil since it commenced operations passed the figure of 100 million barrels. During the year 97,204 feet were drilled.

The cost of the company's deep drilling had been extremely high both in terms of money and of drilling time: the results to date underlined the formidable task involved in the search for deep oil reservoirs in Trinidad, on which the industry during the past nine years had spent over 50 million dollars. In the circumstances it was satisfactory that the company had been able to build up a strong financial position, and the need to maintain it would be readily understood.

There was some increase during the year both in the production and in the price the company received for it, which was on a basis related to United States prices; however, the greater part of these benefits was absorbed by increased costs. The report and accounts were adopted.

ANSELLS BREWERY, LIMITED

INCREASED SALES, OUTPUT AND PROFITS

MR A. E. WILEY'S REVIEW

The fifty-fourth annual general meeting of Ansell's Brewery, Limited, was held on January 18th at Birmingham, Mr A. E. Wiley, chairman and joint managing director, presiding.

The chairman, in the course of his speech, said: It is a very pleasant duty for me to submit to you, on behalf of your board, the report and statement of accounts for the trading year ended September 26, 1954. Although it has again been a period full of continued difficulties and rising costs, your company has, by increasing its sales and output, been able to show a year of expansion and increased profits.

The group trading profit, amounting to £2,248,845, is an increase of £308,815 over the previous year. This has been achieved because of the continued popularity of your company's products, modernisation of plant, and careful management.

TAXATION BURDEN

I must call attention to the necessity of some relief from the penal taxation to which this industry is subjected, by an allowance being given for depreciation of buildings similar to that allowed to manufacturing and industrial concerns; I mean a "depreciation of buildings" allowance should apply to hotels, licensed premises, and other retail establishments, and I hope that the Chancellor will give this matter full consideration.

Other items of expense, to which your attention should be directed, are an increase of £13,126 for depreciation, £21,153 debenture interest (this, of course, being the first full year covering the 5 per cent second debenture stock), and taxation an increase of £170,593.

The net profit for the year is £711,383, which is an increase of £102,541 over the previous year. You will note that there is a disposal balance of £1,033,514.

BUILDING OPERATIONS

In November the Ministry of Works cancelled all restrictive orders on buildings, which means, of course, that we may now commence building new properties where we have held grants for some years. It is impossible to tackle all these grants immediately, but building operations will be commenced where the demand is greatest. The licensing justices will naturally expect us to fulfil our obligations as soon as possible, but this can only be done as circumstances permit, and subject to the necessary labour and materials being available.

Owing to the high building costs we shall have to modify the design of our "New Houses," but we will endeavour to give both comfort and service as in the past, cutting down the cost of building wherever possible. This is a matter to which we will give our careful consideration, so that we shall be able to offer full service to the public, and meet the requirements of the Town and Country Planning Authorities. Where there is the demand, facilities will be given to catering according to the district requirements.

I am pleased to say that considerable progress has been made in remodelling the brewery and bottling stores.

With reference to your subsidiary companies, it is with great pleasure that I am able to report that the purchases made during the last few years have been fully justified.

During the last few years our wine and spirit department has made considerable progress and it is gratifying to report that the profit from this department is increasing year by year, which speaks well for the quality of our wines and spirits, and the management of the department.

REDEVELOPMENT PROGRAMME

During the past year we have done our best to cooperate with the appropriate authorities in the licensing planning areas of Birmingham and Coventry, where we own a large number of licensed premises, both by assisting in their schemes for redevelopment and slum clearance, and by providing the public with licensing facilities on new housing estates. In Coventry, a substantial measure of agreement has been achieved and with the lifting of building restrictions, building operations should soon commence.

In Birmingham the implications to the licensed trade of the Corporation's great redevelopment programme are far-reaching, and as the Corporation is naturally concerned about the cost of these schemes to the public, so your company, anxious though it is to assist in any scheme that will benefit the public, naturally has to watch the compensation to be paid for those licensed premises which the Corporation has to acquire; the enormous present-day cost of rebuilding, whether on the redevelopment areas themselves or on new housing estates, must also figure largely in our plans.

MR WALTER SCOTT'S SPEECH

Mr Walter Scott, JP (deputy chairman and joint managing director), in the course of his speech, said: From the state of our finances, coupled with the further information given by the chairman, there can be no doubt that we have experienced a very successful year's trading resulting in an all-time record.

Much of this is based on our increased turnover, and I am pleased to report that both the draught and bottled beer sales have increased, especially those of our free trade customers. This latter fact is particularly gratifying as it proves that our efforts to produce the best possible products are recognised and appreciated.

We have had difficulty in coping with the extra demand for bottled beers and stout, not so much because of the larger quantity put into bottle, but from the demand for the ½ pint size against the larger sizes. The new stout "Newcrest" is still forging ahead in a very satisfactory manner.

We are fortunate that most of our trade is in busy industrial areas, but even so there are many who would relish to indulge their taste for the national beverage but who are debarred on account of the price; so in the country as a whole, beer production is gradually but surely declining, due to the excessive taxation of around 8d. per pint. Incidentally, we collected and paid during the past year in beer duty and taxes direct to the revenue nearly 10½ million pounds.

Taking all factors into consideration I should venture the opinion that next year we may be able to maintain, if not to improve, our present position—at least we have made a good start.

The report was adopted and a final dividend of 12 per cent, making 19 per cent for the year was approved.

MARTINS BANK LIMITED

STATEMENT BY THE CHAIRMAN MR A. HAROLD BIBBY, DSO, DL

PROSPERITY DEMANDS EXPORTS AT THE RIGHT PRICE

The one hundred and twenty-fourth annual general meeting of members of Martins Bank Limited will be held at Head Office, Liverpool, on February 8th. In his statement circulated to members, the chairman, Mr A. Harold Bibby, DSO, DL, writes:

The results for the year have again been satisfactory, our net profit at £918,477 being £98,556 higher than a year ago. In accordance with the forecast in my annual report in January last, the interim dividend paid in July was raised to 8½ per cent, less income tax, and it is now proposed to pay 8½ per cent, less income tax, as a final dividend. The total dividend of 17½ per cent for the year is the same as for the previous year.

Appropriations from published profits, after providing for the dividend, are £150,000 to reserve fund, £100,000 to staff superannuation fund and £200,000 to premises redemption. The larger appropriation to premises redemption is called for owing to increased capital expenditure on our branch offices generally and the bank's continued policy of expansion.

The balance sheet reveals total assets at £363,655,940 against £359,885,065 last year, the increase being mainly accounted for by the rise in engagements on account of customers of £3,415,764 due to greater business activity.

Customers funds and other accounts at £330,645,237 are slightly higher than a year ago. Increased advances to public utilities and industry and trade generally have brought total advances up to £95,391,176 which compare with £83,248,241. On the other hand investments at £109,074,314 are lower than the previous year when they stood at £120,184,980.

Although there has been a reduction in the aggregate liquid resources which are £109,758,258 (1953—£114,441,224) a sound liquid position is again maintained, the ratio of such resources to deposits being 33.15 per cent compared with 34.60 per cent.

I have to record with deep regret the death of Colonel James Walker, DSO, TD, DL, in December. He became a member of the Leeds board in 1921, of which he was later chairman and from 1939 he also served as a director on the general board. His knowledge of the wool trade was of inestimable value to the bank and he will be greatly missed.

We have suffered a very real loss by the resignation of Mr R. H. Thornton on his retirement from business in Liverpool. His quick, accurate, and forthright reactions to any situation were of the greatest value. This we miss as also his delightful and stimulating personality.

During the year we welcomed to the general board Mr Arnet Robinson, who brings to our deliberations his outstanding experience in all maritime matters. Amongst other wide interests, he is managing director of Coast Lines Limited and chairman of the Mersey Docks and Harbour Board. I am also pleased to record that Mr D. H. C. Briggs, MBE, joined the general board in December. His valued counsel has been available to the Leeds district board, of which he is now chairman, for a number of years. He is vice-president of the Halifax Building Society. Both appointments will require confirmation at the annual meeting.

Our thanks are again, as always, due to our staff, from the chief general manager to the latest recruit, for their loyal and devoted service, which is gratefully and appreciatively acknowledged.

With our continued expansion, promotion and vacancies hold out a bright prospect to all who have the ability and determination to seize the opportunities that lie open to them, and it is our endeavour to give every encouragement to those who wish to fit themselves for the higher positions. We are delighted and gratified that so many are taking full advantage of the facilities available.

STEPS TOWARDS ECONOMIC FREEDOM

Step by step we are moving towards economic freedom. Each time a commodity is released from bureaucratic control, either in this country or abroad, it is another stride towards the goal we all wish to reach. The Government is to be congratulated on the many moves they have taken in the year under review and particularly in ensuring that each step forward was on to firm and solid ground.

The clouds of restrictions, controls and unbalanced economies are slowly dispersing or showing signs of disappearing.

We all hope that the full convertibility of sterling will shine through in the not too distant future, but this must come gradually and only when sterling has gathered sufficient strength to withstand all the stresses and strains inherent in freed international trading.

Martins Bank can take their full share of credit for the support that has been given in the restoration of the cotton and grain markets and, more recently, in the setting up of the Fatstock Marketing Corporation with all the difficulties of widely dispersed control and the short time that was available to bring into being a complex organisation.

After repayment of the balance of debt to the International Monetary Fund there remained a satisfactory net increase in the gold and dollar reserves at the close of last year, which is just one further indication of the greater strength of sterling.

The optimistic official utterances of the Chancellor of the Exchequer and of others speaking with authority encourage the hope that there will be some substantial relief in the present burden of taxation.

The country is earning more, spending more and saving more than for years past; production is running at a high level and there are more people employed than ever before. With all this, inflation is at present under reasonable control, so all the omens are favourable for the Chancellor, in his next budget, to restore the incentives that would carry the country to an even higher level of prosperity.

OUR STANDARDS OF LIVING

So much has been said and written on the need for exports that the man in the street now appreciates that, unless we export sufficient to pay for the food and raw materials that we must import, we shall be reduced to starvation or semi-starvation and that our workshops will close for want of cotton,

rubber and the thousand-and-one things we cannot produce in these islands.

If this should happen, even in a modified degree, all our brave talk about maintaining and increasing our standards of living would go to the winds.

It is also appreciated by nearly every section of the community that, the sellers' market having disappeared and our competitors, especially Germany and Japan, getting back into production, we have to produce what our customers require both as regards quality and also as regards price.

There is no question that we can produce goods of the highest quality so it is mainly in the price and prompt delivery aspects that we find ourselves in difficulties, with the risk of forcing our would-be customers to buy elsewhere which would result in our exports dropping and our standards of living with them. It is no use our complaining that Japanese standards of living are much lower than ours or that the Germans not only work longer hours but work harder than we do.

Our potential buyer in darkest Africa is not in the least interested in our standards of living, how many cigarettes we smoke, whether we have a television set or not, any more than the average worker here is interested in what the customer abroad thinks he should be able to afford.

We buy in the cheapest markets and we cannot deny the same right to others. So it comes down to the simple alternative of producing at the right price or lowering our own standards of living.

There are obviously two parties to all trade—the buyer and the seller—the buyer must have the wherewithal to pay for his purchases and this is where thoughts so often get confused by what is termed "the balance of payments," that economic wilderness where so many lose their way.

Trade is fundamentally barter to which the refinements of currency and the settling of differences by gold have been added, to the great convenience of all concerned.

If every country were willing and able to trade with the rest of the world, the limitation of how much each could buy would be settled ultimately by how much that country could sell to others.

Naturally, and rightly, everyone wishes to see his own country's standards of living rise but this can only be brought about by doing more trade, by selling more and buying more. If we and other countries wish to sell more, for example, to Japan, we collectively must buy more from Japan as, otherwise, she cannot have the wherewithal to pay us and this applies universally. Fortunately for us, we are members of our great Commonwealth and the bankers to the sterling area which, to a degree, simplifies our particular problem but even within the Commonwealth no one member can continue for long buying more than it can sell. The import restrictions into Australia, imposed some three years ago, demonstrated this, if a demonstration was required.

So we come back a full circle, to raise or even maintain our present standards of living each one of us, be it the individual unit, the family unit, or the business unit must collectively produce in value at least as much as we consume unless we can find

someone willing and able to support us on a charitable basis.

Our standards of living are not regulated by what we would like them to be or what we think they should be, or even by the standards enjoyed by others, but solely on what our own labours earn in the international market.

Those engaged in the export trade are the first to feel the impact when we are unable to sell our products abroad, but those engaged in the so-called sheltered industries are equally responsible and later affected as the cost of their services forms part of the price of our export products.

STRONG TRADE UNIONS WELCOME

All this is sincerely understood by most of our trade union leaders but only the more far-seeing and courageous seriously try to drive it home to their rank and file members, hence the misunderstandings which are so largely responsible for industrial unrest.

Today every employer welcomes a strong trade union just as every trade union must welcome an association of employers with whom they can discuss their problems and usually come to a satisfactory settlement.

For this sensible way of settling difficulties, it is essential that both parties are determined and capable of seeing that the arrangement arrived at is carried out, otherwise the whole negotiations become a farce, fall into disrepute and ultimate disuse.

The unofficial strike is the worst enemy of the employee and employer alike. The unions have their constitutionally elected representatives who are authorised to nego-

tiate on behalf of their members. The very foundation of collective bargaining crumbles when agreements freely negotiated by them are repudiated and a splinter union within the union tries to usurp their authority.

This is damaging to the unions themselves and leaves the employers with a very real doubt as to whether the agreements are worth negotiating if they will not be honoured by both parties.

The fault lies largely in the fact that so many trade unionists will not take the trouble to attend their branch meetings, leaving the field clear for the agitator and his fellow travellers.

INTERESTS OF EMPLOYEE AND EMPLOYER ARE ONE

The interests of the employee and employer are one; both depend on making their industry prosperous to enable good pay packets to be earned, to make profits which will enable good dividends to attract fresh capital to the enterprise and to put aside sufficient reserves to ensure the replacement of worn-out machinery.

It would be more understandable if employees tabled complaints, should these three requirements not be fulfilled, on the grounds that the management, their fellow workers, or both, were not giving of their best. The more common practice of making excessive demands or resisting the introduction of modern machinery and methods can only result in pricing the products of their labour out of the international market.

If only these recognised truths could be brought home and acted on, an ever-rising degree of prosperity for all would be within reach.

THE CHARTERHOUSE GROUP

OPPORTUNITIES FOR SMALL COMPANIES

The thirtieth annual general meeting of The Charterhouse Investment Trust Limited will be held on February 9th in London.

The following is an extract from the review of the chairman, Mr H. Nutcombe Hume, CBE, MC, which has also been sent to shareholders of Charterhouse Industrial Development Company Limited:

The outstanding event for the Development Company during last year was the acquisition of the share capital of S. Japhet & Company Limited, merchant bankers. This purchase was made on terms which your directors consider satisfactory. Japhets have now become part of the permanent structure of the Charterhouse Group and will greatly enlarge the range of financial services it is able to offer.

Mr Nutcombe Hume continued: Stock Exchange markets, and to a lesser extent industry, are experiencing almost boom conditions and attempts are often made to draw an analogy between the conditions of today and those of the inter-war years when slumps and booms alternated. On the other hand, it has been suggested that a formula has been found for maintaining a constant state of prosperity and full employment. The truth probably lies between these two experiences gained after the first war is being used to good advantage and agencies having huge resources at their command are helping to increase the demand for our exports by developing the enormous consuming power of the great numbers of people in less developed countries. Conversely attempts by sectional interests to exploit full employment can only lead to a reversal of the present trend and to our products being priced out of export markets.

THE NEED OF PRUDENT INVESTORS

Many chairmen's speeches refer to the rise of competition, the continuance of rising costs and the difficulty of maintaining profits. For this reason prudent investors demand a wide margin between company earnings and the amount distributed in dividends; and we apply the same principle in the case of ordinary shares in both public and private companies held in our Group. In the case of investment companies, the necessity for so wide a margin between profits and dividend does not of course arise, provided always that the income is derived from investments of the type I have just mentioned. In this connection, it is noteworthy that investments having a total book value of £2,603,865 held by the Development Company, i.e. the holdings in Charterhouse Finance Corporation, Japhets, Charterhouse Australia and Charterhouse Canada paid no dividend to their parent in respect of last year, although in the aggregate these companies earned substantial profits.

The question is often asked if this is the day of the big corporation and whether smaller companies will gradually be eliminated by them; and my reply from practical experience is an emphatic "No." There is plenty of room for the smaller business, and there are now and always will be many examples of small concerns growing into big ones. For many years taxation has seriously handicapped growth out of retained profits, but the advent of corporations like the Charterhouse Industrial Development Company has helped to solve this difficulty, and provided always there is good management all other obstacles can be overcome.

NATIONAL PROVINCIAL BANK LIMITED

COUNTRY'S GREATER PROSPERITY

ENCOURAGEMENT TO INDUSTRY ESSENTIAL FOR FUTURE SUCCESS

DISTURBING INFLATIONARY FEATURES OF PRESENT ECONOMY

MR D. J. ROBARTS ON PROGRESS TOWARDS STERLING CONVERTIBILITY

The one hundred and twenty-second annual general meeting of National Provincial Bank Limited will be held on February 10th at the head office, 15, Bishopsgate, London, E.C.2.

The following is the statement by the chairman (David John Robarts, Esq.) which has been circulated with the report and accounts for the year ended December 31, 1954:

Board of Directors.—We have to record with great sorrow the death in November last of Lord Colgrain.

Lord Colgrain was elected to the board of the Bank in 1903 and he occupied the chair from 1933 until 1946. He was also chairman of the committee of London Clearing Bankers from 1938 until 1946. During this long period he rendered great service to British banking as a whole, and his work for the National Provincial Bank will always be remembered with the deepest gratitude. He was regarded with high respect and affection by everyone who knew him.

In July last year we were glad to welcome to the board Mr Edward Raymond Courage, a director of the old-established business of Courage and Company, Limited.

We offer our congratulations to our colleagues, Sir William Fraser, CBE, upon whom Her Majesty has been pleased to confer a barony, and Sir Ivan Stedeford who has received the honour of a Knight Commander of the British Empire. We also congratulate Mr Edward Walters Senior, a local director for Sheffield, who has been made a Commander of the Order of St. Michael and St. George.

We have to record with regret the retirement of Mr Ernest de Garis, OBE, and Sir Victor Gosselin Carey, local directors for Guernsey, who have served for very many years in that capacity. Mr John Herbert Farmer and Mr Frank Wall Poat have been appointed local directors for Guernsey.

Coutts and Company.—The balance sheet of Coutts and Company as at December 31st last accompanies our own report and accounts.

Lloyds and National Provincial Foreign Bank, Limited.—During the year we agreed to sell our half interest in Lloyds and National Provincial Foreign Bank Limited to Lloyds Bank Limited, who in consequence will become the sole proprietors of that bank.

The directors both of Lloyds Bank Limited and of your bank feel that the substitution of sole for joint ownership will carry advantages which will justify this change.

STATEMENT OF ACCOUNTS

The balance sheet and accounts of the bank together with the directors' report are before you.

It will be seen that the liabilities of the bank to its current, deposit and other account holders have risen during the year by £39,900,648 to £909,324,410.

The total of our most liquid assets—cash,

money lent at call and short notice, and bills—now represents 37.2 per cent of our deposit liabilities. This compares with 39.5 per cent twelve months ago.

Investments in securities of, or guaranteed by, the British Government are shown, as is our usual practice, at a figure which understates their market value. The balance sheet value of £280,502,121 gives a ratio of 30.8 per cent to deposits, as against 28.5 per cent last year.

In contrast to the experience of the two preceding years, our advances to customers and other accounts have expanded and stand in the balance sheet at a figure of £249,883,378, that is 27.5 per cent of our deposits. The corresponding figures last year were £244,187,325, or 28.1 per cent of the then total deposits. Full provision has been made for all accounts where there may be any risk of loss to the Bank.

This increase in our advances is broadly based and arises from the high level of industrial and commercial activity at present prevailing throughout the country. In this connection it is perhaps permissible to emphasise the vitally important part played by the banks in meeting the financial requirements of industry. In its lending, this bank continues to be closely associated with the basic industries of the country and, indeed, with all its leading industries. The facilities we make available are an important factor in the export trade and in agriculture. We are also helping to finance the new building in the City and in Greater London, as well as in other cities and towns, including the development of the new towns and their industries.

PROFIT AND LOSS ACCOUNT

The account shows a net profit for the year of £1,827,044, compared with £1,765,768 for 1953.

Together with the amount brought in of £815,909, there is a balance for disposal of £2,642,953. An interim dividend of 8½ per cent has been paid, taking £443,163, leaving available £2,199,790.

It is now proposed to deal with this balance as follows:

To pay a final dividend of 9½ per cent £495,299
To appropriate to reserve funds £1,000,000
This will leave to be carried forward £704,491

The proposed final dividend of 9½ per cent makes, with the interim dividend of 8½ per cent paid in July last, a total dividend of 18 per cent in respect of the year 1954.

These payments restore the rate of dividend to that paid during the years 1925 to 1930.

It is the intention of the directors, in the absence of unusual circumstances, to declare an interim dividend in July, 1955, at the rate of 9 per cent.

These satisfactory results have been achieved by the hard work and skill of the management and staff throughout the bank. We have an asset of immense value in the

fine spirit of our staff which makes possible the maintenance of a high standard of service to our customers up and down the country.

I am pleased to say that a most happy relationship exists between the board and the staff association, and no effort will be spared to preserve the friendly atmosphere in which our meetings and negotiations are conducted.

The complexities of modern life bring many of our customers to our managers for advice upon a large variety of business problems. Therefore, a bank manager needs to have a wide knowledge of the various industries, trades and other activities of his customers so that his counsel may be relied upon as being that of a sound and well-informed man. In this way bonds of mutual respect are forged between the bank and its customers. It is clear that recruitment and training of the men who will be our managers in the future, when great changes may take place in the organisation of banking, is of the highest importance, and we continue to give earnest attention to this aspect of our business.

FUTURE STAFF DEVELOPMENTS

It seems likely that the development of electronic bookkeeping will evolve methods of dealing with some at least of the great number of entries which the bank is called upon to handle. Looking ahead it is reasonable to visualise further changes in the staffing structure of the bank. Almost certainly the number of ladies on our staff will increase, while the number of men may quite possibly tend to fall. If this be so, it will become more important than ever before to ensure that every boy who joins the staff is of the material to become a manager and that he has ample opportunity to study banking in all its aspects.

To this end we have for some years maintained a Staff Training College through which many hundreds of men have passed with, we believe, great benefit to themselves and to the bank. We are now making such facilities available to the younger men in the bank, and they are eagerly grasping the opportunity of acquiring knowledge and skill which will stand them in good stead in the future.

I am glad to report that young men are recognising that banking offers prospects of a happy and useful career with plenty of opportunity, and that we are able to recruit men with the necessary qualities.

IMPROVEMENT OF PREMISES

I would like now to refer to the work which we have in hand and in prospect for the improvement and development of our premises. We take a special pride in our offices and no efforts are spared to ensure that the premises are pleasing architecturally, and well appointed for business purposes. The end of the war found us faced with many years of arrears of maintenance to overcome and with a large amount of war damage to make good. All this had to be accomplished in the face of licensing difficulties, shortage of materials and many other

MARTINS BANK LIMITED

STATEMENT OF ACCOUNTS, 31st December, 1954

LIABILITIES	
Capital paid up	£4,315,096
Reserve Funds	6,150,000
Current, deposit and other accounts (including Profit and Loss Account)	331,162,427
Acceptances and engagements on account of customers	22,028,417
	£263,655,940
ASSETS	
Cash in hand and at Bank of England	£28,606,517
Balances with, and cheques in course of collection on, other banks in the British Isles	21,566,747
Money at call and at short notice	28,181,000
Balances with banks abroad	974,363
Treasury Bills	47,150,000
Bills discounted	5,820,741
Investments	109,074,314
Advances to customers and other accounts	95,391,176
Martins Bank Executor and Trustee Company (Channel Islands) Limited	100,000
Trade Investments	641,426
Bank Premises	4,121,239
Liability of customers for acceptances and engagements	22,028,417
	£263,655,940

LONDON DISTRICT OFFICE: 68 LOMBARD STREET, E.C.3

HEAD OFFICE: WATER STREET, LIVERPOOL, 2

obstacles. Steady progress was made and some excellent results were achieved despite the difficulties. But we were not satisfied; much remained to be done and many plans were unfulfilled. Now, at long last, with the easing of building restrictions, it has been possible to give attention to the reconstruction of those premises of the bank where re-building is necessary because of damage by enemy action or re-planning schemes by local authorities.

At Canterbury a new building is in process of erection, whilst schemes have been prepared, and plans are well advanced, for the erection of new premises to re-house the branches of the bank at Dover, Plymouth, Portsmouth and Southsea. Elsewhere, no opportunity will be lost of improving our premises as conditions permit.

We are also alive to the necessity of establishing new offices in places where prospects appear to be favourable. The opening of a new branch presents considerable difficulties in the way of premises and staff, apart from the essential problem of building up a satisfactory business. Special qualities of enthusiasm and determination are required of managers and staff and we have been well served in this respect.

BRIGHTER FINANCIAL CLIMATE

The banks with their network of branches and agencies throughout the country provide the arteries and nerves of our national financial life. Their successful operation must, in the end, depend on the financial climate resulting from the direction of Government policies. Happily, during the past year the financial climate has been far brighter than the physical climate which we have had to endure. The country has been enjoying a period of great prosperity. Had it not been for bad weather conditions for the harvest and the occurrence of the protracted dock strike it would have been even better. In the private sector of the economy it is difficult to think of any industry, or section of industry, which is doing badly. Certainly, there is little evidence of unemployment or even of short-time working; nor is there any suggestion that excessive stocks are accumulating. The assumption can only be that, at present, practically everything produced is being sold, and sold rapidly, whether at home or abroad. The trade winds have been mainly fair and a touch of exhilaration has been given by the removal of more controls, the reopening of more commodity markets and the absence of major disturbances abroad. The agreements on Indo-China, Persia, Egypt and Trieste have also helped by relaxing, at least to some extent, international tensions.

For the satisfactory state of the economy the Chancellor of the Exchequer is entitled to much credit. He it was who, at a dark moment in our affairs, had the courage to restore a dynamic monetary policy and to plan his budgets with an eye to the long-term interests of the country. Under his guidance and firm leadership the economy was first put into a condition to take advantage of a favourable shift in the terms of trade or any other fortuitous developments, and then gradually given greater freedom to expand. As a result, the balance of payments surplus grew to £154 million in the first half of 1954, and it has been found possible to relax to an impressive degree many of the technical restrictions on the use of sterling, and much has been done to restore confidence in the pound. On this record the Chancellor is justified in asking the country to "invest in success."

DANGERS OF INFLATION

There are, however, certain unsatisfactory features of our economy which cannot be ignored. The fall in the internal purchasing

power of the pound has not been arrested; only slowed up. Whatever the successes achieved by the new monetary policy, a fall in purchasing power is hardly one of them. Of course it can be argued that such a decline is only a small price to pay for full production, full employment and freer trading conditions. From this it is but a step towards accepting the comfortable doctrine that we can afford a mild degree of inflation each year so long as production increases. But experience has shown that the promised objectives are not necessarily attained by such a policy. The theory implies a precision in economic management that has yet to be displayed: it bumps up against a number of very baffling problems.

In the first place, such a policy—one of tolerating, or even deliberately engendering a yearly dose of inflation—is only possible for a country placed as Great Britain is, if the rest of the world is doing much the same. Otherwise our exports will sooner or later price themselves out of the market, with consequent unemployment, or our currency will have to be devalued again in order to maintain the balance of payments. Secondly, it presupposes a yearly battle for increased wages always fought and lost on the issue of trying to restore the standards of the workers, instead of that of raising productivity. That is not the way to secure either good labour relations or a prosperous economy. Thirdly, unless prices can be kept reasonably stable, the cost of the social services must constantly be increased, with consequent threats to the solvency of the national insurance scheme or of the national budget. Fourthly, what of the outlook for savings which have staged such a spectacular, though somewhat mysterious, recovery over the past two years?

The practical effects of this chronic inflation have been seen in the recurrent unrest which spreads from one industry to another each year. Pressure for increased wages is inevitable when the purchasing power of the currency is continually falling, and every time an increase in wages is granted without a corresponding increase in production more fuel is piled on the fires of inflation. The threatened railway stoppage which has just been averted exposed this problem in its most acute form.

A further stimulant to inflation this year has been the great increase in hire-purchase business. While the abolition of controls, including that of hire-purchase finance, is welcome it is to be hoped that this method of mortgaging future earning power will not be carried so far as to stimulate a feverish demand which cannot be sustained.

GROWING TENDENCY TO INVEST IN EQUITY SHARES

These are not just theoretical questions. They are ones which are giving everyone responsible for the prudent use of funds cause for concern. The growing tendency to invest in equity shares reflects the result of their assessment of the long-term prospect, and their deductions from the trend of money values in recent years. Wherever the process of inflation has been allowed to develop, the private citizen has learnt that the only safeguard is to hold assets such as are represented by equities, instead of Government or other bonds fixed in terms of a depreciating money. Hitherto, the people of this country have been happily free of this contagion but it is a sad reflection on the trend of public affairs that at present, while Parliament is constantly pressing for more and more lavish expenditure, the Government finds it increasingly necessary to look to the banks and other financial institutions rather than to the private citizen, to take up Government securities.

I do not suggest that the present situation

is one that gives rise to immediate alarm, still less do I suggest that the benefits brought about by the new monetary policy are going to be lightly discarded by the Chancellor who has clearly handled affairs with great skill and determination over the past four years. But the long-term implications are disturbing. Nor is there any easy solution at hand. A state can only achieve financial stability in the same way as an individual can—by the exercise of a certain amount of discipline—and discipline is a question of patient education and example. It is of the utmost importance that public opinion should be alive to the dangers of taking the line of least resistance in monetary affairs as well as in everything else.

NEED FOR INCENTIVES

To return to the present, it will be apparent to many that the prosperity of Great Britain depends, as it has done for the past hundred years, on keeping ahead in the industrial race. We may well be on the threshold of an era of startling progress, and it is essential that industry should be given every encouragement to develop new processes and to adopt new techniques. The introduction of an investment allowance in the last Budget was a welcome step in the right direction, and it may be hoped that it will be possible to extend this principle. Although it would be to the general advantage if the standard rate of income tax could be substantially reduced, the prospect of any such reduction must depend on the possibility of reducing Government expenditure. None the less, when the time comes for the Chancellor to consider what, if any, relief he can afford in 1955, I hope that he will keep in mind the necessity to encourage men as well as machines. Taxation beyond a certain point destroys enterprise and initiative. Two cases in particular leap to the mind. In the first place, the level of income at which surtax commences to be levied should be raised; and, secondly, no part of any man's income should be liable to a total taxation exceeding 15s. in the £ as a maximum. It may be hoped that, whatever may be possible in other respects, the Chancellor will see his way to make appropriate adjustments to meet these cases. They would cost very little in relation either to the total revenue of the State or to the benefit to the national economy which would result from the incentives thereby given to a small but important group of individuals.

THE GOAL OF STERLING CONVERTIBILITY

During 1954 progress has been made towards the goal of convertibility of sterling. Because this progress, apart from the raising of the basic travel allowance, has occurred mainly in the technical sphere, the public is largely unaware of what has been accomplished. But, given the uncertainties of the times and the lack of response to suggestions that the United States should facilitate currency convertibility by some modification of their tariff regulations, it seems not only right but inevitable that our approach should be a cautious one. Meanwhile, it was satisfactory to note that action had been taken to settle some of our liabilities to the European Payments Union and the International Monetary Fund. Despite these payments, the gold reserves have shown a healthy buoyancy, although it should not be forgotten that they are still some £395 million below what they were in June, 1951, and that the recovery which has occurred has been due, to a considerable extent, to special receipts from the United States on which we cannot count indefinitely. Moreover, despite some relaxations, we still maintain a number of prohibitions and restrictions on dollar imports and, until these restrictions have been

removed, we cannot tell what strain on our reserves would follow convertibility. The main trouble is the activity in our domestic market. There has been too great a tendency to expand consumption within the country, to the detriment of our balance of payments. The Chancellor of the Exchequer has, therefore, rightly stressed the need for sound internal policies. Convertibility cannot be restored until general

confidence in the stability of sterling has been firmly re-established, and this, in turn, will depend on the evidence that the British Government and British people are determined to maintain it.

To sum up. We have had a good year; the short-term outlook seems reasonably clear; industry's main problem is still a shortage of skilled workers, not—except in the case of shipbuilding—a shortage of

orders; and sterling has gained generally in strength. Now is the time to put forward our greatest efforts not only to recover more of the ground lost because of the war, but also to provide for those occasions in the future, when assuredly the economic tide will not be running so strongly in our favour. We do not want to be regretting in a few years' time that we did not take fuller advantage of the fat years to provide for the lean.

DISTRICT BANK LIMITED

SATISFACTORY LIQUID POSITION: A YEAR OF PROGRESS

THE NATIONAL ECONOMY

NEED FOR HIGHER PRODUCTIVITY

TAX REDUCTIONS AS INCENTIVES

SIR THOMAS D. BARLOW'S REVIEW OF CONDITIONS AND PROSPECTS

The chairman, Sir Thomas D. Barlow, GBE, has circulated, with the report and accounts, the following statement to the shareholders of District Bank Limited, prior to the one hundred and twenty-fifth annual general meeting, to be held on February 11th, at the Head Office, Spring Gardens, Manchester:

As you will see from the report, Sir Kenneth Lee has decided not to offer himself for re-election. Sir Kenneth has long been a prominent figure in industrial and commercial circles, and for thirty-three years the board has had the benefit of his wide experience and business acumen. I am sure you will wish me to convey to him our grateful thanks for his inestimable services, which, fortunately, we are not losing entirely as he has agreed to remain a member of the London committee.

During the year certain changes have taken place among the Bank's principal executive officers, Mr Samuel Higginbottom, chief general manager; Mr Albert Dunn, a joint general manager; and Mr A. R. Capey, general manager (London), have retired on pension after many years of loyal and devoted service. We extend to each one our best wishes for happiness in his well-earned retirement.

Mr William Mitchell, deputy chief general manager, has been appointed chief general manager; Mr Frank Stott, an assistant general manager, becomes a joint general manager; and Mr H. J. Higginbottom, previously assistant general manager (London), is now general manager (London); Mr S. H. Coomer, our secretary since 1949, has recently been made an assistant general manager and has been succeeded in the position of secretary by Mr J. F. Hornbrook.

STATEMENT OF ACCOUNTS

On reference to the balance sheet, it will be seen that current, deposit and other accounts have again increased and are over £3 million above the record figure of £251 million shown the previous year. This upward movement is in keeping with the general trend of bank figures and is mainly due to the increase in industrial activity.

As might be expected, the larger resources and the rising tempo of business have been responsible for important changes in the composition of our assets. The total of the items, cash, money at call and short notice,

and bills of exchange, is higher than at the close of 1953. Our holding of Treasury Bills, on the other hand, has been reduced, but notwithstanding this change our liquid position remains satisfactory.

For the second year in succession we have added to our investments: most of our British Government Securities have a definite date of redemption and their market value is in excess of the figure shown in the balance sheet.

With our advances at £65 million, we have more than regained the ground lost since the peak figure was reached in 1951, and it is satisfactory also to note that our average lendings have been higher than for the previous twelve months. Needless to say, our lendings are made to a representative selection of industries, and I am pleased to observe that, as always, we have been able to afford generous assistance to the various branches of agriculture.

An outstanding feature affecting both sides of our balance sheet is the substantially higher figure for acceptances, confirmed credits and other obligations. This reflects the increased activities of our foreign department, following further relaxations in exchange control and the less restricted use of sterling for trade. In particular, the restoration of a free market for raw cotton has led to a marked expansion in the volume of import credits and to a much greater turnover in foreign exchange transactions, for both spot and forward delivery. Export credits, on the other hand, have remained fairly constant, but there has been an increase in the number of export bills for collection and negotiation.

We have added to property account since, with the easing of restrictions, the rebuilding and extension of premises have proceeded more rapidly. Our new branch at Newcastle-upon-Tyne was duly opened last November and, as the alterations at Derby are now nearing completion, it is anticipated that we shall commence business there within the next month or two.

THE YEAR'S PROFIT

With a lower level of interest rates operating last year we derived less income from our money market resources. Then the maintenance of our properties and higher running costs have caused the trend of expenses to remain upwards. Against this we have been able to employ a higher proportion of our funds in the more remunerative

items, investments and advances, with the result that we show an increase of £29,119 in net profit as compared with the previous year. After making the usual provisions this amounts to £588,863 and, including the sum brought forward, there is for disposal £932,941. Of this we propose to allocate £200,000 to our general reserve and, after providing the amount required for payment of the higher dividend established last year on the "A" and "C" shares and the maximum dividend on the "B" shares, there remains the sum of £422,914 to be carried forward to the next account.

The conduct of the bank's business depends primarily on the keenness and efficiency of our staff. To ensure that the personnel maintains our traditionally high standard of service we attach great importance to careful selection and training. Training, however, is not just a matter of imparting technical knowledge: it is also a handing down of mature experience in banking from seniors to juniors by means of informal discussion or refresher courses. To this end members of a necessarily widely dispersed staff are regularly brought together. But important too, having regard to welfare, are the various social and sporting activities organised by the bank's deservedly popular sports club.

As in other years, our progress has been made possible by the good work performed by both management and staff and in appreciation of this I should like to express my sincere thanks to all concerned.

THEN AND NOW

Last year we passed the 125th milestone in our history. Although the echoes of the Napoleonic wars must still have been audible in 1829 when our doors were first opened, twenty-five years were to elapse before the Crimean war broke the peace which had prevailed since Waterloo. Whilst the Russian war disclosed many defects in military organisation and strategy, its economic consequences were small and easily overcome, and for the remainder of the century this country enjoyed the Victorian summer of prosperity.

Very different has been the experience of the last forty years in which the government, industry and the banks have had to grapple with inflation, deflation and the innumerable problems of war and postwar economic distress. Now, nearly ten years after the close of the second world war, we are begin-

ning to emerge from some of its many and intractable consequences and it is a matter of congratulation that the present government has given our economy much needed ballast and greater stability.

A YEAR OF ACHIEVEMENTS

This last year has added its own quota to the achievements of previous years and has brought the country a perceptible measure of prosperity. As the ultimate test of our progress is that we should pay our way abroad, it is gratifying to see the figures for the first half show that our current payments surplus has continued to increase. Since, moreover, this increase owes little to the terms of trade, we have the satisfaction of knowing that most of the surplus has been gained through our own efforts, as may be gathered from the further improvement in our industrial production and exports. Our payments position has again been supported by higher earnings from shipping, banking, insurance and other invisibles, whilst the addition to our reserves, despite a cut in defence aid, is proof of our underlying fundamental strength, as is also the healthier state of our capital position due to substantial debt repayment.

AN OVERBURDENED ECONOMY

Encouraging as these gains are, and particularly pleasing because they have been accompanied by a further freeing of our economy, ominous signs of overstrain have begun to appear in recent months. To the pressure occasioned by an increased volume of exports there has been added pressure from such other sources as the housing programme, industrial capital projects and the rise in personal expenditure.

Admittedly these accumulating demands have to a considerable extent been offset by the increased output of industry, yet this has not met the needs of the situation. Ever-growing activity is leading to over-full employment and, with more jobs to be filled than workers to fill them, there has been a gradual extension of overtime and a renewal of wage claims. With a thinning out of supplies and a lengthening of delivery dates we are, in my opinion, moving towards a situation wherein there might again be a tendency to accumulate stocks beyond normal requirements—a development which, more than anything else, creates shortages.

INCREASED OUTPUT AT LOWER COST

If, as is inevitable, shortages are translated into delays, rising production costs and rising prices, the threat of inflation will endanger the volume of our output and of our exports. That would indeed be serious for, commendable as has been our progress in both these directions, our keenest competitors amongst other countries continue to surpass us, so much so in fact as to leave to our manufacturers a declining share of world exports.

Clearly we need still higher productivity and more exports and, since we are handicapped in that we lack reserves of manpower, we can only surmount this disadvantage by making the best possible use of our all too limited resources and by quickening productive investment, so that by modernisation and greater efficiency we can at one and the same time raise output and bring down manufacturing costs.

Unfortunately such an increase in investment adds yet another pressure at the very time when our somewhat extended economy will be finding it difficult to cope with further demands. Yet, with other countries deflecting an ever-increasing proportion of their resources to industrial investment, we dare not lag behind.

CHECKING INFLATION

If the inflationary tides were running so strongly that they could not be stemmed, we might feel that there was cause for alarm. But that surely is not how we need view the situation. Some degree of inflation is unavoidable during a period of economic expansion. So far, however, the increase in the volume of money and consumer expenditure has been outpaced by production and there is encouraging evidence of increasing confidence and stability in the recent revival of personal savings. For these reasons prices have remained stable enough to permit real wages to rise, and this, together with increased earnings, has resulted in such an improvement in living standards that the great majority are now better fed and better clothed and enjoy many more amenities.

Nevertheless, a fully stretched economy signals danger and, since it is so much easier to prevent instability than to effect a cure, we ought readily to admit the need for concerted action to avoid the upsurge of inflationary forces which would so greatly increase the strain on our productive capacity. With this in mind, wage claims resulting from a dearth of labour should not be pressed regardless of the ill consequences of perpetuating the chase between wages and prices. Certainly this twist to the inflationary spiral is not something which those who live at the industrial centres can accept without protest. So far the inherent danger has merely been viewed in the light of an oncoming buyers' market. But as this is becoming firmly established it seems more than ever necessary that there should be an end to demands for higher wages unless these are accompanied by greater production. Important also is it that there should be no resistance to methods framed to achieve the best results from existing machinery. Nor should there be opposition to the installation and economical working of new and up-to-date equipment, the cost of which is increasingly burdensome with the advance of science, technology and invention.

TAXATION THE KEY

Given full co-ordination between manpower and machinery, production should continue to keep inflation at bay: it should do more than this, for a high level of profitable production will augment revenue and facilitate those reductions in taxation which are likely to act as incentives to still greater output and productivity.

Taxation indeed controls our economic destiny inasmuch as it has such power to stimulate or stifle saving, capital investment, efficiency and production. In view of the intensive competition that is fast gathering around us, there can be no question of the need for stimulation. And this impetus may yet be possible since a favourable budget, of which there is some prospect, might well permit a lightening of the heavy fiscal burden.

Admittedly tax concessions cannot be contemplated without thought of adverse repercussions. By unduly quickening consumers' expenditure they could aggravate rather than alleviate inflation; they could quicken the wrong kind of industrial activities and they could also deflect precious manpower and materials from exports, and thus place an additional strain on our balance of payments. But this would amount to gross misapplication of a powerful incentive which, if rightly used, could do so much good.

It is in fact entirely a matter of directing tax relief into those channels which will be most beneficial to the business life of the country and, with the monetary mechanism available to check inflation, judicious concessions should indeed invigorate without overstraining the economy. The immediate

need is to catch up with the arrears of investment in manufacturing industry and, this being so, ungenerous relaxations of taxation might mean the loss of opportunities. Granted that a simultaneous rise in the tides of investment and consumption indicates that we should be cautious, need we be too timorous seeing that increased personal savings followed the tax reductions of 1953?

LOOKING AHEAD

Evidence of this country's regained strength is a fixed resolve to go ahead firmly and patiently "towards freeing trade and payments" and a determination to make the pound sterling "increasingly usable and acceptable throughout the world." But because these bids for freedom and convertibility, if pressed too vigorously, would give rise to anxiety, it is reassuring to know that their full implementation will be subject to a soundly constituted "balance of trade between the dollar area and the rest of the world." Nor in pursuance of these aims are we to jeopardise our expanding economy, which is to be kept well braced by a policy of external and internal soundness.

Given these safeguards, I believe we should be able to introduce still more flexibility into our economy and thereby add to those gains which have steadily accumulated over the past two years. During this period there has been an easing of numerous controls and a termination of vexatious rationing of food. Moreover, a great deal has been done towards returning the business of importing to private traders, a development which has given much greater opportunities for individual initiative and enterprise. In addition, import restrictions have been considerably relaxed and, the outstanding problem is that of paying for these increasing imports, it is good to know that the present time is one of prosperity in world trade as a whole. It is good to know also that this prosperity has been achieved despite a set-back in the United States and that its impulse should be strengthened now that she is staging a recovery.

Conditions such as these are an incitement to further progress. There is no denying the risks to this country of venturing too fast and too far along the uncharted road to freer trade and freer currencies, and the buoyancy of the present situation is in itself a danger because it offers a temptation to do that very thing. But our policies, framed as they are with a wise restraint yet allied with the determination to go forward, should, I feel sure, provide sound opportunities, since their whole purpose is to bring about a steady expansion in our domestic and overseas trade.

If the present prosperity here and in other countries can be successfully consolidated, we shall certainly have the chance to embark on the programme which it is suggested could double our standard of living in the next 25 years. A good start alone is sufficient to excite enquiry into the present and future composition of world trade and more particularly the type of goods we shall be called upon to supply. With increasing capital investment here and abroad, the need for industrial building, plant and equipment should keep our constructional and engineering industries well occupied and should counter some possible falling off in regard to armaments. A high level of world prosperity implies also a rising demand for consumer goods. Specially significant, however, are the new forces at work by which it is hoped all countries will be spared the misfortunes of recurrent trade depressions. It remains to be seen just how effective these forces may be but, since the underlying determination is to expand world trade, this augurs well for both our capital and our consumer goods.

LANCASHIRE'S TEXTILES

Meanwhile in this highly industrialised area, where coal and chemicals, heavy and light engineering, iron and steel, oil, paper and many other products and manufactures jostle each other, the outlook on the whole is encouraging, although there is no sign of complacency. On the other hand the textile industry, or at least some sections of it, would feel more confident had the past year been subject to fewer fluctuations and if the future did not hold so many difficulties.

Although the transition to private trading in raw cotton was so skillfully accomplished, the futures market needs to be further expanded before it can cope effectively with all the demands of the industry. The present volume of business is in fact so poor that small sales or purchases produce disproportionately large effects on prices. The remedy lies mainly in the provision of a larger spot market which, it must be admitted, very much depends upon a feeling of reasonable confidence in the trend of values. But more business would be likely if the negotiations for a contract for longer staples were successfully concluded. Pending this, the inadequacy of the only hedge available to users of such cottons in this country is giving rise to great concern.

Obviously the trade has problems to face other than those which relate to its raw materials, and in the forefront remains purchase tax. Needless to say, the possibility of changes in this tax continues to upset the rhythm of buying, but a matter causing increasing consternation is its distorting effect on production, with ill consequences clearly discernible at the end of the year for at least one section of the industry.

Another problem, and one which most forcefully presents itself, is that of big fluctuations in home market demand. The policy pursued by large buying units, either governmental or commercial, in planning their purchases inevitably exercises a substantial influence upon the level of activity. From the industry's point of view as even a flow of buying as possible is clearly desirable, if only to avoid violent fluctuations in demand, since these endanger the acceptance of orders from overseas and also cause a not unreasonable anxiety in the minds of operatives as to continuity of employment.

Good as is the overall volume of home trade for textiles and reliable as might appear its prospect in view of the increase in personal expenditure, there are today temptations to spend in many other directions and it is not without significance that home consumption of textiles fails to keep pace with the growing spending power of the public. Nevertheless the home market should remain in good shape provided it is not unreasonably assailed by foreign imports produced by cheap labour. A cause for present disquiet, and indeed indignation, is the easy entry into this country of Indian cloths whilst ours are subject to such high tariffs in the Indian market.

On the export side difficulties are fast mounting: increasing competition is even being experienced in qualities once thought to be outside the range of our rivals and, as we expected, the inflow of Japanese fabrics into colonial markets is leading to a falling off in demand for our manufactures. What protection may be asked for and provided against these encroachments upon our trade, it cannot be gainsaid that in the long run the industry must depend upon its own competitive efficiency. Encouraging there is the quickening pace of re-equipment in the spinning and weaving sections, as is the statement that in recent years Lancashire has spent more on new machinery than have the cotton industries of other

ARTHUR GUINNESS SON AND COMPANY LIMITED

BENEFITS OF POST-WAR CAPITAL EXPENDITURE

LORD IVEAGH ON OVERALL SALES INCREASE

The annual general meeting of Arthur Guinness Son and Company Limited was held on January 18th at Park Royal Brewery, London, N.W.10.

The Earl of Iveagh, CB, CMG, chairman of the company, who presided, said:

Ladies and Gentlemen.—Speaking to you a year ago I said that I thought there were grounds for reasonable optimism. I am glad that I have been justified. Our overall sales have again shown some increase; the position in Ireland is somewhat improved, although we are still considerably below the level of sales before the heavy increase in duty three years ago; exports have reached a new high level. These improved sales, coupled with the savings in costs which have flowed from the capital expenditure and reorganisation and modernisation in recent years, are primarily responsible for the satisfactory profit and loss account, since the savings in the cost of materials during the year have been more than swallowed by increased costs of manufacture and trading. Taking all things into consideration, your board decided that it would be in line with our, I hope, prudent and conservative policy, to raise the dividend at this stage, after having made a bonus payment to our staff and employees and a rebate to our customers—all those brewers and bottlers to whom in this country we sell in bulk, and those many retailers and bottlers to whom in Ireland we sell direct. The dividend for the year has been accordingly, subject to your approval, raised from 18 per cent last year to 23 per cent this year; all our employees and staff have had a month's bonus and over £150,000 was paid as a special rebate to our customers. At the same time we have decided to increase the pensions of nearly all but very recent pensioners, as some alleviation of the greatly increased costs they have to face since their pensions were fixed. All this has been possible while maintaining and improving our position. Since the war we have set aside over £8 million in depreciation, and in other reserves largely to meet the costs of modernisation and expansion; and £2 million towards building up the pension fund. I think that we have justified once more our claim that Guinness is Good for you.

OPERATING COSTS

All this is satisfactory, but there are no grounds for feeling complacent. Competition is getting more keen, both among brewers themselves and between the brewing trade and all the other producers of consumer goods. Operating costs are at present still rising quite steeply and the scope for further economies though it undoubtedly exists presents a much stiffer challenge. The happy results of this past year will not repeat themselves unless we earn them by continued thought and effort, and that applies to every one of us throughout the organisation. It is perhaps pertinent here to compare the present positions of the various parties concerned in the company with their immediate prewar state. Salaries and wages have doubled and more; the stockholder's return has gone up by one-third; while the company's percentage of profit on selling prices, excluding duty, is much lower than it was in 1938.

SUBSIDIARY COMPANIES

There has been a considerable apparent change in the financing of our subsidiaries as shown in the parent company balance sheet. The two main subsidiaries are the Dublin and Park Royal brewing companies, whose accounts also are made up to September 30th. Whereas the shares of the Park Royal company had been issued before the date of the previous balance sheet, those of the Dublin company were issued during last financial year. The apparently large changes in the parent company's balance sheet in shares and amounts owing by subsidiary companies relate almost wholly to the formal financing of the Dublin company.

You will have noticed in the preliminary announcement of our profits, that a figure of £517,000 was stated as having arisen from interests unconnected with brewing. The corresponding figure last year was £162,000. In 1952 we amended by special resolution our investment clause, to enable us to use some part of our reserves not required for our main purpose of brewing Guinness, to be put into other suitable and profitable activity if the opportunity arose. We have so far only used this widened power in one case. We bought for a comparatively small figure a block of shares in a private company. This in fact gave us legal control; but we have taken no direct part in the management, which we left in its own very satisfactory state. I am glad to say that the results have fully justified our confidence. There are certain developments now proceeding in regard to this business which could be very seriously hindered if we were at this particular stage to divulge full particulars; but I shall certainly do so in due course and in the meantime I can assure you that your board views the position with optimism.

USA

Since I last spoke to you, we have made further changes in our arrangements in America. The American company, in which we are minority shareholders, has ceased brewing; and we have arranged forthwith to re-introduce our famous Foreign Extra Stout into the States where we sold it for a hundred years and more. We have, in association with the majority shareholders, at the same time entered into an arrangement with one of the large American breweries—Messrs Goebel of Detroit and Oakland—to brew, under our licence and control, a Guinness Ale and a Guinness Lager. We are hopeful of the results of these new arrangements, but it is too early to attempt any forecast; we have completely written off our whole investment in the original American brewing project.

ALE BREWERY IN IRELAND

Some press attention has been given to our small ale brewery in Ireland, and to prevent misconception I think I should make the position clear to you. The complicated arrangements involved in our reorganisation included the purchase by us in Ireland of a very small and almost derelict ale brewery at New Ross. We informed both the Irish Government and the local residents that it was our desire to continue operations so as to provide employment; and indeed it is

very far from our wish to see any diminution in the all too few remaining Irish breweries. We have been brewing ale at New Ross for two years, but the brewery has proved unsuitable either for economical brewing and distribution or for even modest expansion; and so we have decided, while ensuring the continuance of most of the present operations at New Ross, to do the ale brewing at Waterford, twelve miles distant, where we have bought the plant and buildings of another old brewery which ceased working some years ago. The whole operation is on a very small scale, and we shall be happy if we keep employment going and earn the interest on our money.

So much for our new activities. The main work is, of course, at the two main breweries, and it has gone on very satisfactorily through the year. Capital expenditure can never wholly cease; but, as I said last year, we are already reaping the benefit of our exertions and expenditure during the post-war years. I believe that we can claim to be reasonably efficient; and here I would like to pay a well-deserved tribute to the staff and employees at both breweries and in all our stores in both countries.

The report and accounts were unanimously adopted and the recommendation of the directors approved for the payment of final dividends on January 19th of 3 per cent on the preference stock and 15 per cent on the ordinary stock, both less income tax.

The retiring directors, Lady Honor Svejdar, Lord Moyne and Captain Ronald Nutting, were re-elected. It having been decided that the remuneration of the auditors, Messrs Turquand, Youngs and Company, should be fixed by the directors, the proceedings terminated with a vote of thanks to the chairman, directors, staff and employees, proposed by Mr Bernard Binsted and seconded by Mr Beer.

CASTLEFIELD (KLANG) RUBBER ESTATE

DIVIDEND 10 PER CENT

The forty-eighth annual general meeting of Castlefield (Klang) Rubber Estate, Limited was held on January 14th in London, Mr Jack Addinsell, chairman, presiding.

The following is an extract from his circulated statement for the year to June 30, 1954:

The profit before taxation was £44,087, against £38,724, but in comparing these figures account must be taken of the substantial loss of revenue from tin tribute on completion of mining as forecast last year; against this there were credits from some arrears of refundable replanting cess. Profit after taxation was £26,905 compared with £43,474 last year. Your directors recommend a dividend of 10 per cent, absorbing £11,000 net, and the transfer to replanting reserve of £15,000.

The crop for the year at 2,276,611 lb showed a reduction compared with the previous year but in spite of this lower output some further reduction in production cost was achieved; this was unfortunately more than offset by the continued fall in the price of rubber, our average proceeds having been down by 5d. per lb on last year.

With regard to the 600 acres of tin-bearing land at Castlefield Estate which the company sold to Petaling Tin Limited, I told you in my last statement that the necessary survey before sub-division of titles might take as long as two years to complete. We have now been advised by Government that it is hoped to make a start on the survey of the areas early in 1955.

The report and accounts were adopted.

SMITH & WALTON

(Manufacturers of and Dealers in Paints, Varnishes, Enamels, etc.)

The twenty-fourth annual general meeting of Smith & Walton Limited was held on January 18th at Haltwhistle, Northumberland, Mr Douglas Smith, JP (chairman and joint managing director), presiding.

The following is an extract from the directors' report:

The past year has been notable for the further development which has taken place in the productive capacity and technical efficiency of the company's factory at Haltwhistle. The plans outlined in the directors' report last year have largely been brought to fruition, and the twin objectives of greater and more economical production are being attained. Sales have again been at a record level; further depots have been opened. At the time of going to press, the plant is working to capacity and order books are well filled. Increases over last year's figures have been recorded each month to date in the current year. There is every reason to anticipate that this upward trend will continue despite increased competition, and that the names of Hadrian and Synflat will continue to be of force in the trade. The subsidiary companies have again made a handsome contribution to the group results.

The directors consider the consolidated net profit of £98,718 (last year £73,677) to be eminently satisfactory. The directors have felt able to propose an increase in the basis of dividend distribution. They have, however, felt convinced that the opportunity should be taken this year to augment the reserves of all companies in the group, and accordingly the increase in dividend is a modest one. The report was adopted.

THE ROYAL BANK OF CANADA

DIVIDEND No. 270

Notice is hereby given that a DIVIDEND of 37½ cents per share upon the paid-up capital stock of this Bank has been declared for the current quarter and will be PAYABLE at the Bank and its branches on and after March 1st, 1955, to shareholders on record at the close of business on January 31st, 1955.

By Order of the Board,

T. H. ATKINSON,
General Manager.

CHAPPIE LIMITED, manufacturers of cat and dog foods, require the services of a man or woman graduate to undertake field and office control of the National Consumer Research section of their Market Research Department. An Economics or Sociology degree, and/or knowledge of Statistics, especially sampling techniques, would be an advantage. The work entails assisting in the selection of staff, draughting of questionnaires, organising the field staff, office routine, checking field work, and appreciation of findings. Salary will be in the range £780 to £900, and the post also carries Pension, Life Assurance and Sickness benefits under a non-contributory Social Security Plan. This post offers an excellent opportunity for a man or woman seeking first-class Market Research experience. Half the time will be spent in the office at Melton Mowbray and the remainder in the field. Applications should be sent to the Personnel Officer, Chappie Limited, Melton Mowbray, Leicestershire.

A CHARTERED ACCOUNTANT, not over 35 years of age, is required by an industrial company of repute. Industrial experience and a knowledge of costing is essential. In addition to professional qualifications, a University Degree would be considered an advantage. The prospects are outstanding, commencing with a four-figure salary rising to £3,000 per annum within six years, as increasing responsibility is assumed. Details of qualifications and experience, which will be treated in confidence, should be sent to Box 812.

BUYING. A young man of 23-27 years of age is offered an interesting and progressive career in the buying department of a large manufacturing company. The opening is in the buying group which is responsible for purchasing equipment and engineers' supplies for all the company's factories. On appointment the new man will be given complete training and be expected to begin buying duties at the end of nine months. Applications are invited from young men of good education, not necessarily technical or professional, and will be particularly welcomed from Arts Graduates with an understanding of practical things and an interest in the economics of buying. The post carries a good salary from commencement and has excellent prospects. The company has a pension fund and a non-contributory life assurance scheme. Letters of application, which will be treated in confidence, should give complete details of education and career to date and addressed to Box 813.

HARVARD UNIVERSITY GRADUATE SCHOOL OF BUSINESS ADMINISTRATION

Two Fellowships are available for two years from September, 1955. They are worth approximately £2,000, and the candidate or his employer must provide half this sum. Candidates must be of British nationality, preferably with a university degree. They must have several years' experience in industry. Details from The British Institute of Management, Management House, 8 Hill Street, London, W.1.

MARKET RESEARCH

A Nationally known manufacturer of consumer goods, with Headquarters just outside London, requires a senior man in the Market Research Department. Essential qualifications include practical experience in initiating and controlling consumer surveys and the preparation of reports. Applicants should give full details of career, present position held, and salary required. All replies will be treated as confidential.—Write Box 802.

BRITISH NYLON SPINNERS LIMITED

Applications are invited from men aged 30 to 38 for an appointment on the commercial side of the Company. The appointment calls for sound commercial experience, gained preferably in a manufacturing organisation; as the successful candidate will be required to absorb some technical knowledge a degree in Science or Engineering would be an advantage. A period of specialised training will be given. The work will concern the commercial development of end-uses for the Company's products and offers considerable scope for initiative and original thought. Applications will be treated in strict confidence and should be addressed to the Personnel Manager, British Nylon Spinners Limited, Pontypool, Mon.

SENIOR EXECUTIVE

Shannon Duty Free International Airport requires a Senior Executive to control and develop its rapidly expanding retail, wholesale and mail-order activities. The position offers wide scope for a man interested in international trade, particularly with the United States. A record of successful modern management experience essential. A progressive four-figure salary will be paid and there will be in addition an annual bonus based on results. The successful applicant will have an Irish background and a sound education. Applicants should write in confidence to: Office 61, Shannon Free Airport, Ireland.

RETAIL GROCERY

A group of companies with headquarters in the South of England seeks a man capable of expanding retail grocery interests and, if required, managing a chain of shops. Knowledge of trade and flair for investigation reporting and negotiation required. Present staff advised.—Write, in confidence, to Box E.766, c/o 191 Gresham House, E.C.2.

THE B.Sc.ECON. DEGREE of London University is open to all without University residence. It is a valuable qualification for ambitious men and women engaged in accountancy, secretarialship, banking, finance, commerce, public services. Wolsey Hall (est. 1894) provides postal tuition of a high order for the three (in some cases two) examinations, at reasonable fees. More than 1,000 Wolsey Hall students have passed London B.Sc.Econ. (Final) exams, since 1925.—Prospectus from C. D. Parker, M.A., LL.D., Director of Studies, Dept. P17, WOLSEY HALL, OXFORD.

DOUGLAS GLASS

BRITAIN'S GREATEST PHOTOGRAPHER

OF MEN
43 Black Lion Lane, W.6. RIV. 7522.

LEADING firm of Chartered Accountants in Lagos, Nigeria, require Chartered or Incorporated Accountants with good experience. Salary not less than £1,700 per annum, with excellent prospects and local income tax at low rates. Free furnished accommodation, provident fund, car and kit allowances, medical expenses. Passages paid, including family.—Write Box R. 935, c/o Streets, 110 Old Broad Street, E.C.2.

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.

SPAIN.—For sale, small furnished cottage in remote medieval village near Segovia. Three beds., main water and electric light, bathroom. Superb views.—Box 810.

ASSISTANT to the Director required. Min. quals.: good degree A political or social science, ability to write well, some research exp. Salary acc. age and exp. £600-£1,000 p.a.—Appns., in writing, to: Director, PEP (Political & Economic Planning), 16 Queen Anne's Gate, London, S.W.1.

MEMO TO THE MANAGING DIRECTOR. More business and a better business awaits your executives if they have the use of a 1954 self-drive car. Lowest possible rates. Contract hire by arrangement. Free third party, fire and theft insurance. No maintenance costs. You can also take advantage of our guaranteed re-purchase scheme. Ask your secretary to write for our new brochure, which gives full details.—Autoball, Dept. 2-A, 302-306 King Street, London, W.6. RIV. 2831. Telegrams: Autoball. Wesphone, London. Cables: Autoball, London.

FREE MEALS from monotony by serving them up with some of that tasty Rayner's Indian Mango Chutney.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

NOTICE IS HEREBY GIVEN that the SHARE TRANSFER BOOKS of this Corporation will be CLOSED from February 25th to March 11, 1955, both days inclusive, for the purpose of preparing for payment of dividend for 1954.

SCHOLARSHIPS ABROAD 1955-56

Applications are invited from British students for scholarships offered by Austria, Belgium, Brazil, Denmark, Finland, France, Germany, Iceland, Italy, The Netherlands, Norway, Persia, Portugal, Spain, Sweden, Switzerland and Yugoslavia. The awards are mainly for university graduates and undergraduates and are tenable for periods varying from a few weeks to twelve months during the academic year 1955-56. The closing dates for receipt of applications vary for each country, the earliest being March 7, 1955.—Full particulars and application forms, for which a stamped addressed foolscap envelope should be sent, are obtainable from the British Council, 65 Davies Street, London, W.1, or from any British Council office in the United Kingdom.

AN EXCEPTIONAL OPPORTUNITY FOR A QUALIFIED ACCOUNTANT

A large Insurance Group in the provinces requires a deputy Chief for its mechanised accounting and recording division with a view to early assumption of complete control.

Successful applicant would require a knowledge of punched card equipment and procedures, an interest in future developments in this field and ability to handle a staff approaching 400; it is hoped he would not be over 40 years of age.

Prospects are likely to satisfy the ambitious applicant and initial salary would be very largely a matter for negotiation with a view to attracting the right man; non-contributory pension scheme.

Letters giving qualifications and experience, which will be treated as strictly confidential, should be addressed to Box 805.

B.Sc.(ECON.) LONDON UNIVERSITY

UNIVERSITY CORRESPONDENCE COLLEGE

provides postal tuition for the above Degree (open to all), which is a valuable qualification for men and women seeking executive appointments in commerce or industry, government or municipal posts. The College, founded 1887, is an Educational Trust. Highly qualified Tutors. Low fees; instalments.—Write for Prospectus of U.C.C. Courses to Registrar, 60 Burlington House, Cambridge.

THE Brush Electrical Engineering Co., Ltd., requires an experienced man to take charge of its Organisation and Methods Activities. Applicants should have had several years' experience in this field, preferably in engineering and should be University Graduates and/or members of the Institute of Cost and Works Accountants. The post is a highly responsible one and the man appointed will be immediately responsible to the General Manager. A four-figure salary will be offered and there are excellent terms of service including non-contributory superannuation. Please apply with full details to the Chief Personnel Officer, Brush Electrical Engineering Co., Ltd., Loughborough, Leics.

MANAGEMENT CONSULTANCY. A well-known company is prepared to train a limited number of suitable applicants for ultimate appointments as executives in management consultancy.

Applications are invited from men between the ages of 25 and 30 years who wish to take up a career in consultancy. They must be University Graduates in Economics or Engineering, preferably with some industrial or commercial experience; willing to travel home and overseas.

Salary paid during training appropriate to qualifications and experience. Please send details and indications of present salary level, in confidence, to Box No. 105, R. Anderson and Co., 14 William IV Street, London, W.C.2.

BUSINESS OFFERS pleasant prospects when you're going home to a meal with Rayner's Indian Mango Chutney.

ASSISTANT STATISTICIAN, with degree in mathematics and/or statistics (or equivalent), required for work in connection with development and production—investigations. He/she will be directly responsible to the Company's Industrial Statistician. Previous experience not essential. The post offers excellent prospects and carries senior staff status. Contributory Pension Scheme.—Applications, giving details of age, education, qualifications, etc., and quoting Reference T/AS, to Personnel Manager, Ferodo Limited, Chapell-en-le-Frith, Via Stockport.

YOUR MONEY will make more money if you spend one shilling weekly on the Investors' Chronicle. Two free issues on request to 30 Grocers' Hall Court, London, E.C.2.

MEN OF TASTE will enjoy their meals to the full if you give them Rayner's Indian Mango Chutney.

EXPERT POSTAL TUITION

For Examinations—B.Sc.Econ., LL.B. and other external London University Degrees; Law Society; Bar; Accountancy; Banking; Secretarial; Civil Service; Commercial; General Certificate of Education, etc. Also many non-examination courses in business subjects.—Write today for free prospectus and/or advice, mentioning examination (if any) or subjects in which interested, to the Secretary (G 9/2).

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30, Queen Victoria Street, London, E.C.4.

The Economist: Annual Air Subscription Rates

Anglo-Egyptian Sudan: £5.10s.
Australia: £8.5s. (sterling)
Canada: \$21.50 or £7.14s.
East Africa: £5.5s.
Egypt: £5.5s.
Europe (except Poland): £4.15s.
Gibraltar, Malta: £3.15s.

Hongkong: £7
India & Ceylon: £6
Iran: £6
Iraq: £6
Israel: £6
Japan: £9
Malaya: £6.15s.

New Zealand: £9 (sterling)
Nigeria, Gold Coast: £5.5s.
Pakistan: £6
Rhodesia (N. & S.): £5.10s.
S. America and W. Indies: £7.15s.
Union of S. Africa: £5.10s.
U.S.A.: \$21.50 or £7.14s.

Coventry Climax

In many industries
every ton
of finished product necessitates
fifty tons
of material handling



This is why
Fork Truck Handling
leads to such big
savings

The Economist



FOUNDED 1843

ONE SHILLING

The Old Lady's Amber
The Choice is China's
Millions for Cinderella
Resentment on the Farm
Astringent for the Pound
The Credit Background

AMERICAN SURVEY: Trade Union Tandem
THE WORLD OVERSEAS: Russian Consumers Still in Doubt
BOOKS: The Seat of Power

Annual Postal Subscriptions: by ordinary mail £3; by air see page 419
THE ECONOMIST, 22 RYDER STREET • ST. JAMES'S • LONDON • S.W.1
VOLUME CLXXIV • NUMBER 5814

HOW YOU CAN HAVE VISIBLE RECORDS PLUS MULTIPLE ENTRIES for Ledgers, Wages, Stocks, Hire Purchase

Nobody questions the tremendous value of visible records, especially nowadays. For the rising cost of clerical labour has made any saving in cost (or increase in output) vitally important.

Take the basic factors of any visible record . . . First, you can SEE any one record instantly—without searching. That means instant reference and quicker entry.

Next, the edge of a visible record flashes to your eyes the facts you want to know—without check-up. You see who owes you money—what stocks are short—what credit limits are . . .

In short, visible records are not ONLY far more efficient. They save money as well as time. But now for an even greater step forward . . .

SAVE 66½% CLERICAL LABOUR

Now you can use visible records in such a way as to have three entries with one writing. Take, as an example, sales and purchase ledgers. Now, there is no need to find the account, type the statement, enter into the journal . . . and delay statements until the end of the month. For now you can have the statement WITH the ledger account WITH the Day Book sheet and enter all three with ONE WRITING. That means—surely?—66½% less margin of error, of checking and of posting figures.

The same economies can apply to Wages, Stocks, Hire Purchase, etc.

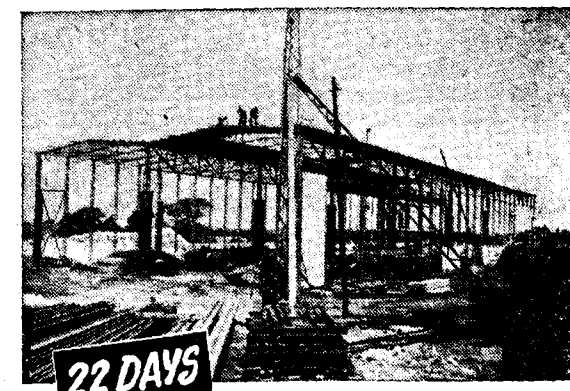
Just jot 'Multicopying Visible Records' on your letter heading and full details will be sent you by return.

Shannon Systems

VISIBLY BETTER RECORDS

The Shannon Ltd.,
847 Shannon Corner, New Malden, Surrey

Speed up Building WITH Presweld CONSTRUCTION



TIME is money. Save both by adopting HILLS Presweld system of construction. Your new factory, offices or canteen will be completed in a fraction of the time required for building in orthodox materials. (The factory shown above, covering 38,000 sq. ft., was erected complete in 90 days.)

HILLS Presweld buildings are permanent, pleasing, and most economical. They have been extensively proved and adopted throughout the United Kingdom and overseas. Your Architect is familiar with Presweld. We invite you to discuss it with him, or write to us for full details.

HILLS (WEST BROMWICH) LIMITED

LBION ROAD, WEST BROMWICH. Telephone: WEST BROMWICH 1811 (15 lines). LONDON Chapone Place, Dean St. W.1. Telephone: GERard 0526/9
Branches at Birmingham, Manchester, Bristol, Leeds, Newcastle-on-Tyne, Glasgow and Belfast.

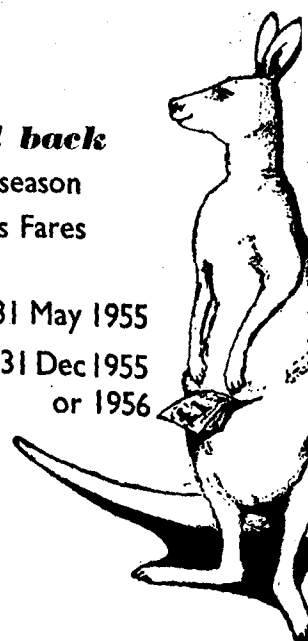


The discerning diner
expects (and rightly deserves)
an Irish Linen table-napkin

YOU WILL BE MONEY IN POCKET

If you travel to
Australia and back
during the quiet season
Special First Class Fares
from £200

Outwards—1 Feb to 31 May 1955
Homewards—1 Sep to 31 Dec 1955
or 1956



P&O

For further particulars enquire:
14-16 COCKSPUR STREET • Telephone: WHitehall 4444
122 LEADENHALL STREET, E.C.3 • Telephone: AVenue 8900
OR YOUR LOCAL TRAVEL AGENT

*Better
for everyone*



**Imperial
typewriters**

IMPERIAL TYPEWRITER CO. LTD., LEICESTER & HULL

MODERNISATION AND RE-EQUIPMENT OF BRITISH RAILWAYS

The full text of the £1,200 million Plan, in booklet form, may be obtained direct, price 3s. 6d., from the following Railway Enquiry Offices:—

407, Oxford Street, LONDON, W.1.
36, Parliament Street, LONDON, S.W.1.
YORK Station.

GLASGOW Central Station.

or by post, price 3s. 9d., from:—

Publicity Officer (Room 360),
British Transport Commission,
222, Marylebone Road,
LONDON, N.W.1.

or

7, Castle Terrace,
EDINBURGH.

Imperial Chemical Industries Ltd.
"TERYLENE" Plant at WILTON

Main Contractors for
CIVIL ENGINEERING
REINFORCED CONCRETE
and BUILDING WORK

MONK

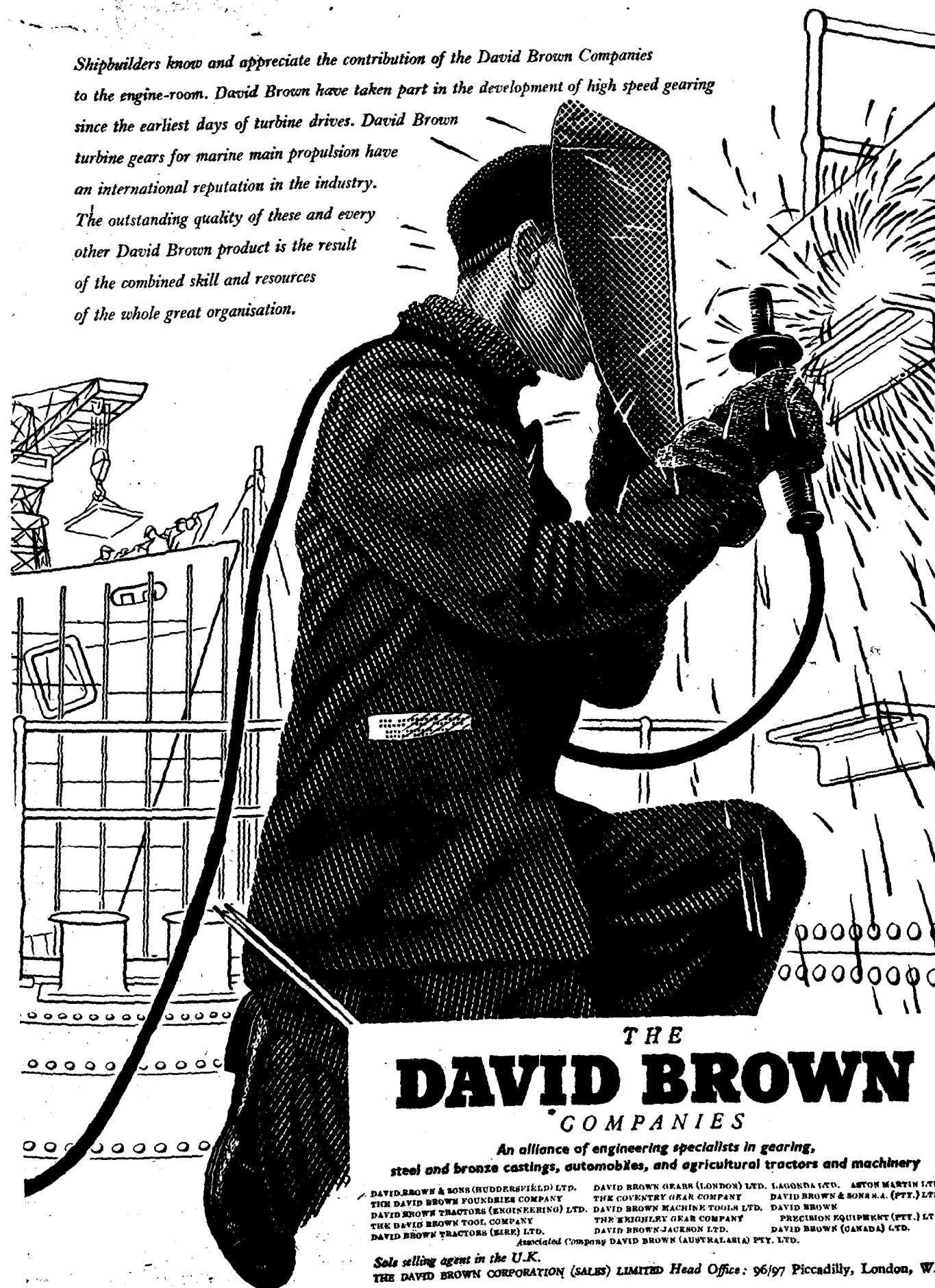
Wish to acknowledge the
co-operation of all Sub-Contractors
and Suppliers employed by them

A. MONK & COMPANY LIMITED

Head Office: PADGATE, LANC.

DAVID BROWN and the SHIPBUILDING INDUSTRY

Shipbuilders know and appreciate the contribution of the David Brown Companies to the engine-room. David Brown have taken part in the development of high speed gearing since the earliest days of turbine drives. David Brown turbine gears for marine main propulsion have an international reputation in the industry. The outstanding quality of these and every other David Brown product is the result of the combined skill and resources of the whole great organisation.



THE
DAVID BROWN
COMPANIES

An alliance of engineering specialists in gearing,
steel and bronze castings, automobiles, and agricultural tractors and machinery

DAVID BROWN & SONS (HUDDERSFIELD) LTD. DAVID BROWN GEARS (LONDON) LTD. LAGORDA LTD. ASTON MARTIN LTD.
THE DAVID BROWN FOUNDRIES COMPANY THE COVENTRY GEAR COMPANY DAVID BROWN & SONS N.A. (PTY.) LTD.
DAVID BROWN TRACTORS (ENGINEERING) LTD. DAVID BROWN MACHINE TOOLS LTD. DAVID BROWN
THE DAVID BROWN TOOL COMPANY THE ENGLISH GEAR COMPANY PRECISION EQUIPMENT (PTY.) LTD.
DAVID BROWN TRACTORS (IRE) LTD. DAVID BROWN JACKSON LTD. DAVID BROWN (CANADA) LTD.
Associated Company DAVID BROWN (AUSTRALIA) PTY. LTD.

Sole selling agent in the U.K.
THE DAVID BROWN CORPORATION (SALES) LIMITED Head Office: 96/97 Piccadilly, London, W.1

Here's the most sought after Sherry
in all Spain



You owe yourself the pleasure of

**Garvey's FINO
SAN PATRICIO**

IMPORTED BY MATTHEW CLARK & SONS LTD. 110 CANNON ST. LONDON, E.C.4

BRITISH EDITION OF U.S.A. BEST SELLER!

For business men, salesmen, lawyers, politicians

★ **Did you ever have to make
a speech at short notice?**

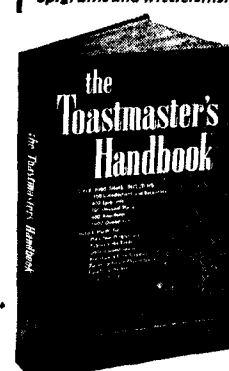
This fastest-selling book of its kind in the States, now published in U.K. for British business men, is a treasury of original ideas and practical aids for successful and effective public speaking. Witty, profound, amusing, sparklingly alive from cover to cover

Have you ever been a Chairman? It describes in concise and stimulating language, your responsibilities, use of successful techniques, fundamentals of successful organisation and chairmanship, and formulas for dealing with every item from the heckler to the non-appearance of an advertised speaker.

If you have to introduce a speaker, it contains a whole series of clever introductions for easy adaptation. If you are being introduced, choose an apt and timely response from the list of pungent and entertaining examples. To start your speech with a skilful story just right for the occasion—a chapter of witty anecdotes to choose from. Plus—400 sparkling epigrams and witticisms, 1,000 apt quotations and 100 unusual stories.

**YOUR ONE-VOLUME
SOURCE OF:—**

411 amusing stories
readily adaptable to any
type of speech.
1,000 quotations for
every speaking topic.
53 Introductions by well-
known Toastmasters.
29 responses by famous
modern speakers.
400 easily-memorised
epigrams and witticisms.



Quotations for every occasion.
1,000, classified for talks on Advertising, Banking,
Business, Economics, Politics, to name a few subjects.
Humorous Anecdotes and Stories.
Instantly adaptable, topical, for speaking on Education,
Famous People, High Prices, Marriage, Sales-
manship, Taxes, etc.—unusual stories for any subject!
Introductions and Responses.
Actual introductions used by able chairmen, responses
of well-known speakers covering variety of person-
alities and subjects—how to introduce and respond.
Planning and Organisation.
How to select time and date for any occasion; word
invitations; prepare, maintain time schedule; get
publicity; obtain prominent speakers—has everything.

36/- The Toastmaster's Handbook gives you un-
erringly right words, phrase story or anecd-
ote; makes your ideas sparkle; enables you
to impel interest; indicates instantly your exact needs
—it is a work of priceless value for all who speak in
public! Book size 9½" deep x 6½" wide. Finely
produced in rich grained red-brown artcraft, embossed
in silver and weighing 1½ lb.

Send me THE TOASTMASTER'S HANDBOOK.

NAME _____

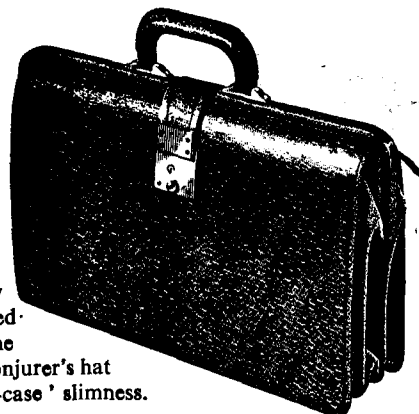
ADDRESS _____

To A. THOMAS & CO. (EC), 111 Buchanan
St., Blackpool. I enclose 37/- OR send C.O.D.
(Or you can order from your bookseller.)

THE ECONOMIST, JANUARY 29, 1955

A Poem in Pigskin

At Bury in Lancashire
a small band of
craftsmen is expressing
an age-old tradition
... in beautifully
stitched and hand-finished
briefcases which combine
the capaciousness of a conjurer's hat
with a handsome 'note-case' slimness.



This particular poem in pigskin has an
inside story which is common currency among travellers
in five continents ... a 17" x 11½" briefcase*
with two interior fooscap compartments and zip-sealed section for
overnight things. Capacious exterior zip pocket for newspapers,
books, etc. English lever lock and fittings of solid brass. All
leather handle.

In golden tan or Autumn tan pigskin at 12 guineas; golden tan,
brown or black smooth polished hide or natural coach hide at
9 guineas. (*17" x 14" models, 1 guinea extra.) Matching zip folio
cases size 16" x 10½" available separately at £4.10.0d., £2.15.0d.,
and £3.0.0d. respectively. Post free and tax free in U.K.

*Special vouchers to any desired value can be sent (with an illustrated
catalogue) direct to any address on behalf of
customers wishing to make gifts of Unicorn products.

(U.S.A. orders and enquiries: Sterling International, 225
Kearny Street, San Francisco, Cal.)



Complete satisfaction guaranteed or purchase
price refunded immediately. Obtainable at the
Unicorn Showroom, 39, Burlington Arcade,
London, W.1. Telephone Hyde Park 8939, or
by post from our works:

Unicorn Leather Co. Ltd.
(Dept. E.T.5) Woodhill Works, Bury, Lancs.



BY APPOINTMENT

MERCERS OF WOOLLEN CLOTH TO THE LATE KING GEORGE VI

**JOHN G.
HARDY LTD.**

The Big Six

The well-dressed man spends time as well as money on his
clothes. For him, time spent in looking through the six John
G. Hardy speciality cloths is a pleasure—as well as a sartoria
duty. He wants to compare the rugged pure wool tweed of
'Hardithorn' and 'Hardilaine' with the silky luxury of
'Sheltie'. He wants also to feel for himself the resilient strength
and toughness of the famous 'Alspott'. Perhaps he'll decide
finally on the popular new 'Hardiwear' worsted, but almost
certainly he'll have a second look at the Irish Homespuns.

Ask to see these fine cloths (they're known as the John G
Hardy 'Big Six') at our showrooms or on extra-large bunches
at your own tailors.

JOHN G. HARDY LTD., 4 NEW BURLINGTON ST., LONDON, W.1
TELEPHONE: REGENT 1313.

THE ECONOMIST, JANUARY 29, 1955

WALLSPAN—Engineering's Modern Miracle gives you outer walls in days!

If you want your new building finished faster — EARNING SOONER —
discuss Wallspan with your architect

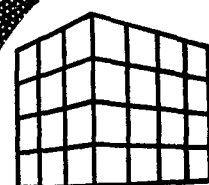
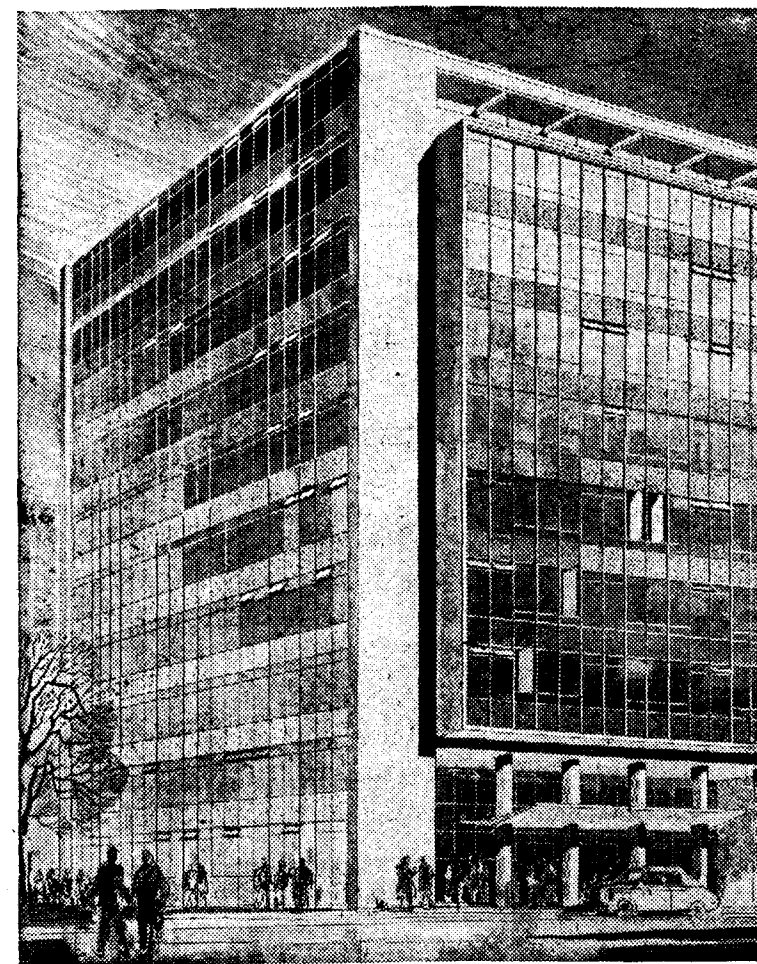
What is Wallspan? A means of providing walls in
an incredibly short space of time. Since the weight
of a modern building is carried on the framework,
the walls are left with two main jobs to do. They
must keep cold and wet out, and heat in. At the
same time, they must give the building an appear-
ance that both the architect and the owner are proud
of. Wallspan does all this extremely well and with
the added advantage of getting walls up very quickly.

Wallspan—like all great engineering advances—
is comparatively simple. To the structural frame of
the building is bolted a grid formed from vertical
and horizontal components. These are made of
strong aluminium alloy that never rusts or corrodes.
Into the spaces of this grid are fixed sheets of glass
or opening window frames. There you have your light
and air. In the other spaces of the grid are put sheets
of solid panelling materials — and there's your solid
wall. There are dozens of different kinds of these
panelling materials in various textures, colours and
thicknesses. With them, an infinite variety of Wallspan
walls can be designed, each exactly suiting the uses
of the building in any climate of the world. That is
all there is to it. One contractor erects the whole
wall and it is fixed for all time. It needs negligible
maintenance and it can go up in a matter of days.

WALLSPAN CURTAIN WALLING

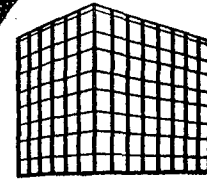
WILLIAMS & WILLIAMS

RELIANCE WORKS - CHESTER



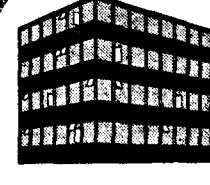
Wallspan starts here

This is the stage at which
Williams & Williams
fixing teams move in to
put up the Wallspan wall.



The grid goes up

The vertical and
horizontal components
are put in place.
Each bar takes about
4 minutes to fix.



Glass, windows, panels, next

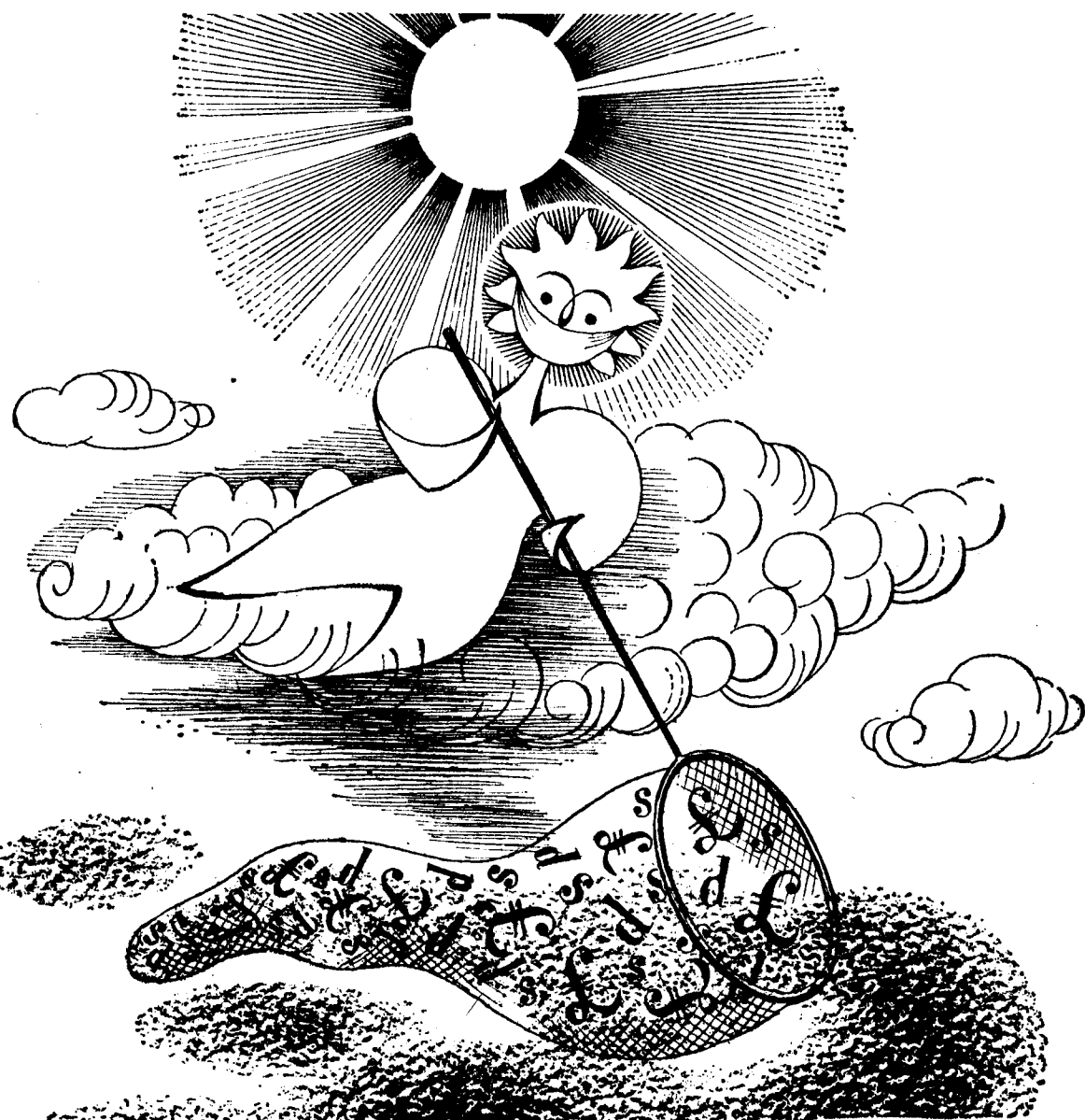
Into the grid are put sheets
of glass, opening window
frames and panels of solid
insulating material,
each fixed in five minutes
—weatherproof for all time.



All the light
and air you want

Opening window
frames provide venti-
lation wherever it is
required. Plain glass
sheets are fixed
straight in, giving
all the natural light
you want, exactly
where you want it.
Solid panels
complete the wall.

You'll be using your building sooner — much sooner — if it has Wallspan walls



SMOG is made up of pounds, shillings & poison

Every puff of smoke up the chimney is raw material—wealth—down the drain! For coal is a raw material of great National importance. From it—if it isn't burnt raw—come nylons and medicines, paints and fertilizers, vitamins, motor spirit and many more things. All these things are saved if coal is carbonised, not burnt. And just as important, the gas and coke that result are smokeless fuels—all heat and no smog. Thus with one stone Mr. Therm kills two hateful birds—waste of wealth and a menace to health.

GAS AND COKE—heat without smoke

'GUILTY CHIMNEYS' The Gas Council's Smoke Abatement film 'GUILTY CHIMNEYS' is available on loan to approved borrowers



THE GAS INDUSTRY MAKES THE BEST USE OF THE NATION'S COAL Issued by the Gas Council

The Economist

FOUNDED 1843

JANUARY 29, 1955

ONE SHILLING

The Old Lady's Amber	341
The Choice is China's	342
Millions for Cinderella	344
Resentment on the Farm	345
Prime Ministers Meet	347

NOTES OF THE WEEK

Peace Within Parties; Peers of Parliament; Arab League or Egyptian Axis?; New Stage in France?; Liberal Battle Cries; Seven Stages of Equality; On the Copperbelt; Mr Molotov Prepares His Ground; Right Joins Left in Germany; Refusing To Be Hurried; Pools Pay-off; Planning East Africa; Births and Deaths; Algeria Next; Trial in Belgrade; Coal Trains Across Europe's Frontiers; Poor Record on Refugees; Shorter Notes. 349

LETTERS TO THE EDITOR 359

BOOKS AND PUBLICATIONS 360

AMERICAN SURVEY

Trade Union Tandem 365
No Trespassing on Formosa; Defence Squeeze; Encounter with the Business Cycle; What Price Synthetic Rubber?; General Motorama; Coffee off the Boil; Hey, Presto!; Shorter Notes.

THE WORLD OVERSEAS

Russian Consumers Still in Doubt . 373
Banana Politics; Chinese Communist Air Power; Talleyrand of Tirana; Health Scheme for Swedes; As the Commonwealth Sees the Conference.

THE BUSINESS WORLD

Astringent for the Pound 383
The Credit Background 385
On the Right Track 387

BUSINESS NOTES

Before the Dust Settles; The Pattern of Rates; Stag Fodder; Industry and the Railway Plan; Purchase Tax in a New Light; Open Market in Copper?; Par Values and Coronets; Active Year in Lombard Street; Tamed Lion; Britain's Best Customers; Aerosols Under Way; Analysing the Wholesalers; On Taking-off Vertically; Prospect for Rubber; Computers on the Counter; Britain's Share of Shipbuilding; Shorter Notes. 389

COMPANY NOTES AND SECURITY

PRICES 400

STATISTICS 403

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

The Old Lady's Amber

BOTH the previous increases in Bank rate since the war have been red warning lights, flashed at a time of desperate economic crisis. The increase announced on Thursday, from 3 to 3½ per cent, is clearly not of this *genre*. On the strictest interpretation, it seems to be an amber light; on the most cynical, its main purpose is to enable the Chancellor to switch back to green in his election budget.

This is not an imputation of sharp practice; there need be no suggestion of improper collusion between the young men of the Treasury and the Old Lady of Threadneedle Street, in order to help the Conservatives to ride back to power on a flood of tax concessions that they could not otherwise afford. At the moment, the economic situation, both internationally and internally, looks rather more inflationary than it did a year ago. This means that either monetary or budgetary policy—one or the other—should be rather tougher in 1955 than in 1954. In 1954 the Budget gave nothing at all away, and if the 1955 Budget were to be any tougher than this, it would have to take back more than it gave. But this sort of Budget—one that, so far from giving way in tax relief any of the £300 million ordinary surplus that is expected for this year, actually set out to increase it—would be a political impossibility in 1955. If there were not increased reliance on the monetary weapon this year, there would not be any reliance on any anti-inflationary weapon at all.

Politics apart, a stricter monetary policy is clearly preferable to stricter budgetary policy at this time. The sterling exchange rate has been bumping along the floor. Commodity prices seem to be on the up-grade, and it would be a pity for Britain to give them a further twist by heavier buying for already plentiful stocks. Treasury bill rates have been rising in London, although not sufficiently to set sterling to rights. The Stock Exchange has been booming. All these traditional grounds put together perhaps make the case for a rise in Bank rate only marginal; but this is a time to have some margin in hand.

Above all, the British economy is already over-taxed. It is true that it is also over-consumptionist, and that an increase in interest rates is usually supposed to restrict investment rather than consumption. It is not at all certain, however, that this neat division of its impact has ever had as much validity as tidy-minded theorists suppose—especially in an economy where so many people are buying so many durable goods on instalment borrowing, and where a few have recently increased their fairly lavish consumption out of capital gains. The levy that will now be laid upon these people may have some effect upon consumption—although the stock exchange's calm reception of the news does not suggest it will be very large. In this case, if spending of all sorts continues at much the same level as before, there will not be so much leeway for tax concessions, come Budget time, as the Chancellor no doubt hopes. But Mr Butler can hardly be blamed for trying to find out.

The Choice Is China's

IN this week's lively public discussion on Formosa there has been a tendency to lose sight of the wood on account of the trees. It is admittedly important for people to be clear about the details of Mr Eisenhower's proposals; in particular, to grasp the fact that he seeks to protect only Formosa and the neighbouring Pescadores, while warning the Chinese Communists that they cannot count on complete immunity for any moves they make along the Fukien coast that clearly foreshadow an invasion of Formosa. But it is even more important that the scanning of maps and hot debate about the military value of tiny coastal islands should not obscure the broad outline of the new American policy, which opens up whole new perspectives of settlement in the Far East.

Mr Eisenhower has not only asked for Congress's authority for any military action that may be required to protect Formosa; he has also undertaken to restrain Chiang Kai-shek from offensive action against the mainland, and he has broached the subject of a United Nations move towards an armistice. As has been shown in Congress, the movement of American opinion is now as clearly towards bringing peace and stability to the China Seas as, two years ago, when United Nations soldiers were still dying in Korea, it favoured "taking the wraps off Chiang." The Chinese Nationalists' dream of reconquering the mainland is ended, and the mood in Washington has shown a marked trend towards "co-existence" with Peking—a trend that is all the more striking in view of the American position at Geneva only six months ago, and all the more impressive against the background of Peking's deliberate exploitation of the captured American airmen and other hostages. It is sadly characteristic of the present state of the British public opinion that, when the Americans take just the sort of step towards moderation that their allies have so often asked of them, the only audible response in this country should be a crabbed and jaundiced bickering on the left, while those who approve and rejoice keep their mouths shut; even Sir Anthony Eden had only very faint praise. One would hardly realise from these judications alone that Mr Eisenhower is in fact leading American policy to the point where a comprehensive settlement in the Far East should be possible.

Yet it takes two to end a quarrel. At present, studied moderation in the United States, where the Administration has to contend not only with Chiang's political friends, but also with the ground swell of anger set up by the Chinese revelation that they still hold Americans prisoner eighteen months after the end of the Korean fighting, is evoking no similar moderation in Peking. On the contrary, the Chinese government's posture becomes more bellicose every day. It was, of course, to

be expected that Peking's first response to Mr Eisenhower's moves would be indignant denunciation of all idea of a standstill; the Nationalists' reaction was precisely the same. But there is a clear distinction between face-saving gestures and acts deliberately chosen to increase tension. Mao Tse-tung is not merely assuring the world at large that he still plans to attack Formosa; he is whipping his own people up to the point of mass hysteria on the same issue. Communist propaganda has taken pains to distort the new understanding between the United States and the Nationalists so that to the millions behind the iron curtain it looks like a conspiracy for aggression, not a defensive freezing of the *status quo*.

Nobody can be sure how much the Chinese are in earnest when they clamour for war. The Americans are wisely taking no chances. The conquest of Formosa is obviously Mao Tse-tung's most immediate ambition; it means to him the logical, if belated, climax of the victories of 1949, the destruction of the only effective focus for anti-Communist Chinese, and the removal of a humiliating reminder of the limits of his power. The Korean conflict provided China with modern armed forces, and the cease fire in Indo-China left them free to concentrate on the coast. Behind them, the whole great mass of the Chinese people is now being worked into a frenzy.

One thing needs to be said with the more clarity because it is being obscured by much of what is being written and said in this country. If there is renewed war in the Far East, it will be because of Communist aggression and because of Communist aggression alone. Chiang Kai-shek, whatever he may have done in the past, is now doing no more than defend himself, and he appears to be accepting the American recommendation to withdraw to territories to which the Peking government, even if it were universally recognised as the legitimate government of China, has no legal claim. The Americans are doing no more than support an ally who is a member of the United Nations. If war comes, it comes because Mao wants it.

Yet it is hard to believe that there is no awareness in Peking of the dangers of a new plunge into war. True, the Chinese rulers are known to be frighteningly unconscious of the realities of the outside world. But Korea must have shown them how costly modern war is, and given them some inkling of the destruction they could bring upon their own heads if they attacked Formosa. And even if they believe that such an attack would provoke only limited retaliation, surely their more far-sighted advisers have the courage to warn the hard-headed, obstinate veterans from Yenan about the political consequences of a new Chinese aggression. Already the differences between the United States and

its European allies over Far Eastern policies have been narrowed by Peking's obduracy. Are the Asian neutralists and the western powers now to be flung together by Peking's folly?

Somebody in Peking must realise that to attack Formosa, even if it did not lead at once to war on a vast scale, would at the very least undo the patient work the Communists have been doing to win for China the leadership of Asia, the status of a great power in the world at large and the reputation of a peace-lover. The Russians, too, have something to say. It has suited them admirably that China should play the more pugnacious role and thereby divide the United States from its allies, but not that they should be dragged into war at the tail of Mao's chariot, or even equip another Korea-style campaign at the expense of their restive taxpayers. Thus, taken together, the arguments against a sudden onslaught on Formosa are strong ones, and some at least of them must be plain to the Chinese leaders. Yet the beating of war-drums grows louder.

★

How long can it go on without leading to war? At this point, one must remember the peculiar nature of totalitarian states, where a nationwide movement of "spontaneous" enthusiasm or indignation can be switched off almost as easily as it was generated. The fate of Formosa does not touch the Chinese peasant or workman directly, and the Peking government could transfer his attention to some other issue whenever it chose. Hardly any "face" would be lost—no more than was lost when Mao Tse-tung quietly dropped the boast that the UN forces in Korea were being driven into the sea. The present mass agitation on the question of Formosa may be snuffed out at any moment; it may equally well be revived whenever the time seems ripe.

If, indeed, the Chinese clearly see the risks that an attack on Formosa involves, and have no intention of launching an invasion at present, what have they to lose by keeping up the pressure of propaganda? They doubtless hope for a serious collapse in Nationalist morale under the double impact of their victories in the small coastal islands and Chiang's tacit abandonment of all hope of reconquering the mainland. But there are other likely reasons for their present exhortations about Formosa to their own public.

The past year has been a disheartening one for China's economic planners, and a year of suffering for many of their people. Even the Communist press has given guarded indications of the strains and stresses. There have been the appalling floods along the great rivers; a million and a half peasant levies are still repairing breached dykes on the Yangtse. Unemployment is still a major problem, and it is admitted that peasant resistance to grain levies and collectivisation is still widespread; in Fukien province alone, over a hundred "mobile people's courts" have been dealing

out punishment in the countryside without stamping out unrest.

Moreover, China's present economic problems coincide with a loss of psychological momentum. The first flush of revolution has already begun to fade, and the Peking government is visibly anxious about internal morale. In the past month it has issued a flood of warnings—warnings that every Chinese must grasp the vital need for strong armed forces, that the class struggle inside the country must become more intense yet, that too many Chinese still suspect Russia's intentions, that subversive groups are still ubiquitous. The New Year was marked by the creation of a new nationwide system of "street offices" and "residents' committees," whose tasks are "to report the opinions of residents . . . to mobilise residents in response to the government's exhortations." The powers of the political police have been officially extended, and the *People's Daily* has been busy explaining that no infringement of personal freedom or democratic rights is involved when the police intercept mail, search private belongings, or arrest people before they commit crimes.

★

A thoughtful study of the new China, published this week,* notes the government's increasing use of "appeals to fear and to sentiment rooted in nationalism as opposed to promises of welfare and reform." From this point of view, Mao Tse-tung has obviously much to gain by focusing his subjects' attention on Formosa while maintaining a veil over the economic five-year plan and suppressing anxieties about China's soaring population. The Peking government may already be convinced that the United States is in earnest, and all the talk of an early assault on Formosa may be a mere "paper tiger." But it is highly unlikely that the Chinese will admit this, even by implication, or have anything to do with a United Nations plan for a cease fire, as long as Formosa remains a useful theme song.

If this is so, then those people in this country who are whipping up the atmosphere of "crisis"—and particularly those, like Mr Attlee, who imply that it is all the United States' fault—are simply playing the Communists' game by dividing the public opinion of the western countries. The moral case, as it happens, is perfectly clear, for if war comes, it will come by a clear act of aggression. But the realistic facts are even clearer, for if Mao attacks Formosa there will certainly be fighting, and the United States would certainly be drawn in, with or without Mr Eisenhower's declaration of this week. That being so, to egg the Communists on, as Mr Attlee is doing, is to work for war. The way to peace is to make it clear that Mr Eisenhower's moderate and defensive position has the full backing of America's allies.

*"The Prospects for Communist China." By W. W. Rostow and others. A review appears on page 360.

Millions for Cinderella

THE Transport Commission's plan for the modernisation of British Railways is carefully thought out, and very diplomatically written. With just the right degree of impatience, it lays before a muddle-weary Government and public a dismal picture of the present railway mess. With just the right political touch, it suggests what should be done about it. It would cost £600 million, says the report, to replace all the railways' run down equipment over the next fifteen or twenty years, in much the same inefficient pattern of operation as now. How much wiser to spend £1,200 million to replace it in a way that will recognise that "the era of steam is near its end," to determine that "in the rapidly changing world of today we must provide for a much faster rate of replacement in order to keep pace with the technical and commercial framework within which the railways operate." From the grime and muddle of 1955, from a very recent piece of politicking which everybody would like to forget, the public is invited to lift its eyes towards 1974. Look, there is an electric or diesel (or, just possibly, atomic) train pulling silently, briskly competitive, smog-free, out of the glistening chromium of the new King's Cross.

This is the stuff to give to a Government which likes to seem forward-looking. Provided certain crucial points are borne in mind, it is also the stuff that the British economy badly needs. Even those who are healthily suspicious of the hypermetropic arithmetic in the report—with its precise estimates of the economies to be expected by 1974—will agree that to invest in railway modernisation about one half of one per cent of each year's national income seems a reasonable bet. Even those who have some reservations to make about the technicalities of this scheme, which are discussed in an article on page 387, will agree that—if railways are not to be regarded as wholly redundant—it will be best to plan vigorously for the new age rather than patch inefficiently for the old. But there is a note of caution that urgently needs to be struck amid the excitement and applause. The mere spending of money does not ensure efficiency; it can be a convenient device for ensuring that inefficiency is chromium-plated. Sober analysis suggests that a scheme of this sort is very necessary. Grim experience suggests that there are at least three ways in which it could go wrong.

The first question concerns the scheme's impact upon the Transport Commission itself. For at least fifteen years the railways have been starved of capital; now, by a sudden switch of policy, they may be going to have much more money to throw about; Cinderella is to be the prodigal daughter. But can the men in charge of the railways make the mental switch? The scheme is an exercise in the economics of capitalism

—none the less so for being applied to a publicly owned industry. But the fruitful investment of capital is a very skilled job; it requires boldness of judgment, a nice discrimination between alternatives, great elasticity of mind and—above all—the instinct to imagine what will be wanted (that is, what the customers will be willing to pay for) a long time off in the future. But for a generation past, whether in private or in public ownership, the railways have not been run on the principles of imaginative capitalism. Ever since the twin decisions were taken, to amalgamate the railways into corporate mastodons, and to deal with the rise of road transport not by competition but by restriction and "co-ordination," the men who run the railways have been turning into bureaucrats and administrators, who spend their lives in committees. Can they really change their spots? To be fair to the report, it shows an awareness of the need, but hardly of the scale on which it will have to be met if the scheme is to be fully fruitful.

The second question concerns the effect of this scheme on road transport. There is comparatively little discussion in the report of whether the proportion of freight that can more economically be carried by road rather than rail is likely to change between now and 1974; the ruling assumption, however, is that, after allowing "for the transfer to road of certain traffics which cannot be carried economically," the railways' receipts will increase by about £1 million a year between now and 1974. This may be the correct assumption; but the danger is that, if it is not, steps may be taken to try to make it appear so. If these gleaming new railways come into existence at a time when there are fewer customers for them than had been hoped, there will be a grave temptation to divert custom from their competitors—either by direct controls (which will be fatally easy if road transport is re-nationalised under the same commission as runs the railways) or by starving the roads of the capital that they themselves so badly need. This is certainly not an argument for rejecting the plan. If progress is to be made, the risk must be run of occasional investment in failure; but the risk cannot be diminished by constant strangling of success. Both in order to keep a continuing check on whether it really is advisable for the railways to spend all this money in the long period between now and 1974, and in order to provide some gauge of whether what is being spent is spent wisely, it will be necessary—in these next twenty years—to keep competition in between road and rail.

The third, and most important, question concerns

the effect on labour. It may seem a little hard to revert here to another attack upon the court of inquiry into the recent wage dispute. In its final report this week, the court states indignantly that the "means" it wanted the nation to will were "effective productivity" on the railways. But it removes the force of this belated avowal by going on to say that economy and efficiency of working "are not immediately germane to the immediate question of wages." On the major issue of efficiency it can suggest only another inquiry. In pursuance of this hint Mr Watkinson is to have further talks with the Transport Commission and the unions, and there are rumours of an exhaustive new investigation into the whole present mess. After the Government's experience with the court of inquiry, there must be some doubts whether this is a question that can profitably be referred to yet another jury of honest outsiders. It calls for decisions of principle and the resolution to carry them through—which are qualities that can be provided, in a nationalised industry, by the Government itself or not at all.

In any case, the modernisation proposals, though they come hot on the heels of the labour dispute, are in no way an answer to the problem of how the railways are to be able to pay decent wages to all the men they now employ. On the contrary, they will tend to make it more acute. There are figures in the report that suggest that by 1974 the number of passenger carriages should be reduced by one seventh, of freight wagons by one third, and of locomotives by a very large proportion. There are statements that "in many cases one modern power box will replace several manual boxes" for the operation of points and signals, and that several uneconomic services will be discontinued. Almost all these changes—which will provide a large part of the estimated economies of £85 million a year by 1974—

will depend on redeployment of staff; it is difficult to believe that some will not involve a reduction in payrolls, in addition to squeezing out the water that is already stagnating there. The prospect of carrying these changes through, humanely and without ructions, hardly seems to have been improved by the contribution of the court of inquiry in averting a railway strike.

★

The railway modernisation scheme and the railway wages dispute, taken together, aptly illustrate one of the major contradictions of our times. More than ever before, we base our faith in the future on the logic of capital. Mr Butler proclaims the target of a doubling of the standard of living in a generation by "investing in success"—and though there is some disagreement about the exact pace of the advance to be counted on (the politicians thinking Mr Butler too cautious, and the economists too optimistic), no one disagrees with the basic doctrine. Indeed, it is so much taken for granted that there is a tendency to eat the fruits before they ripen. If it was true that "we are all socialists now" when Harcourt said it two generations ago, then it is doubly true that we are all capitalists now. But capitalism is not an automatic process. It will work only where its logic is left free to reach its conclusions. It works by saving labour; and unless the labour is in fact saved it does not work. The railway programme, in short, is a firm statement of good intentions. Whether it will ever be much more does not depend on whether it is "accepted" by the Government, or even on whether the money is ever spent. It depends on whether, on the railways and throughout the economy, there is a new resolution not only to plan for efficiency and to pay for it, but to insist on getting it.

Resentment on the Farm

THE mood of the members of the National Farmers' Union, gathered this week at their annual general meeting, was one of gloomy resentment. The farmers were only narrowly restrained by their president from passing a direct vote of no confidence in Government policy; and they did pass a resolution condemning the Government for "gradually undermining the provisions of the Agriculture Act, 1947," which is the farmers' charter of security. These protests could not (as the farmers well know) have come at a more awkward time for the Government. The annual farm price review is about to begin. To concede the farmers' claims for higher guaranteed prices would make nonsense of Ministers' declared intention to reduce by stages the present enormous burden of the agricultural subsidies—a course which is also one of the few honest ways open to the Chancellor for giving tax concessions. But

dare the Government face the farmers' open wrath in an election year—especially after the South Norfolk by-election? It is a dilemma which is bound to cause anxious heart searchings among Conservatives about their whole agricultural policy.

The accusations hurled by the farmers this week are in fact completely untrue. The Government has faithfully observed the Agriculture Act both in letter and in spirit; indeed it is doing far more for agriculture than the Act itself envisaged as necessary under normal peacetime conditions. It has continued to underwrite guaranteed prices in a free market—at a cost of some £200 million in the current year—although the provisions of the Act could have been satisfied with much smaller payments. It has not, as the Act said it might, tied its price guarantees to any upper limit of production. There is an additional subsidy for home-grown

feeding stuffs, which means that livestock products are subsidised twice. Apart from the price guarantees, farmers receive sixteen separate kinds of direct production and improvement grants, costing over £50 million in the current year. Agriculture is handsomely treated for taxation and death duties, and it still pays no rates; yet its basic services (such as water and electricity) are subsidised in various ways by urban consumers or taxpayers. All this may not add up to a featherbed; but it is a long, long way from a couch of nails.

Why then are the farmers so genuinely gloomy and indignant? Partly, of course, the timeworn pessimism of their calling has been exacerbated by a year of shocking weather. But two more fundamental obsessions are gnawing away their confidence, the first of which is based on a simple misconception. Farmers are still thinking in terms of a siege-time economy. They call on the Government to set them "production targets"; they demand a guaranteed level not of prices but of total earnings; they expect public compensation if their crops are poor or their sheep are snowbound; and they put up with the intolerable bullying of their weaker brethren (extending to actual removal from their farms) by Government officials. In no other industry would such a grandmotherly supervision be expected or wanted. The farmers' cry of betrayal is based on a misunderstanding of what the Government can do for them under peacetime conditions. It can underwrite a minimum of stability sufficient to enable any good farmer to get a satisfactory living through his own exertions; it cannot order their lives or their incomes to the last farthing.

★

Secondly, and more important, farmers, as their speeches this week showed, have a dreadful distrust of the future. They envisage Government subsidies disappearing seriatim, to the point where British agriculture will have to compete unprotected with unlimited quantities of cheap imported food. These fears have been strengthened by the remarkable swing of opinion against an exaggerated agrarianism that has been observable in the most unexpected circles in the last few years; many people who formerly seemed ready to give the farmers the moon are now willing to take away much of what they already have. If this swing is to be prevented from going too far, both the farmers and the Government will have to make sure that the policies they demand and follow do not become so internally inconsistent that the public will gradually lose faith in protection for agriculture altogether. This will be the real issue at the coming price review; it will be much more important, both to farmers and the Government, than the getting and giving of small favours at election time.

If the danger of a gradual revulsion of public opinion is to be averted, the ordinary taxpayer must be left in no doubt about why and to what ends he is called upon to continue to support British agriculture. Partly, it

is a matter of honour that farmers who were prevented from exploiting food scarcities should also be shielded from the full impact of the present state of relative abundance. Partly, it is a matter of sentiment that the most lovely countryside in the world should keep a prosperous appearance. More basically, agriculture is subsidised as an insurance against the dangers of interruptions to the nation's food supplies arising from war or from adverse movements in the terms of trade. Whether or not this argument can be defended in terms of strict economic logic, there is widespread agreement—which is unlikely to change so long as the bill does not grow too large—that a nation as vulnerable (economically and strategically) as present-day Britain would be uncomfortably naked if its agriculture were neglected.

While there are sound reasons for a permanent policy of assistance to British agriculture, it is essential that the farmers should understand the kind of assistance that they justify—for the public may come to understand this soon enough. Subsidies directed at boosting current production of anything and everything are

The Conduct of the War

We are now at length approaching such a degree of insight into the state of affairs in the Crimea as will enable the public to form correct conclusions, and will compel Ministers to take vigorous decisions. A mass of testimony of various value and authority, differing in many details, but all pointing in one direction, is now before us, bearing on the condition of our army and the management of the campaign, to which it is impossible any longer to withhold credence. We have been slow to listen to complaints and accusations, because we know how invariably, with or without reason, they always dog the footsteps of men in power. We have made a large discount from the statements of correspondents and declaimers in the daily press, because we know how habitually truth and accuracy are by this class of men sacrificed to the temptation of smart writing and striking painting. We have put aside assertions after assertions as in themselves incredible, and as issuing from sources which have forfeited all character for reliability, and whose voucher carries with it no authority whatever. We are now bound to confess that our discount has been too large, and our incredulity too great. There may have been, and there has been, gross exaggeration; there may have been an animus manifestly had and a tone and language ostentatiously and bitterly malignant; isolated occurrences may have been generalised into habitual facts; some things may have been shamefully misrepresented and others unfairly coloured; there may have been *suppressio veri* and *suggestio falsi*; every sinister art of the penman and the politician may have been put in practice to distort and to defame;—but after every allowance has been made by the charity that "hopeth all things" and the wisdom that doubts most things, enough will still remain to fill us with amazement and dismay, and to wring from us the reluctant conviction that our Crimean campaign presents a scene of inconceivable mismanagement and resulting disaster such as Europe has not witnessed since the expedition to Walcheren and the retreat to Corunna.

The Economist

January 27, 1855

worse than useless as an insurance against emergencies; they deplete the fertility of the soil and foster expensive livestock industries which would have to be cut back drastically if danger threatened. Much the most worthwhile form of aid consists of measures which will contribute to greater agricultural efficiency. British agriculture is still very short of capital, and it is also short of able and progressive farmers—for conditions before the war caused a flight of enterprise as well as of capital into other industries. Since farm production is admittedly a long cycle, these defects are unlikely to be remedied unless farmers continue to get long-term assurances about the level of prices.

But, for precisely the same reasons, these assurances must not be too lavish nor should farmers be wholly insulated from the movement of world food prices. Some Conservatives, casting around for inexpensive ways of appeasing the farmers, may be tempted to yield to their pressure for greater "regulation" of food imports. But to pass the buck to the consumer would not only be politically most foolish—for there are far more housewives' votes to be lost than farmers' votes to be saved; it would be injurious to the best interests of agriculture itself. As the Chancellor reaffirmed this week, an open subsidy—however large—is greatly to be preferred to any form of backstairs protection which hides real costs and eliminates competition.

Competition, just as much as long-term stability, is an indispensable incentive to greater farming efficiency. The problem is to mix the two ingredients in the right proportions. Sir James Turner suggested this week that British farmers would willingly compete with overseas supplies if they had the 33½ per cent tariff accorded to the motor-car industry. The comparison with so truly competitive an industry as motor-cars was hardly

a happy one; agriculture does not—and could not—sell 50 per cent of its output in export markets. But Sir James's figure has another significance; 33½ per cent is, in fact, roughly the present difference between prices of domestic and imported food—so that even a tariff as high as this would not assure British farmers the higher prices they now say they need.

The Government has agreed to include in the coming price review a special review of the effect of the recent wages award on agricultural costs. In all the circumstances, it would be unrealistic to suppose that much, if any, trimming of the agricultural subsidies will be possible this year. But, at the very least, the Government can reasonably balance any concessions that it decides to make in respect of the wages bill with savings on the more extravagant price guarantees. Mr Butler's nice observation this week that in the national farm, as in Orwell's fantasy, the pigs are becoming more equal than the other animals indicates one obvious substantial field for economy; the present pig subsidy may come to as much as £50 million this year, and the cost to farmers of the new wage award will be only one quarter as much. Above all, the Government should leave farmers in no doubt about its long-range intentions. It should say frankly that it will not—indeed cannot—continue to guarantee their total income, or to tell them what and what not to produce. On the other hand, it could and should repeat the assurance that its system of guarantees will be permanently such as to enable the efficient farmer (not the mediocre one) to make good profits through the use of his own judgment and energies. Conservatives ought not to be too afraid of offending the farmers. Plain speaking and not soft soap has always been the way to win their respect.

Prime Ministers Meet

THE symbol of the Commonwealth conference which assembles in Lancaster House on Monday might surely be the sphinx. Never have more prime ministers travelled more miles with less advance publicity about the subjects they are to discuss. This unique group of nations prides itself on having no general commitments, no common policy, no central secretariat and no formal ties—other than the declaration in 1949 that "they remain united as free and equal members of the Commonwealth of nations, freely co-operating in the pursuit of peace, liberty and progress." It is scarcely surprising that when the Commonwealth prime ministers meet they should have "no agenda"; the inquirer is firmly told that they will draw up their own agenda and will discuss whatever they please. (The striking variety of the topics that may arise is reflected in the messages from correspondents in Com-

monwealth countries that appear on pages 379 and 380). But the answer is baffling nevertheless. For, whatever agreements are reached in London next week, they will almost certainly affect the course of world history in the months that lie ahead.

At one time, internal constitutional questions looked like providing the main grist to the mill of this particular conference, the first since the Coronation month of June, 1953, and the fifth since the war. And South Africa looked like being their focal point. If the Gold Coast were up for membership, what would be the South African attitude? Would Pakistan become a republic like India, and, if so, might South Africa too? What would be said about the three Protectorates, Bechuanaland, Basutoland and Swaziland? Any of these subjects may yet be discussed. Indeed it would be odd if none of them was. They all reflect deep

problems of Commonwealth evolution. But the constitutional jurists now look like being disappointed. So do the economists; in spite of the fundamental problem presented by Australia's protest that its exports have lost some of their former preference in the British market, it is unlikely that commercial matters will figure very largely. The colours of the Conference have gradually come to be painted on a wider canvas. It looks, in fact, as if peace, defence and the balance between the Communist bloc and the free world will

"good partners" the British will continue to "play a major role in the great decisions of history." There has been no other partnership in the world quite like the Commonwealth. And although the strength of Britain depends in the last resort on its friendly alliance with the United States, it is through association with the Commonwealth that this strength has perhaps its most significant impact on the events of the age. Similarly, the Commonwealth as a whole, divided and therefore weakened as it is on the best tactics for the cold war, nevertheless has a sense of common aim and purpose. And this gives all its individual members a weight of influence and, to some extent, prestige that they would not possess if they stood outside it.

In Mr Nehru's case such sentiments may be thought to ring untrue. India, it is argued, has chosen to stand apart where defence is concerned; indeed the essence of Indian policy is to play a lone hand, to seek peace between the two great power blocs by mediation rather than participation. And admittedly, in the view of many people in the West, Mr Nehru and much of Indian opinion are under illusions about the true nature of the Communist threat, at least in so far as it concerns countries other than India. But even Delhi can in part take the road it does only because it feels secure in the knowledge that, if India were attacked by an outside power, the rest of the Commonwealth would come to its rescue. And Mr Nehru, although he has watered down the meaning of the Commonwealth, can also lay fair claim to giving it his support.

The Commonwealth, no longer simply bound by common allegiance to the crown or by race, thrives against all the logic which implies its death. It is now riven by more apparent divergences than at any time in its history. The Canadian view has long been that where regional interests seriously conflict with those of the Commonwealth they must take precedence. Today, Canada's special defence position alongside the United States has been duplicated in a lesser degree by Australia and New Zealand's Anzus Pact. And every Commonwealth country is in fact a member of one or more exclusive non-Commonwealth organisations with varying and often highly specific commitments of its own, ranging from the North Atlantic Treaty to the Colombo Plan.

There is not even a similarity of interest or attitude when it comes to rearmament; the underdeveloped countries are crying out for the technical aid and capital, for which the main competitor is defence investment in the more highly developed. Nor is there anything resembling a uniform approach on such diverse but vital questions of foreign policy as German rearmament or peace in the Far East. And the balance sheet of Britain's colonial policy is vigorously attacked from both sides, by South Africans and the Asian members

alike. In fact, when the prime ministers meet on Monday, it would be reasonable to suppose that they will have to leave a good many questions tacitly on one side, if they are to deal, as they should, with the major issues of defence and foreign policy.

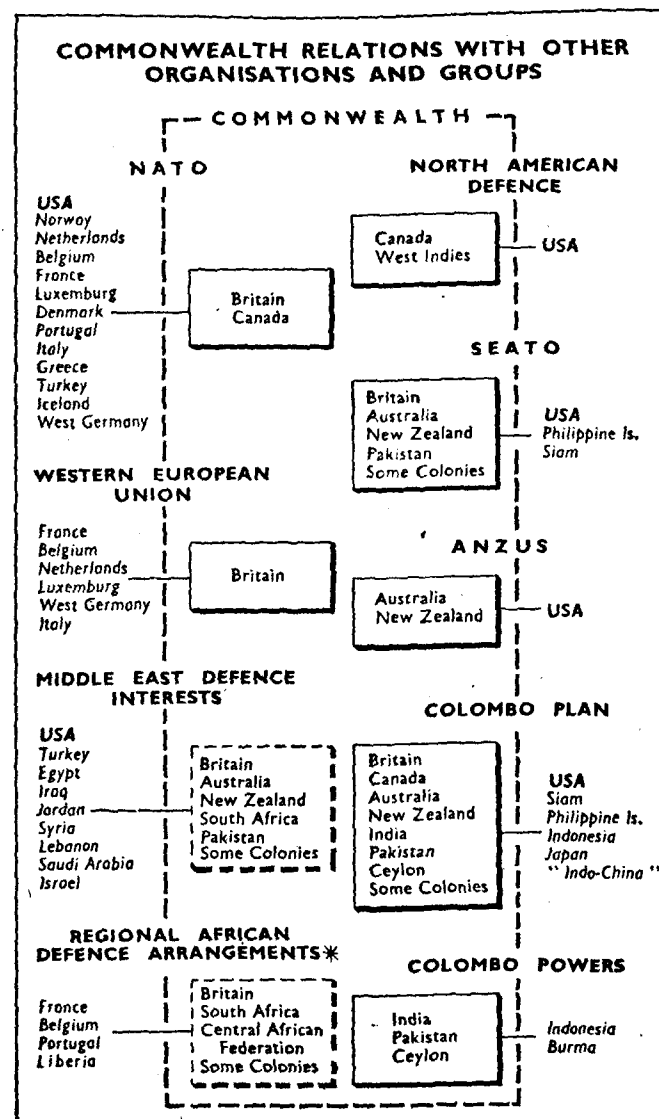
What can they do? As they sit down to confer, the morning newspapers will carry headlines about the Chinese threat to Formosa. This threat is nothing new. It has been latent ever since the end of the Chinese civil war in 1949, and it has come further and further into the foreground ever since the Geneva truce for Indo-China last summer. But all the prime ministers of the Commonwealth—except Mr Strydom of South Africa, represented here by Mr Swart—are intimately concerned with differing aspects of the Far Eastern background. To them, the Formosa question is bound to appear not so much as a short-term crisis—though no one should forget that Australia and New Zealand are pledged to support the United States if its forces are attacked in the Pacific—but as a vivid symbol of the long-term danger of total war which hangs over the globe.

It is some measure of the nature of the Commonwealth that there are two ways in which its members can contribute to the struggle for peace. First, and most obviously, those who wish to do so can strengthen themselves by streamlining Commonwealth strategy for atomic and thermo-nuclear warfare; by improving the co-ordination of their plans if war should come; and by a reassessment of defence needs, particularly in the Middle East and South East Asia. This is the first

prime ministers' meeting since anything like a full-scale appreciation of H-bomb war became available. It is the first since the signing of the Anglo-Egyptian agreement providing for evacuation of the permanent garrison in the Suez Canal zone. And it is the first since the development of Seato consolidated a switch of direct interest in Australian and New Zealand minds from the Middle East to South East Asia.

The second way in which the Commonwealth can contribute is really more important than the first at the present juncture. It is over Far Eastern tactics that it is most obviously divided; part of India's most significant contribution to the conference on Monday will be Mr Nehru's interpretation of Chinese aims and abilities. If the Commonwealth ministers were able to agree among themselves not only on the extent and realities of the Formosa danger, but on the minimum that would be needed to resolve it, their joint view could have a considerable impact in both Peking and Washington.

It should even gain in effect from the very diversity of approach of the individual prime ministers, and from the differences in their relationships with the United States, to whom almost all in varying degrees stand committed. For if this common threat cannot produce a significant synthesis of attitudes among men who meet on such a like-minded basis as a Commonwealth prime ministers' conference, then the outlook for mankind is bleak. The usefulness of Commonwealth co-operation must to some extent be judged by its effect on the fortunes of the human race as a whole. And that in the last resort is what is at issue when the prime ministers come to discuss and assess their own internal problems.



* Still under consideration.

be the main issues. If so, this may prove to be one of the most important Commonwealth meetings since the war.

Speaking of Britain's role in world affairs during his Reith lectures last autumn, Sir Oliver Franks made a comparison. Forty years ago, he said, the "traditional foreign policy of Britain . . . was based on our independence and freedom to act as we chose"; it "depended on . . . power." Today, however, "the conditions of Britain's greatness . . . lie in the effectiveness of our association with our friends." As

Notes of the Week

Peace Within Parties

AT Westminster in the next few weeks there is likely to be a series of straight party battles—not, if the leaders of either side can avoid it, two civil wars. When Parliament reassembled on Tuesday, Labour lost no time in thrusting the Government on to the defensive over Formosa and the railway situation. The Far East is the one quarter of the globe about which Labour is more or less united, and Mr Attlee risked no stab in the back when he once again called for the ejection of Chiang Kai-shek and the admission of Communist China into the United Nations. Even Mr Bevan

cannot set a much hotter pace than this. Nor is Mr Attlee likely to be embarrassed about the railways. Labour's present tactic is to counter the implicit failure of nationalisation by claiming that all would have been well if the Tories had not stopped the railways from milking the profits of road haulage.

For the Tories, the rail settlement at first raised the spectre of a back bench revolt. But the publication on Tuesday of the rail modernisation plan and the court of inquiry's final report gave the Government a good excuse for delaying the debate on the Transport (Borrowing Powers) Bill, originally arranged for that day; and the Ministers concerned were able to spend the week laconically stonewalling in public and volubly expounding in private.

To judge by the telegram of congratulation which was sent speeding to Sir Walter Monckton, the backbenchers have allowed themselves to be persuaded that, after all, everything was done for the best. They appear to have extracted an assurance that the Government still does not intend to pay the railway a subsidy, and that it looks to the modernisation plan, the new area boards and the new charges scheme to enable the railways to pay their way. This may be pie in a distant sky, but the distance lends enchantment. At the moment Labour seems prepared to challenge on every issue only on the wrong grounds, while the Tories are already acquiring an obsession for spreading nothing but sweetness and light—even towards their own leadership—in a probable election year.

Peers of Parliament

BOTH the Government and the Opposition this week put a cautious toe into the chilly pool of House of Lords reform, but neither showed much relish for taking the plunge. It is nearly fifteen months since the Government announced that it was going to have another look at the subject; Ministers had a flying start with the scheme agreed at the 1948 all-party talks, and this could have been re-furbished and presented last year if there had been any real wish for early action. Yet this week Lord Salisbury would say no more than that the Government is in labour over a scheme, and he would not give a hint as to a possible date of birth. The Government, in fact, now seems anxious to shelve the whole issue until after the election, and not only for electoral reasons. If it was to put through, or even publish, a scheme for reforming the composition of the House, Labour would not be able to resist out-bidding it at the polls with a scheme that seemed less class-conscious. The whole problem would then become a party shuttlecock in the next Parliament, whichever side won.

After the election the chances of reaching agreement might be better. The 1948 talks produced a sensible scheme for remodelling the Lords, by introducing two hundred life peers (to be called Peers of Parliament) and retaining only a proportion of the present hereditary members. This would weed out the backwoodsmen, and provide a much larger and more representative chamber for the day-to-day work; it would also, incidentally, remove most of the remaining objections to paying the members of the Upper House some sort of an expense allowance. Labour's fear, of course, is that if the House were made to look less obviously undemocratic this might put a check upon the gradual trend to whittle down its powers of delay. But not all Labour leaders want this trend to go much further in any event. The more responsible of them have good reason for knowing the value of the Lords as a revising chamber, and if only they can overcome the deep-rooted prejudices of so many of their followers, Mr Attlee might at some later date be able to wheedle the party into letting him enter fresh talks. It is at least a hopeful sign that this week Lord Jowitt agreed that the Labour peers should enter constructively into any debate in the Lords on the subject of reform. He was careful to limit his promise to co-operation only on the floor of the Lords; and he said that

there should be no question of increasing the powers of the House, nor of introducing an elective principle that would make the House "in any sense a co-ordinating authority with the Commons." Presumably he would not have gone even this far without first getting a nod from Mr Attlee.

Arab League or Egyptian Axis?

FOR nearly a week the premiers of the Arab League countries, less Iraq, were locked in conclave in Cairo, debating Iraq's proposal to sign a defence agreement with Turkey. Egypt exercised every possible pressure on them to censure Nuri Pasha, the Iraqi Prime Minister, for both the manner and the substance of what he did, but had unqualified backing only from Saudi Arabia, which dislikes Iraq anyway. Lebanon, Jordan and Syria resisted its pressure on the grounds that Turkey is a close neighbour and is worth consorting with, that the Middle East has nowhere to get the arms it needs except from the West, and that to ostracise Iraq would be of no advantage to anyone except Russia; Moscow has naturally been attacking the Turco-Iraqi move. The premiers seem to have compromised by agreeing not to follow Iraq's example themselves, and by shifting to the more harmonious topic of joint Arab defence arrangements. As *The Economist* goes to press they await the arguments of Dr Fadhl Jamali, a former Iraqi prime minister, sent to represent Nuri Pasha, who is ill.

The motive behind Egyptian policy is Colonel Nasser's anxiety to prevent any split in his junta; some of its members are averse to even the remote link with the West implicit in condoning an Arab League member's alliance with a Nato state. But Colonel Nasser, even if anxious on this score, has handled his diplomatic problem with needless churlishness, and—what is worse—without regard for the importance of educating Egyptians to behave internationally in an adult way. To call Nuri names, to cry off a suggested exchange of visits with Turkey, and to trump up yarns about Turkish intentions of allying with Israel, is to lapse into gambits reminiscent of Nasser's predecessors.

The likely way out is to evade open disagreement by calling the contest a draw and to leave it, as one Egyptian broadcast has called it, "a story without beginning or ending but filled with knotty problems." The only real knot is whether the policy of a large and vulnerable area is going to be governed by realism, or by the prejudices of the extremist Egyptians who form less than half of Colonel Nasser's team.

New Stage in France?

THE long-awaited government reshuffle in Paris has involved nothing that was not expected. M. Mendès-France has finally relinquished the portfolio of foreign minister; his stay at the *Quai d'Orsay* was always meant to be provisional, and as such tended to drag on. His successor

there, a fellow-Radical, M. Edgar Faure, moves over from the ministry of finance, and this departure will be regretted in business circles, where M. Faure's retention in a post he had held in the Laniel cabinet was interpreted by many as a guarantee of continuity in policy. The new minister of finances—the MRP "rebel," M. Buron—is likely to be more strongly influenced by a prime minister now, at least in theory, free from other departmental cares.

Yet it is doubtful whether for some time to come the prime minister will be in fact able to concentrate on his favourite subject and grapple vigorously with French economic recovery. The dossiers that face him now have a very familiar look: the most urgent concern North Africa and the Paris agreements. The debate on the former topic, scheduled for next week, is likely to be a stiff test, as there is much discontent with the official North African policy among the Radical, Gaullist and right-wing members of the present majority. On the other hand, the prospect of the European debate in the upper chamber may once again save the day for M. Mendès-France. As in December, many of his opponents would like him to remain in office to shoulder all responsibility for the ratification of the Paris agreements on Western Union.

Lobby calculations as well as the reshuffle itself show the precarious position of the government. M. Mendès-France's choice of new ministers was very limited. The wounds of the European debate in the Assembly are still by no means healed. The Socialists, still busy avoiding an internal schism, show no intention of joining the government though they continue to vote for it. This may not be a one-man team, but it is certainly one tremendously dependent on its chief personality. There are dozens of deputies who have no other thought but how to secure the indefatigable premier "a much needed rest."

Liberal Battle Cries

THE agenda for the Liberal Party's annual assembly in April seems to be based on a sensible assessment of where Mr Gladstone's residuary legatees can exert their residual impact on political affairs in this country. The party's hopes of making a better show at the next General Election probably vanished amid the snows of Inverness, for all the gallant efforts of Mr Bannerman; nationalism on the Celtic fringes remains the Liberals' best vote-catcher, but now it is difficult to see where even this can actually win them a seat. But with two or three million voters still keeping at least one ear cocked in their direction, the Liberals may be able to exert some indirect influence on the policies of the two big parties. The agenda for their assembly appears to recognise this. The resolutions from the platform suggest that the leadership wants the party to concentrate on civil liberties, colonial affairs, monopolies, and education; there is also to be a re-statement of the party's ideas on the international situation, which will be published later. The party would be wise to rely on this straightforward mixture. A continued search for such slightly crafty—and highly illiberal—devices as compulsory co-ownership can only give it the same sort of reputation as surrounds certain peculiar religious sects.

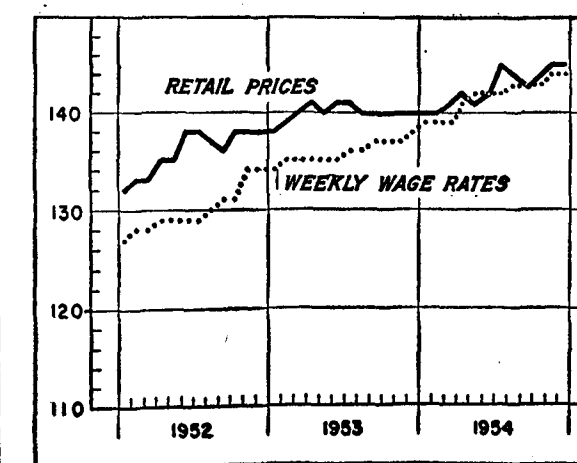
For once, fortune has favoured the Liberals by making two of their pet themes topical; Crichton Down and the much publicised activities of one or two trade associations have played into their hands. The official resolution on civil liberties aims particularly at curbing official snoopers, damming the still too fluent stream of delegated legislation, and ensuring a right of appeal for anyone condemned by a departmental tribunal. The attack on monopolies comes in a general resolution on the cost of living; this inevitably has a tilt at tariffs, but the main theme is the restoration of freedom by breaking up price rings and removing all restraints on trade, "whether imposed by employers, trade associations or by trade unions." There is even a special reference to "anti-social labour practices which hamper productivity." No doubt if the Liberals saw the faintest chance of office they would fall back on the cautious platitudes of the other parties, but these defiant phrases will serve their purpose if they arouse the interest of those who support the other parties. It would be nice to have this theme song against restriction reiterated, and loudly.

Seven Stages of Equality

THE Government has acted promptly, though not precipitately, in agreeing to adopt the Whitley Council's plan for the gradual introduction of equal pay for men and women in the non-industrial civil service. Doubtless Mr Butler felt impelled to take the plunge by the Labour party's pledge, made a year ago, to "implement the policy of equal pay" immediately it was returned to power. Yet he can hardly be accused of direct electioneering. Although the women civil servants will get their first instalment immediately, there will probably have been at least two general elections before the seventh and last annual increase is paid—and equality is achieved—on January 1, 1961. In addition, the Chancellor has refused to introduce a similar scheme in the industrial civil service, which employs about 44,000 women.

The women who will immediately benefit by the Govern-

UK WAGES AND PRICES
INDEX NUMBERS JUNE 1947=100



ment's decision number about 155,000, out of a total of 210,000 women, full-time and part-time, in the non-industrial civil service. Most of them are in the clerical, executive and typing grades; about 2,000 are in the administrative grade, where inequality of pay is maintained as high as the rank as Under-secretary. The 28,000 women typists will eventually receive the same salaries as men; but equality will be achieved, not only by raising the women's scale to a level that at the end of the seven years will be considerably higher than their present one, but also by reducing the scale now in force for the small number (about 4,000) of men in this grade. No decision has yet been reached on the 36,000 women, mostly Post Office telephonists and telegraphists, whose conditions of service are different from men's; and some 17,500 women—mostly cleaners—who do not do equal work, together with 1,500 in grades where no men are employed, are excluded from the scope of the new scheme.

When it is in full operation, the cost to the Exchequer is estimated at just under £13 million a year. But, by the time the seven years are up, the total cost to taxpayer and ratepayer will be much higher, for it can be taken for granted that the Government's action will be followed in other spheres of public employment—notably teaching. How soon its effect will be felt in private employment will depend upon the attitude of the unions and the state of the labour market. But there is one repercussion that might well be felt in the next Budget. Now that the Government has lent its bias towards removing one cause of inequality in incomes, there seems all the more reason for transferring, through the tax reforms discussed in a leading article last week, some of the present burdens on the net incomes of the man with a family on to the man—and woman—without dependants.

On the Copperbelt

THE development of the labour situation on the Northern Rhodesian copperbelt cannot be said to be encouraging for the resolution of the basic deadlock over African advancement. The Africans are being told, notably by the Governor of Northern Rhodesia, that they are striking for the wrong thing in demanding an unrealistic wage increase for all Africans, and have thus forfeited support. Some African workers, who are more interested in immediate cash than anything else, are breaking the strike—with help from Europeans who have gone back on their original undertaking not to do production work normally only done by Africans. Reassured of the strength of their position by the growing drift back to work, the companies have issued an ultimatum, under which those who do not now return will be dismissed and lose long service benefits if subsequently re-engaged. Not all of them would be.

But towards European mineworkers the companies seem to be taking a milder attitude; the Rhodesian Selection Trust has postponed its notice to terminate the agreement under which skilled jobs are effectively reserved to Europeans. This may have been done to improve the atmosphere in which a ballot will be taken on the companies' proposals; but the African strike will hardly have improved

it, nor will the pledge of "support" (whatever that may mean) from South African trade unionists for the stand by the copperbelt miners against "undue" penetration by Africans into the field of European employment. If by "undue" is meant the overdue concession that five per cent of skilled jobs should be made available to Africans over five years, the situation may end exactly where it has begun—with the Africans divided and confused, the European miners adamant in defence of their privileges, and even the resolution of the Selection Trust dissipated.

But the ensuing calm of the return to the *status quo* would be deceptive. The genii of African organisation and solidarity will not go back into the bottle—even if their cohesion is temporarily blurred into a smog of growing racial bitterness on the copperbelt. The constructive issue is for the Africans to get a ladder of advancement to take the minds of the best of them off their ill-directed strike. That would not be rewarding irresponsibility, but a shrewd investment in African privilege.

Mr Molotov Prepares His Ground

THE suggestion has been thrown out by a leading member of Dr Adenauer's party, Dr Lenz, that the western powers, including Federal Germany, might usefully start a joint study of all the recent Soviet statements as soon as the Paris treaties are ratified. The proposal may be assumed to be in line with Dr Adenauer's own ideas, and is one which should be adopted. There have been so many declarations of one kind or another from Mr Molotov, none of them crystal clear, that there are ample possibilities of confusion over them; yet they form part of the material on which the western statesmen decide what kind of approach they make to Moscow and how soon after the treaties are ratified. It should be apparent to all four in the West that the first move must be to ask Mr Molotov to discuss German reunion in freedom. Dr Adenauer secured from the other members of Western European Union a pledge that they would work for the reunification of Germany, and he has made a special point of their promise in all his speeches. It would be disastrous if his partners were to show any signs of not being serious about their aim.

In the meantime, Mr Molotov's latest move is causing fresh speculation in the various western capitals. The announcement that the Soviet Union has ended the state of war with both the German states, reserving its rights under four-power agreements, is not unimportant. It provides a legalistic basis for the Soviet Union and the satellites to conclude a formal military alliance with the "German Democratic Republic," and to open the diplomatic relations with Bonn which Mr Molotov has proposed. True, the western powers ended the state of war with Federal Germany as long ago as 1951, and the Soviet Union has already granted "sovereignty" (with the same reservations as are made now) to its East German satellite. But the Russians are not merely evening-up the status of East and West Germany. They are looking ahead to very difficult days when they must try to make their German state an armed ally, and at the same time win over the Federal Republic.

One very remarkable point about the Soviet declaration is that it presupposes that the Paris treaties are a *fait*

An account of Stewardship

At the end of 1954 our Deposits amounted to **£1,245 millions**. Here are four of the chief ways in which we have employed these vast sums entrusted to our care:—

Advanced to Trade, Industry, Agriculture and other borrowers: **£301 millions**

Invested in British Government Securities, including Treasury Bills: **£627 millions**

Loaned at Call or short notice to the Money Market: **£74 millions**

Held as Cash: **£97 millions**

LLOYDS BANK
LIMITED



71 LOMBARD STREET, LONDON E.C.3

SPOTLIGHT OF REASON ON CURRENT EVENTS



Daily Mail Comment

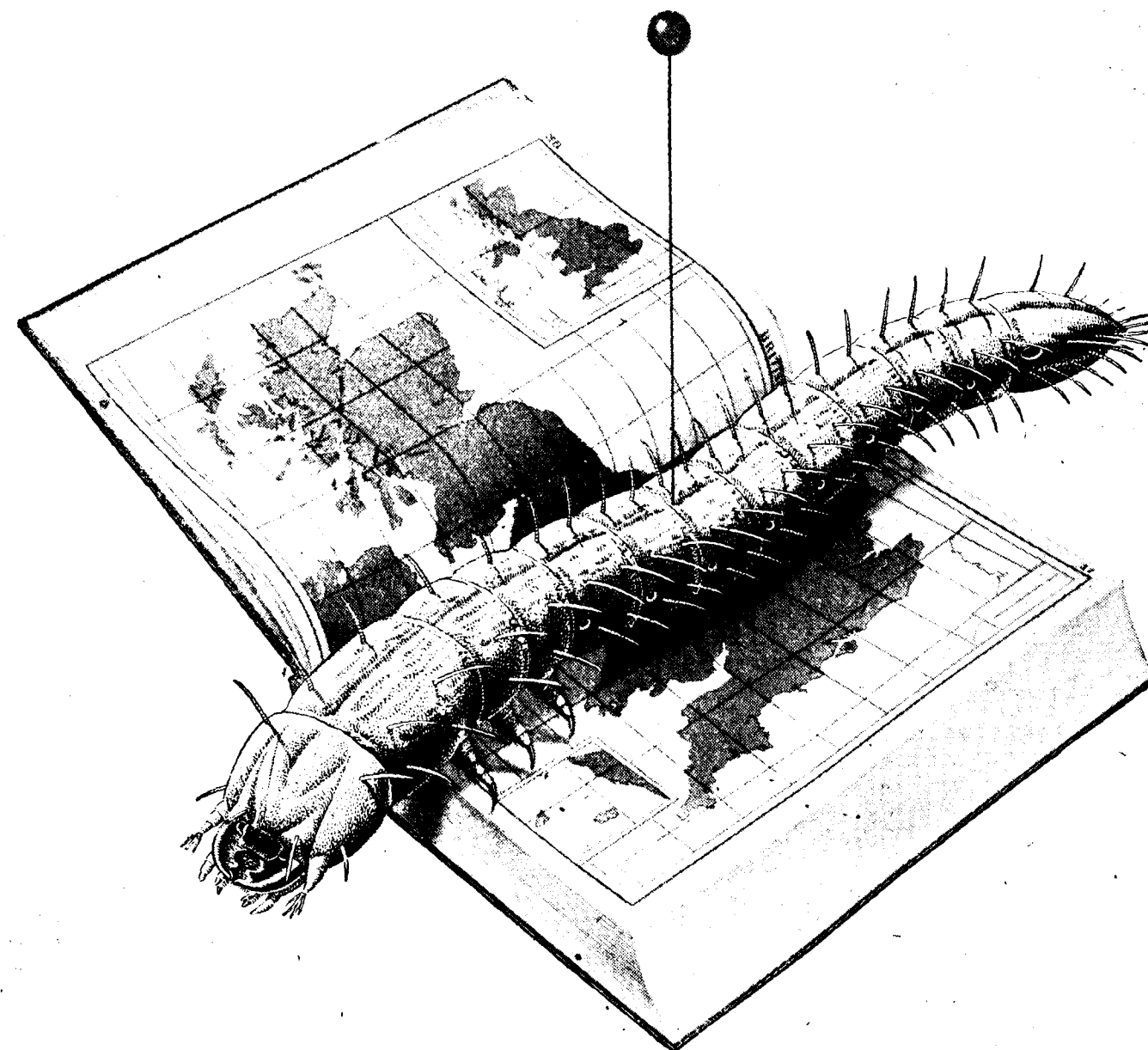
COMMENT, the Daily

Mail's pungent 'leader', with its candid and sincere summing-up of the day's trends and happenings, provides a sane and balanced survey of contemporary history. In response to popular demand, these illuminating articles will now be available in book form, published monthly as a permanent record of what has been said, thought and done.

MADE AVAILABLE IN BOOK FORM

The first issue of the collated 'Comment' will be on sale on February 8th and will contain all 'Comment' columns from the Daily Mail, beginning with the issue of January 1st. A subscription of 25/6d. will ensure your receiving free postal delivery of the whole of each month's 'Comments' for 12 months—12/9d. for 6 months. You can place your order through your newsagent or send it direct to: Daily Mail Publications, Dept. E., New Carmelite House, London, E.C.4.

PUBLISHED MONTHLY



The case of *Agriotes obscurus*...

Wherever potatoes are grown, wireworms are pretty certain to be encountered and to damage the tubers. In the U.K., for example, this destructive pest populates the soil in some areas to the extent of over a million per acre. In heavy local infestations this figure is probably doubled. Damage fluctuates, but it is nothing unusual to find over half a crop unfit for the table.

With wireworms on the increase, British farmers have welcomed the arrival of *aldrin*. This year in the United Kingdom alone over 90,000 acres of potatoes will be protected, mostly with aldrinised fertiliser. This Shell insecticide is the most impressive destroyer yet discovered for pests in the soil—non-tainting and exceptionally suitable for compounding with fertilizer. Just 2½ lbs. of aldrin per acre guards potatoes from wireworm and other soil pests right through the growing season.

Aldrin is fast becoming recognised as being the best of all soil insecticides. A little goes a long way and lasts a long time. Now in worldwide use, aldrin gives full control of many pests previously difficult to 'get at' economically. Another recently developed Shell insecticide is dieldrin, possessing exceptional persistence. On foliage, dieldrin controls a very wide range of weevils, beetles, flies and other crop-eating insects. It is also extensively used as a residual spray against disease-carrying insects. Have you a stubborn pest problem to be solved?

aldrin

aldrin and dieldrin are  insecticides for worldwide use

For further information apply to your Shell Company

Issued by The Shell Petroleum Company Limited, London, E.C.3., England.

accompli. This will not be lost on the Germans, who will see that their Russian suitor has no intention of withdrawing his bouquet from Bonn if the treaties go through. The first benefit which will be expected from the new relationship with Moscow is the release of the thousands of Germans—including a number of generals—who are still held prisoner by the Russians. There is hardly any other action which would do so much to soften German opinion towards the Soviet Union. This is doubtless realised in Moscow, and is the reason why Field-Marshal Schoerner and Rear-Admiral Voss have been released into the East Zone. Both have issued a letter thanking the Soviet government for its magnanimous treatment and giving assurances that they will work for "a profound mutual understanding between your country and the united, democratic and independent Germany for which we long." Mr Molotov, it seems, is not only ending a state of war with Germans; he is announcing a state of friendship.

Right Joins Left in Germany

THERE is reason to be concerned at the propaganda campaign in Germany against the Western Union agreements, which has now reached fortissimo. Communists, ex-Nazis and neo-Nazis are combining with Socialists, Protestant clergy and nationalists of all shades in a final effort to influence the *Bundestag* decision on February 24th. Some of the latest Social-Democrat propaganda is indistinguishable from that of the Communists. One poster, deplored on this account by the *Frankfurter Allgemeine Zeitung*, shows a cripple standing amid ruins against a blood-red sky, with the slogan: "Never again! Therefore, negotiate!" In distortion of the alternatives this matches the recent declaration by Herr Erler, a Social-Democrat leader, that Germany should be "neither a Soviet satellite nor an exercise ground for American troops." Such over-simplification, to give it no worse a name, shows how dangerous it would be if a plebiscite were held on the issue of rearmament—as Herr Ulbricht and some West Germans demand.

The right wing, too, has made its voice heard more loudly against Dr Adenauer in the last few days. Among others, one of the deputy chairmen of the Free Democratic Party, Herr Middelhaue, has come out in favour of direct relations with Moscow. He is said to have ten of his party's MPs behind him. The FDP has been given funds by German industrialists on account of its stand against socialism and trade unionist extremism, and it would add to an already ironic situation if the party were to use these resources against the western treaties, and thus indirectly assist Communism.

Within Dr Adenauer's own party, Herr Gerstenmaier, the speaker of the *Bundestag*, has given a warning against underestimating the extent to which the public will oppose rearmament after the treaties are ratified. He was speaking to a gathering of the Protestant Church, and his remarks were given wide publicity by a press which, on the whole, lends its weight to Dr Adenauer's critics. The warning may be justified. But the German public has more than once shown itself better than its politicians, and it may do so again.

Refusing To Be Hurried

MR MOLOTOV's dynamos are still turning at full speed, and the stream of Russian moves and gestures intended to halt the creation of Western Union is clearly going to continue. There is no depression in Moscow, and the Soviet foreign ministry is not interested in the possibility that the very speed and volume of its activity may produce a trend to diminishing returns. Its ambassadors in the western capitals have been called home for consultations, and are now returning to their posts, doubtless with bulging briefs. The Supreme Soviet has been summoned to do its rubber-stamping duty next week, a break with the more normal time-table of Russian political life which may well indicate domestic strains and stresses but which cannot by any stretch of the imagination be wholly dissociated from the campaign against the Paris agreements. When these developments are taken together with the proposal to end Russia's state of war with Germany, it must be conceded that the pace in Moscow is getting steadily faster, and from now on it seems safe to count on a new move roughly every three days.

In the West, calculated deliberation is the obvious counter to increasing Soviet haste, and it was neatly exemplified this week by the British and French replies to Mr Molotov's threats to break off the wartime Anglo-Soviet and Franco-Soviet treaties. These threats were uttered before Christmas; now the replies, couched in calming and unworried tones, express regret at Mr Molotov's precipitateness, and assure him not only that he is quite mistaken about the nature of the Paris agreements, but also that if he insists on denouncing the wartime treaties his action will give pain but will evoke neither terror nor feelings of guilt in the West. The Russians may, in due course, have reason to be grateful that the western governments are so carefully holding open doors through which they may wish to walk after the ratification of the Paris agreements.

Pools Pay-off

IF the invigorating stimulus of competition is fully operative in the football pools business, the recently published returns showing the percentage deductions for costs and commissions from punters' stakes in the different firms are very interesting economic documents. They show that no pool can be operated for much less than 20 per cent of turnover, irrespective of size, and that there is a close approximation to this efficient minimum. The nature of pools organisation certainly suggests that no very large reduction in administrative costs per punter is to be expected with increasing turnover. But it is remarkable that Littlewoods, which is reputed to do half the business, is unable to pull its costs and commission (at 19.6 per cent) significantly below those of smaller competitors. Indeed some have a slight edge on it. Those who are not certain that perfect competition does rule in this industry will feel a natural curiosity about how much of the undistributed 20 per cent is cost, and how much is profit.

The new Act, which has compelled the pools to reveal this interesting uniformity of operating expenses, and which they fought so hard, is tender to them on this score. Their profits remain a secret between them and the Inland Revenue. But clearly the 20 per cent margin leaves plenty for a reasonably efficient concern, since the Labour party is reputed to believe that it could raise half a million pounds a year towards the party's revenue out of that margin on a fairly large pool. Such a profit margin would seem to leave scope for the pools promoters to meet a variety of other charges—for example, to make a contribution towards the losses sustained by the ailing Third Division clubs whose fixtures are of some considerable importance to them. But if those clubs do succeed in implementing their present proposal to charge the pools for their fixture lists, the money will not necessarily come out of the 20 per cent that goes to meet the pools' costs and profits; since it also cannot come from the 30 per cent that goes in tax to the Exchequer, it is much more likely to come from the 50 per cent that is returned to the punter. It is certainly still arguable, on the meagre statistics forthcoming, that the taxpayer, the punter and the sportsman might do better if this industry were nationalised, the national conscience (or the organised bit of it) permitting.

Planning East Africa

IT may be too much to hope that members of the Trusteeship Council of the United Nations will read, along with the report of the Council's visiting mission to Tanganyika, the £30 million Five Year Capital Development Plan for Uganda, with its admirable annexe on agricultural productivity. The contrast in approach to and insight into the basic problems of African development is marked. The United Nations mission to Tanganyika, after a limited tour, has weighed in with far-reaching criticisms and recommendations—to which its chairman, a New Zealander, took frequent but vain exception—based largely on what Africans said at meetings with them. The mission has simply demanded more of everything—more education, primary, secondary, higher (and multiracial); more economic development; and above all more political evolution with a guarantee of self-government in fifteen years. Its ideas on African agricultural problems seem not to extend much beyond the suggestion that they be eased by handing over much of the land alienated to European settlers; the mission admits that this is but one per cent of the whole area, but severely observes that some of it is very fertile.

It may be true that European farming is not so educative an influence among African cultivators as Europeans in Tanganyika like to think; but to suggest that the area it occupies is a serious factor in African problems merely underlines the very strong bias among the members of the mission to ferret out colour discrimination at all cost, and to minimise complications arising from the not entirely negligible cultural differences between the three races. It is fair that visiting United Nations missions should provide a sounding board of African views; but to swallow them almost whole merely exposes their naivete.

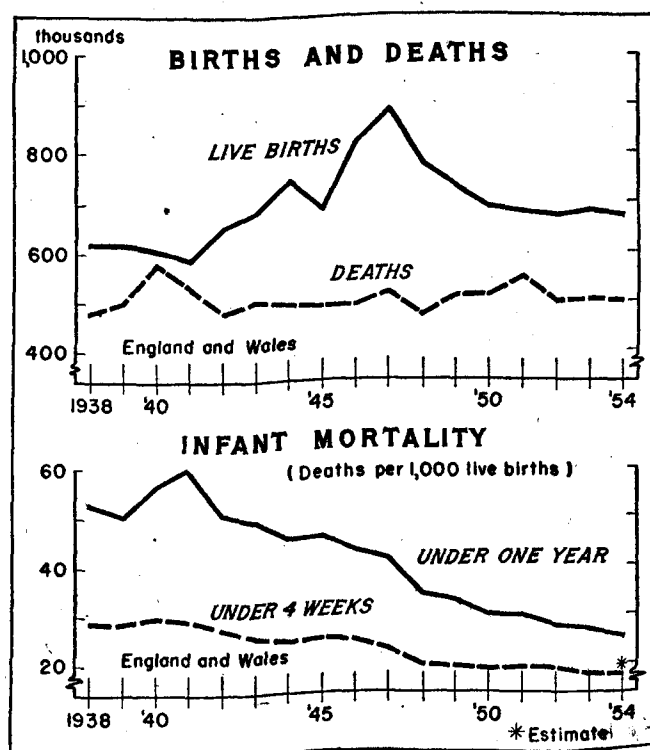
The Uganda plan, on the other hand, is factual, statistical and anchored in technical knowledge of the needs of the

protectorate's basic industry—cultivation of subsistence and export crops. It is the more impressive inasmuch as it is signed by some who have criticised the administration's spending record over the past three years. It recognises that investment in higher agricultural productivity, which is Africa's abiding requirement, is not investment confined directly to agriculture. It notes that "investment in people through education and technical training should in general have priority over investment in material resources; capital and fertile land are wasted if they are not used with skill and efficiency. The growth of new skills and aptitudes is necessarily slow. . . ." Such phraseology should suggest to United Nations missions—anywhere—that realism and humanity are not necessarily divorced.

Births and Deaths

THE most encouraging figure in the provisional return of births and deaths in England and Wales last year is the infant mortality rate. This fell again, to the new low record of 25.5 deaths per thousand live births.

There are, however, two factors to be set against this favourable trend. First, the biggest improvement since 1938 has taken place in the deaths of babies aged one to twelve months. As will be seen from the chart, the



neonatal rate (that is, the death rate of babies under four weeks old) has not fallen to the same extent. In fact, when these neonatal deaths are subdivided, it will be seen that they nearly all occur in the first week of life, a much more dangerous period for the chances of an infant's survival than the remaining fifty-one weeks of its first year. Second, this comparatively high death rate of the first week of life should be regarded in associa-

tion with the continued obduracy of the stillbirth rate; regrettably and inexplicably, this rose last year to the highest level since 1947.

Algeria Next

WHILE France's negotiations with Tunisia proceed towards their climax, an Algerian problem that could prove to be even more complex is brewing next door. For Algeria can be the worst of the two territories to handle because, as part of France, it sends deputies to Paris who there form pressure groups that a weak prime minister has to count as votes that matter on every issue. Algeria is run by the Minister of the Interior—at present M. Mitterand—except in so far as it runs itself under its own Statute. This Statute of 1947 gives it an Assembly that enjoys some autonomy, but in conditions that are heavily weighted in favour of its European population—900,000 strong. Its eight million Moslems are French citizens but do not all have equal voting rights with Frenchmen.

On January 6th, M. Mitterand laid before the cabinet in first draft a scheme of reform designed to carry out unimplemented parts of the Statute. Even his bare outline aroused fierce opposition on the part of the *colons* proper—the élite that owns estates in areas predominantly Moslem. This small but powerful group was until 1947 akin to a feudal aristocracy—in fact, it still is so, for it has since then contrived to spike a good many of the increases in Moslem power that the Statute was meant to bring about.

But the *colons* concentrated their attack on the one Mitterand proposal that would seem to operate the other way about and to secure powers to France. They attacked his proposal to integrate the Algerian police force with that of the home country. His purpose was to meet justifiable criticism, coming from many respected quarters, of the Gestapo-like handling the Algerian police has been giving to suspected terrorists. The *colons'* motive, as unmasked this week in the newspaper *L'Express*, a responsible journal close to M. Mendès-France, is to keep the hands of Parisians who "don't understand" Algeria off the most decisive weapon at the command of the local authorities. They want power in Algeria, but not at the price of secession, because, in a territory where they are outnumbered nine to one, they cannot do without French troops. Their ideal is to have French military backing but to get it on their own terms, and they have hitherto done so, staving off change either thanks to the dependence of weak governments on the votes of their deputies, or by turning periodic unrest to account and arguing that it is inopportune to cede points at such moments.

To-day, when the Aurès Berbers are in revolt and the Berbers of Kabylie in ferment, arguments against ceding anything to rebels look as cogent as ever, except to people who grasp what the *colons* fail to see, which is that all European minorities in Africa are in the same boat, and will have to compromise or else someone's blood will flow. Ought M. Mendès-France to follow precedent and yield to their pressure? *L'Express* thinks certainly not, and M. Mendès-France seems to be following the same line by this week appointing a progressive Gaullist, M. Jacques Soustelle, to the Governor-Generalship of Algeria.

Trial in Belgrade

ONE of the most surprising trials ever held in a Communist country took place this week in Belgrade. Not only did the two accused men, Mr Djilas and Mr Dedijer, walk as free men to the court from their homes, instead of being brought from a prison cell; they left the court equally free men after the trial. They were merely given conditional sentences which they must serve if they commit a further offence within the next few years, and these sentences were, by Communist standards, fantastically lenient—eighteen months for Mr Djilas and six months for Mr Dedijer. It is true that the regime has effectively muzzled its two critics for the time being, and that, by western standards, the trial should never have taken place at all. Yet the striking fact remains that a totalitarian regime has brought itself to take a difficult step in a more liberal direction.

Mr Djilas and Mr Dedijer were sentenced for spreading hostile propaganda. The precise terms of the indictment against them, like the trial itself, have been kept secret. But it seems that they were accused, in effect, of deliberately criticising the conduct of affairs in Yugoslavia to foreign journalists in order to bring foreign pressure to bear on the government to change its policies. If there had been the slightest substance in such a serious charge it is inconceivable that the accused would have got off so lightly. Two frustrated men only unburdened themselves to the foreign press because the domestic press was closed to them. But it is understandable that the government should have reacted sharply to this washing of its dirty linen in public, especially as it is obviously anxious to improve its links with West European Socialists. Unfortunately, it did not stop to think that to clamp down on its critics did it far more damage in western eyes than any number of revelations about internal discords could do. It has now done what it can to repair the damage without too much loss of face. This sensitivity to western opinion may have led the Yugoslavs to strike out wildly and blindly; but at least it is something that they seem to mind what western Socialists think about them. If they continue to feel this way they are much more likely to resolve their internal problems in such a way that eventually people like Mr Djilas can freely air their views in the local press.

Coal Trains Across Europe's Frontiers

THE drafters of the European Coal-Steel Community treaty foresaw that there could be no truly competitive common market unless drastic revisions were made in freight rates, which are traditionally governed by national advantage. They knew it would be difficult to modify these rates, and allowed a period of grace, but even so it has often looked as if they had been too optimistic. Now, however, an important log-jam has at last been broken.

The treaty seeks to end two main kinds of discrimination in freight rates. The first, and the more easily identified,

is the practice of charging more to carry coal and steel for "foreigners" than for "natives." During 1953 the High Authority, acting on complaints, readily obtained the governments' co-operation and all known discriminations of this type, some 32 in all, were abolished. A much more difficult problem, on which it sometimes seemed that governments would not co-operate, is discrimination between traffic which crosses frontiers and traffic which does not. Freight movements across frontiers are subject to heavy charges based on the fiction that the train is unloaded and reloaded at some imaginary terminal station; and railways that charge less per mile the longer the haul treat traffic originating abroad as having started at the frontier. These fictional load-breaking and frontier charges mean that, for instance, the French steelmaker pays more for Ruhr coking coal than a German competitor no nearer to the mine. This form of discrimination has long been recognised as inconsistent with the treaty. But the railways, understandably, opposed any increase in their financial problems. Moreover, as trade in "Community products" represents about 40 per cent of all traffic on railways in the Community, what was done for coal and steel would inevitably have wide repercussions.

On January 20th the Community's Council of Ministers started a process which by 1957 should result in radical changes, and in particular, in cheaper Ruhr coking coal and coke for Germany's neighbours. From May 1st, through rates, instead of rates from the frontier, will be quoted for coal and iron ore throughout the Community, and terminal frontier charges will be cut by two-thirds. On May 1, 1956, similar measures will be applied to scrap and steel and the remaining frontier charges on coal and iron ore will be abolished; and on May 1, 1957, the remaining charges on steel and scrap will go. The Council also took a first bite at the separate problem of national differences in the rate of fall in charges per ton mile (on both domestic and international traffic), by deciding that the rate of fall should be uniform for coal traffic up to 250 kilometres and for steel up to 200.

Last week's decisions may, by 1957, be eliminating about £6 million a year of discriminatory charges. They are also welcome as a sign that the Community is emerging from the doldrums in which the collapse of the EDC left it. The High Authority, having got across one bed of nettles, should now stop walking round the even more prickly cartel patch, and use its new momentum to see that articles 65 and 66 of the treaty are fully implemented.

Poor Record on Refugees

THE habit that governments have acquired of voting for resolutions in the United Nations Assembly and then doing next to nothing about them is damaging as well as absurd. Lip-service, like power, corrupts. At the last Assembly, 44 governments voted in favour of a resolution which urges all member and non-member states to give the fullest co-operation to the UN High Commissioner for Refugees in his new programme. They authorised the High Commissioner to proceed with this programme; but they left it to him to raise the funds. In effect, he was

invited to come round, cap in hand, to see what he could get from the same member states that had nominally sponsored his work. Last week he came to London, and then, after a somewhat inconclusive discussion with the Foreign Office, continued on his rounds to Scandinavia, France and the Low Countries.

This seems a cumbrous and a discreditable procedure. It compels the High Commissioner in person to badger and beseech governments that ought to have made up their minds about contributing to his funds before they voted in the Assembly. It works out to the advantage of the more dilatory and dishonest states, which get full credit for publicly supporting a humanitarian effort and then make their excuses for inaction in private. It is true that there were flaws in the High Commissioner's original proposals when they first appeared last summer. But the Assembly took care to arrange for revision of his plans and for some degree of supervision over their execution. The plight of the remaining unsettled refugees is a very real one, and there is everything to be said for a new effort to help them become self-supporting. Every one of the 44 governments that virtuously backed the High Commissioner in the Assembly ought to have hastened to offer at least a provisional contribution to his bare coffers. It is high time that governments set a better example of honesty to their citizens.

SHORTER NOTES

The Conservatives held on to their seats in the by-elections at Orpington and Twickenham, with swings in their favour of 3 and 2 per cent, respectively. If they can maintain gains of this order at urban and suburban seats at the general election, they could win anything up to fifty seats from Labour; this should more than counteract the dozen or so agricultural seats they might lose if the South Norfolk result was an accurate portrayal of the rural trend.

The accusation of *immobilisme* has often been levelled at Mr Diem, the Vietnamese prime minister. The news that he has at last closed Saigon's *Grand Monde*, the largest gambling establishment in the Far East, despite the immediate loss of revenue and in the face of the opposition of its controller, General Le Van Vien, who also happens to be his chief of police, shows that his hands are at last firmly closed on the prickliest nettle of all. Whether he will now have the courage to defy General Vien's protector, the Emperor Bao Dai, and dismiss the police chief, remains to be seen. But there will be no real political progress in southern Vietnam until he does.

The committee inquiring into the litter problem in London parks has recommended more publicity rather than more prosecutions—a heartening and unusual recommendation for any committee to make nowadays.

The Associated Society of Locomotive Engineers and Firemen is fully justified in submitting its new wage claim to the railways' arbitration machinery. The award given by the tribunal to engine drivers at the end of last year was intended to restore their differentials over unskilled railwaymen. By a shotgun settlement of which the tribunal would have been unlikely to approve, those unskilled men have now narrowed the differential again; it will be a knotty problem for the tribunal to decide what it should do now.

Letters to the Editor

Britain's Capital Formation

SIR—Mr Redfern's interesting figures disclose a disastrous fall in net investment in industry since 1950 from £377 million to £300 million in 1953. Even more serious is the fact that investment in manufacturing and distribution had fallen from £267 million to the inadequate prewar figure (at 1948 prices) of £191 million. In view of the increasing difficulties likely to be experienced by our export trades and the need for further investment in those industries with expanding markets, can these figures be considered, in your own words, as "encouraging"? Am I being partisan in suggesting that the tone of your references to the comparison between investment in industry and in housing would have been far less complacent if the Labour Government had still been in office?—Yours faithfully,

House of Commons A. ALBU

SIR—"Net investment in housing has been impressive—too impressive," you comment. But the figures you quote from Mr Redfern's paper show that as a percentage of fixed capital the stock of houses declined from 41.9 per cent in 1938 to 41.7 per cent in 1953; that even in 1953 real net expenditure on housing was less than in 1938, and that for the period 1948-52 inclusive it was less than half the 1938 rate (£163 million as against £333 million). Surely what does stand out is the high level of net investment by the public utilities, coal, gas, electricity and water: £101 million in 1953 as compared with £38 million in 1938 at constant prices. This is impressive—perhaps too impressive?—Yours faithfully,

RONALD F. HENDERSON
Corpus Christi College, Cambridge

Long Haul and New Look

SIR—In your clear and horribly disturbing analysis of the principal dilemma facing the recent Nato meeting, you say that there is no longer any difference of kind between a hydrogen bomb and a guided missile with an atomic warhead, adding that an enemy is unlikely to observe nice distinctions about the size of the atomic weapon by which he is exploded. You may well be right, with the almost inescapable corollary that every weapon of mass destruction will be used to the full in a major war, but before this conclusion is admitted it is worth while to look for a moment at how this situation has come about.

Chickens have a nasty habit of coming home to roost, and the eggs which produced these particular chickens were not atomic at all. They were the "conventional" bombs which laid German (and other) cities to waste in the late war. And it has, alas, to be admitted that Britain and America bear the major responsibility for the complete abandonment of the traditional distinction, based on chivalry and the Christian idea, between legitimate action against military objectives and the indiscriminate destruction of civilian life and property.

In the public mind there has always been confusion over the moral issues raised by nuclear weapons. A hydrogen bomb is no more evil *per se* than a fifteen-inch shell or, for that matter, a bow and arrow; it all depends on what you do with it. Morally the destruction of Hiroshima and Nagasaki was no worse than the burning of Dresden, the razing of Rotterdam or "carpet bombing" of cities in general. The fact is that all these actions represented a departure from the customs developed by European civilisation over the centuries to mitigate to some extent the major horrors of war.

If this departure had never been made, at any rate by western powers claiming to be fighting for Christian and humanitarian principles, it would have been perfectly possible to use nuclear weapons for the legitimate (and, incidentally, by and large the most effective) military aim of destroying the enemy armed forces, without bringing about indiscriminate mass destruction on the appalling scale now unfortunately feasible.

The object of this letter is to suggest that even now, if only we can think clearly on the issue, it may not be too late to return to well-tried principles of war which were accepted until quite recently. Admittedly the hydrogen bomb complicates matters in so far as—except perhaps at sea—it can hardly be used except indiscriminately against civilians. Nevertheless, while the West retains atomic superiority the Russians have everything to gain in any limitation of the use of such weapons. An international agreement may be too much to hope for as a matter of practical politics. But if the American strategic bomber force refrains from mass destruction, and declares its intention of doing so except in retaliation, it is not impossible that nuclear weapons could be confined to the legitimate object of destroying the enemy armed forces.—Yours faithfully,

H. POWYS GREENWOOD
Fordingbridge

Hospital Finance

SIR—I write as a professional hospital administrator, and I do feel that your observations on hospital finance are much more realistic than those of Sir George Schuster. He states that management committees "need not get into the position of ending the year with substantial unspent balances." And they do not, because we are now spending as hard as we can on anything procurable to make sure that when the Ministry of Health next makes a percentage cut on hospital budgets, we shall have enough left. The answer from firms trading with hospitals is now "we are up against March 31st," and orders in the near future will be politely refused. An order was placed in June, 1953, for a piece of kitchen equipment for my hospital; by using energetic measures we managed to get the equipment in transit by March 23, 1954, and delivery was actually made by the carriers on April 1, 1954. We charged the item to the year ending March 31, 1954, but the Ministry's auditors insisted on charging the item to the following year. I am ashamed when I hear of some of the absurdities perpetuated by purists throughout the hospital world. Much more realism is needed in hospital finance, and if it were found possible to listen to the man on the spot, then the money available would be much better spent, for there is far too much absentee administration.—Yours faithfully,

HOSPITAL SECRETARY

Copperbelt in Crisis

SIR—Dr. Kenneth Mellanby (*The Economist*, January 15th) seems to make the assumption that the alternative to "equal pay for equal work" on the Copperbelt is "unequal pay for equal work," which, as he points out, is an unsound principle on any long-term consideration. But this is not the relevant alternative, and it is not the present aim of the mining companies; rather they want to be able to split up certain types of job, at present exclusively European, among a number of Africans at intermediary wages, and thus they aim to provide a few rungs to the ladder of advancement in between the top and the bottom. The clause in the agreement which forbids any such fragmentation is the real bar to progress, for there is as yet no question of giving "full responsibility to the African worker who has had the opportunity of proper training." Distrust of the natives' ability and sense of responsibility is only one of the reasons: another is that, as proper training can in this context only be by practical experience, no African has that opportunity. It is to be hoped that in time—and it seems improbable that the time will be the near future—a European will be prepared to train and supervise Africans doing part of the job he previously did himself. There would then be at least three rungs to the ladder.—Yours faithfully,

R. J. D. ACHESON
Oxford

Books & Publications

The Seat of Power

BRITISH POLITICAL PARTIES: *The distribution of power within the Conservative and Labour parties.*

By R. T. McKenzie.
Heinemann. 637 pages. 30s.

PLOUGHING a somewhat erratic course between Eatanswill and Tammany Hall the British party system has managed to keep surprisingly clear of the dangers foreshadowed during the later stages of the march towards universal suffrage. This does not mean that it is either fully equipped for its present tasks or fully armed against further perils, and this study—thorough in its analysis, logical in its conclusions—raises a few doubts to be set against the general satisfaction.

Mr McKenzie has in effect picked up the baton that Ostrogorski laid down over half a century ago, and this second study is certainly more reassuring than the first. Ostrogorski feared that political power would fall into the hands of an extra-parliamentary caucus; in the years immediately following his prophecy the Labour party seemed ripe to fulfil it. Today, however, Mr McKenzie makes out a convincing case for arguing, first, that political power rests with Parliament, and, secondly, that the party organisations outside are merely vote-getting agencies for "two competing teams of parliamentary leaders between whom the electorate as a whole periodically choose."

Nevertheless, as regards Labour his case becomes a little less reassuring when one comes to examine how extra-parliamentary control has been avoided. The party constitution to some extent provides a continuing guarantee of independence for the parliamentary party; but it also provides theoretical scope for at least interference, if not domination, from outside Parliament. Mr McKenzie shows that this theoretical danger has been avoided only because the parliamentary party has in practice usually had a majority on the national executive, while at the same time it has had the consistent support of the main union leaders whose block votes control the annual conference. Now the MPs on the national executive are divided, so there, too, the parliamentary leaders are relying on the unions.

Mr McKenzie however, points to one factor that could completely disrupt the present equilibrium. There is nothing in Labour's rules to prevent a union's block vote from being split when its

members are divided on an issue, and in earlier times this was actually done. One can hear Mr Herbert Morrison and Mr Arthur Deakin shuddering in unison.

No such problems arise in the case of the Conservative party. In theory almost all effective power rests with "the Leader," whose position is akin to some eastern god, before whom the High Priest (at present Lord Woolton) periodically lays the humble offerings of the faithful. How far practice differs from theory can be seen from the fact that three Tory leaders in the past half century have been driven out—Balfour, Austen Chamberlain and Neville Chamberlain. Labour has been much less ruthless with its leaders, and Mr McKenzie is himself clearly astonished by the degree of immunity enjoyed by Ramsay MacDonald long after all his chief supporters were convinced of his complete incapacity.

In practice, therefore, Mr McKenzie finds little to choose between the balance of power within the two parties, for all the theoretical differences. They have even evolved similar techniques for producing their leaders; on both sides the future leader usually "emerges" (the author's own word, recalling Low's vision of a Botticellian scene) and the final "election" is normally a formality.

Apart from some defects he finds in the actual machinery, Mr McKenzie's main criticism of present practice is against the growing rigidity which the parties are imposing on their members. He is careful (and rightly so) to say that the Tories are not without fault, but inevitably his words will be read as having special application to Labour. One is struck, however, when reading his well documented history of Labour's evolution by some similarity between the final stages of the Independent Labour Party's break-away and the more aggressive moments of the Bevanites. If the comparison is valid, so is the lesson.

Mr McKenzie's studies run to over 600 pages and he has managed to incorporate a mass of detailed research while preserving readable continuity. The more is the pity, then, that he has laid down such a barrage of footnotes, when so many could have been incorporated into the text without loss of flow. This is, however, a small flaw in a work which is clearly a classic and destined for an honoured place in any political library.

Chinese Puzzle

THE PROSPECTS FOR COMMUNIST CHINA.

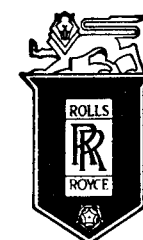
By W. W. Rostow and others.
The Technology Press of Massachusetts Institute of Technology and John Wiley, New York; Chapman and Hall, London.
399 pages. 40s.

SOME readers will be discouraged by finding, in the preface to this book, that the first question it seeks to answer is: "What are the operative motivations of the Chinese Communist regime?" But, fortunately, in the book itself hard fact and vigorous argument prevail over jargon. The authors have emerged from a prolonged study of a mass of material with a very useful digest of the essential facts about Communist China: the origins and development of the Peking regime; its handling of the various elements in Chinese society; its relations with Russia; its economic programmes and problems. Little space is wasted on the more sterile forms of Marxist theorising, and the bulk of the book is devoted to drawing together the established facts.

Official Chinese statistics are treated with due caution, and a valuable feature of the economic section is the cross-checking of the scanty data issued by the Communists, which reveals several interesting points. (The book went to press before Chou En-lai punctured the veil of percentages in late 1954 and announced some absolute figures for industrial production; but its findings remain valid.) The only flaw in presentation is the quite inadequate index.

Mr Rostow and his colleagues rightly emphasise that, beneath all the sound and fury, the Communist leaders have really set themselves quite modest goals in industrialisation, and with good reason. They have to build on a base more comparable to the Russian economy in 1890 than to that of the Soviet Union in 1928, which they profess to be their model. The agricultural problem is even more difficult for them than it was for the Bolsheviks. China's population is liable to rise more steeply than Russia's; its pressure on cultivable land is far more intense; and the consequences of what the authors (regrettably) call "an adverse productivity reaction of the peasantry to the regime's agricultural policy" could be shattering.

If the harrassments of collectivisation lead to even a small decline in farm output in the next few years, the Communists may then have to decide between a military adventure into the food-surplus areas of South East Asia and the collapse of their whole development programme. The authors conclude, however, that, with these looming economic problems in mind, the Peking regime is unlikely at present to plunge into any major war—but it will not hesitate to pluck any foreign fruit that comes easily to hand, and its surging dynamism will only be checked if free Asia grows stable and strong.



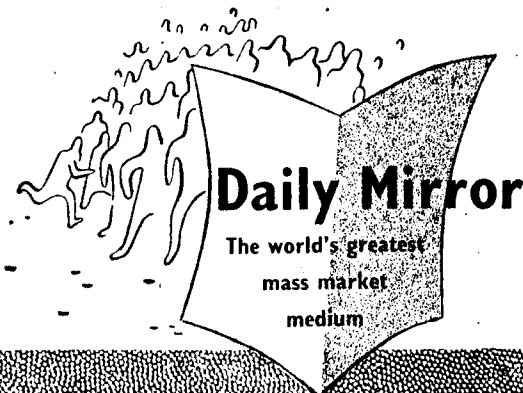
ROLLS-ROYCE AERO ENGINES LEAD THE WORLD



Would you think they were V.I.P.s?

There they are playing with the children on Hampstead Heath. An ordinary young couple with bags of hope for the future. Not very important people, you might say. But to you they are very important people indeed, for they belong to the up-and-coming generation who are going to have such a tremendous say in your future prosperity. Keen and vigorous, they are receptive to new ideas and can be persuaded by skilful advertising. Even if your products are beyond their price range today, you can give them the ambition to buy them in the future.

With its realistic approach to the problems of our time, the Daily Mirror has gained the biggest daily net sale on earth (it exceeds 4,600,000) and, according to the I.I.P.A. Survey, it has over 1,800,000 more readers than any other national daily. The majority of these belong to the vigorous, "keen to get on" younger generation. Yes, the Daily Mirror offers you the most powerful mass market coverage in the history of daily newspapers at the lowest square inch per thousand rate of all national dailies. Daily Mirror readers are young readers. Your customers today... next month... next year.



AIR FREIGHT.

Freight space can be booked and reserved on all H.C.A. scheduled air routes: from
NEWCASTLE, MANCHESTER,
GLASGOW TO STAVANGER,
OSLO, COPENHAGEN, HAMBURG,
DUSSELDORF, AMSTERDAM, PARIS.
Also between LONDON and
NEWCASTLE, NEWCASTLE and MAN-
CHESTER, NEWCASTLE and GLASGOW.
And on "SAFARI" SERVICES TO EAST,
WEST AND CENTRAL AFRICA.

swift,

safe,

certain by



Consult your forwarding agent or—

HUNTING-CLAN AIR TRANSPORT LIMITED

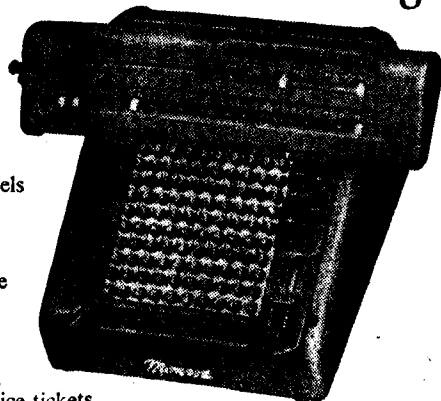
5 Fitzhardinge St., London, W.1

Phone: WELbeck 7799

Yours precisely...

...one of the Monroe range

The Monroe range of Adding-Calculators consists of nine models progressively increasing in capacity from a neat hand-operated portable at £95 to a high-powered fully automatic at £398. One of these Monroes, with one of these price tickets, is precisely the machine you need. Why not send today for full particulars of the comprehensive Monroe range — and make your choice according to your known requirements. Head Office: Monroe Calculating Machine Company Ltd., 10-11 Albemarle St., W.1. GROsvenor 7541.



The CST-10, an electrically operated high-capacity adding calculator, fully equal to all the normal requirements of most medium-size businesses.



MONROMANTIC
EQUATIONS
No. 1

Miss Monroe's so charming,
Demure and disarming,
You'd never believe she could figure so fast!
The true explanation's
A simple equation...
A Miss plus a Monroe's perfection at last!

Father of the Man

A VICTORIAN BOYHOOD.

By L. E. Jones.

Macmillan. 249 pages. 18s.

AN account of a childhood in a country house in Norfolk at the end of last century, followed by boyhood at Eton, raises some forebodings: has Mr Percy Lubbock founded a school? But the reader can be reassured; Mr Jones's virtues are all his own. This is a strongly individual book, written with great wit and charm, by a man who takes no received ideas for granted but remembers childhood's orthodoxies with pleasure and sympathy and judges them, always kindly but very emphatically, by the light of an attractive and highly personal bunch of enthusiasms. Mr Jones's greatest merit is to remember very exactly the scope of his interests at different ages and to concentrate on himself and on those interests: in early childhood other people appear almost as lay figures and only gradually develop into personalities as his comprehension grows. The only part of his book where interest (to a non-Etonian) may flag is where the schoolboy's interest is concentrated on the personalities of his masters and the familiar figures of Warre, Luxmoore and the rest dominate the scene.

Mr Jones, in his sixties, is a modern man; and this enables him to bring out the more clearly the privilege, if not always the enjoyment, of "an age when history was, for once, holding her breath, and a boy could grow up as slowly as he pleased." Good manners, steady and unforced growth, the absence of many contemporary strains and the capacity to enjoy a large number of different things were what he gained. He was born with intelligence and an enquiring mind. But what of adaptability to changed circumstances? He attributes it largely to education, and it may be so. In any event, he describes a rare personality and a kind of upbringing that will not be repeated.

Mr Jones makes it clear that all this is only a beginning of his life: his really formative days came at Balliol. Let us hope that he will describe them, and his later life, with as much charm.

A Worthy Nation

SWITZERLAND IN PERSPECTIVE.

By George Soloveyitchik.

Oxford University Press. 313 pages. 21s.

MR SOLOVEYITCHIK, as a foreigner living among them, has been fascinated by the Swiss. He admits their almost miraculous achievements and expresses gratitude for their hospitality and friendship, but (or so it seems to one reader at least) cannot bring himself to like them. This book, which he hopes will "put the Swiss in perspective," is an attempt to rationalise his prejudices. It deals in a wayward but always stimulating fashion with their internal history and foreign relations,

and with their domestic and economic affairs. Mr Soloveyitchik is intelligent, well-informed and exceedingly readable; he is perhaps most revealing in the somewhat disturbing chapter "Myths and Realities" where he analyses the causes of the emotional stuffiness and ennui of which the Swiss themselves complain.

As Mr Soloveyitchik says, "if the old hackneyed saw about the Swiss brotherly love for each other were true, it would make them a worthy but dull lot." Fortunately for the reader it is not. Basically the Swiss still feel like the people of Ernen in the Vallée de Conches who refused to lend their gallows for the execution of somebody who did not belong to their own commune ("Our gallows are for us and our children and not for a bloody foreigner"). It was not common affection, as Schiller would have had us think, but common need and common sense which brought the Swiss cantons together and made Switzerland a united and politically stable country. The Swiss do indeed show a genius for moderation and tolerance in public life and in their business affairs; but all the time a conscious effort of self-control has to be made. This effort, Mr Soloveyitchik suggests, leaves them exhausted and accounts for their remarkable censoriousness towards each other in their private lives.

One of the strangest things about the Swiss is their obsession with the past, when, by comparison with most of their neighbours, they have a very tolerable present. Mr Soloveyitchik is severe with them for this, as he is bored by the everlasting "Tell" quotations (like Voltaire, he finds "toutes ces histoires de pommes" rather suspicious) and he is resentful of the frequent sanctimonious references to "Switzerland's mission," "selection by God as a mediator" and the like. Switzerland is neither liberal nor progressive, socially or economically. It is the only European country whose women do not have the vote, and its economic life would be most interesting to a Monopolies and Restrictive Practices Commission. There is hardly a trade or industry without its cartel, price-ring, syndicate or association. Some of this may be necessary and even useful in view of the fact that the Swiss economy is so delicately balanced and so much at the mercy of international fluctuations over which it has no control; but Mr Soloveyitchik wishes that there was not so much talk of private enterprise and free competition, and it is difficult not to agree with him.

Nevertheless, even if not liberal, Swiss democracy does work and, as Mr Soloveyitchik points out, there is no other country where the people have greater rights or more opportunities of using them. Some of Switzerland's neighbours must react to Mr Soloveyitchik's and many Swiss complaints of boredom with the same interested and incredulous air as a modern Soviet audience listening to the Three Sisters proclaiming their thwarted desires to work.

Trend & Pattern of Fertility in Great Britain

A Report on the Family Census of 1946

by D. V. Glass and E. Grebenik

Based on an analysis of fertility experience of a 10 per cent. sample of the women of Great Britain who, in 1946, were or had been married, this report contains the most comprehensive analysis of fertility that has yet been made. This unique and important work is clearly an essential part of the equipment of every worker in this field both at home and abroad.

PART I: REPORT PART II: TABLES

70s. the set. By post 71s. 6d.

H.M. STATIONERY OFFICE

York House, Kingsway, London W.C.2;
423 Oxford Street, London W.1. (Post
Orders: P.O. Box 569, London S.E.1);
13a Castle Street, Edinburgh 2; 39
King Street, Manchester 2; 2 Edmund
Street, Birmingham 3; 109 St. Mary
Street, Cardiff; Tower Lane, Bristol 1;
80 Chichester Street, Belfast;
or through any bookseller

Just Out THE PROSPECTS FOR COMMUNIST CHINA

by

W. W. Rostow

(Professor of Economic History and Director
of the China Project, Massachusetts Institute
of Technology)

In collaboration with

Richard W. Hatch; F. A. Kierman, Jr.
Alexander Eckstein

In its scope this is a unique book as it is the first to present a comprehensive picture of Communist China's strengths and weaknesses; to analyse the first five years of Communist domination in China; and to provide concrete, authoritative information on present economic techniques, policies and purposes. It also contains a valuable section on Sino-Soviet relations.

40s. net

CHAPMAN & HALL

Burns the Man

ROBERT BURNS.

By Maurice Lindsay.

Macgibbon and Kee. 299 pages. 18s.

WHEN Burns died in 1796 the task of editing his remains and preparing a memoir fell, rather oddly, upon a Liverpool physician, James Currie, whose ruling passion was temperance reform, and who gravely falsified his picture of the poet's last years in the interest of a homiletic intention. Hard upon this, at Greenock in 1801, the first Burns Club was founded. Calumny on the one hand, and sentimental obfuscation on the other, may be said to have held the field ever since. Scholarly work has, of course, been achieved—notably, Mr Lindsay reminds us, by a Frenchman, a German and two Americans. Much of this is not readily accessible in these islands, and the present study has been aimed, with very reasonable success, at giving us succinctly the man in his habit as he lived. There is only a short excursus on the qualities of Burns's poetry, a subject which Mr Lindsay rightly considers to have been admirably handled by Mr David Daiches in a recent book.

It is not easy to present Burns at once in a full and in a sympathetic light. One difficulty is essentially linguistic. The poet's prose correspondence, and many of the verse-epistles which, following the fashion of his age, he addressed to his more polite acquaintance, are what Mr Lindsay would call "Anglified," being written in a stilted literary idiom not at all in accord with the native movement of his mind. Reading casually, we may fail to penetrate the genuine feelings that underlie the inappropriate rhetoric and cheap elegance. But even when allowance has been made for this, Burns is hardly an attractive person.* The vein of naked and brutal sexuality which he expurgated from much Scots folk-song (but retained and pointed in versions for the delectation of his cronies) was powerful in him; he was less of an amorist than has been maintained, even as he was less of a drinker; but there is no doubt that he was predatory and callous towards his women, quickly transferring to the children they bore him whatever of loyalty and tenderness he possessed.

Nevertheless there was much in Burns's character that earns respect. Placed by his celebrity in a social position of great difficulty, and unable to avoid some uncomfortable ambivalence of feeling towards his wordly superiors, he assented and clung to his economic independence with true Scottish sagacity. The post found for him in the Excise was exacting, but even when mortally ill he performed its duties tenaciously and well. This stoutness of fibre he received from his father, for long heroic in adversity, and transmitted to two canny and—one must suppose—wholly unpoetic sons, both of whom rose to the command of regiments in India.

Favourite Topic

SUN, SEA AND SKY: *Weather in our World and in our Lives.*

By Irving P. Krick and Roscoe Fleming. J. B. Lippincott, Philadelphia. 248 pages. \$3.95.

THE ENGLISH CLIMATE.

By C. E. P. Brooks.

English Universities Press. 221 pages. 12s. 6d.

IN recent months, the press has been filled with stories of flood and tempest and of a summer "not quite the worst on record." With the weather more than ever a major subject of conversation these two books have a distinctly topical appeal. For an account of the mechanism of the weather we must look to "Sun, Sea and Sky"; because it is concerned with the processes by which the weather is made rather than with the American climate itself it is as relevant on this side of the Atlantic as on the other. This book is written in a brisk and popular style by an eminent meteorologist and a journalist in collaboration. From the very first pages the latest ideas of dynamic meteorology are introduced; the reader has the feeling of being "on the inside," of partaking in the most recent discoveries and controversies. From these introductory stages he passes via a discussion of current American forecasting techniques to the most novel and interesting part of the book. This consists of a description of the recently developed techniques of rain production through the "seeding" of clouds. The account gains greatly in interest and authority from the fact that Dr Krick is one of the foremost workers in this field.

Like most American books, this is admirably produced. The photographs are striking, the print is pleasing and the maps adequate; while the heads and tails of the numerous sections into which each chapter is divided are embellished with lively sketches. If any criticism is to be made of this generally reliable book, it is that it makes the science of meteorology appear rather too straightforward and the accuracy of forecasts more certain than seems customary in this country at least.

The second of the two books is concerned with the narrower topic of the English climate, treated not in the old way by a mass of figures but as the living product of contending atmospheric forces. Much of the fascination of this book lies in its emphasis on the unusual, even the catastrophic. Dr Brooks does not, of course, neglect to discuss with great clarity the normal behaviour of winds, temperature, rain and other elements that make up our climate, and he illustrates what he has to say with diagrams and maps which are simple and pleasing to the eye. But he emphasises continually how close is the balance between what is climatically normal and what is outlandish or disastrous. We are shown how the same gently moving tropical air which brings the sluggish humidity of an English

THE ECONOMIST, JANUARY 29, 1955

summer may suddenly deluge us with the prodigy of "blood rain" or snow painted pink by Saharan sand. Similarly his account of the familiar depression leads to tales of great storms, from Defoe's storm of 1703 to those still regrettably fresh in the memory. The necessary instruction is thus enlivened by a history of climatic disasters.

Dr Brooks is also interested in the influence of climate on individual lives. He tells the reader where, in these islands, he will find the climate most stimulating to intellectual or manual activity, where he may take his holidays with the highest chances of good weather, and where he may most agreeably retire when his life's work is done.

These broad decisions made, he may then turn to the chapter on "local climate" for aid in selecting a site for his house which will combine the maximum sunshine with the least danger from fog, tempest or flood. So that whether we wish to know the causes of past disasters, or to avoid being in the vicinity of future ones, Dr Brooks provides the answer in a book which is lively, interesting and authoritative.

Shorter Notice

GREECE: *A Political and Economic Survey, 1939-1953.*

By Bickham Sweet-Escott.

Royal Institute of International Affairs. 215 pages. 18s.

For anyone who wants a clear and concise survey of modern Greece this is an excellent handbook. There is a good account of Greece under the German occupation and of the origins and activities of the resistance movements. But the section on postwar political developments is not so good as the rest of the book. The task of sorting out the twists and turns of Greek politics is, it is true, a thankless one; but this makes it all the more necessary to provide, even within the limits of a short survey like this, a more complete assessment of the underlying causes of the instability of Greek politics. The author has, however, preserved an admirably fair balance in his discussion of the controversies that have dogged Greek political and economic life. The sections on the country's economic and financial problems and the British and American efforts to solve them are very well done; and they are supplemented by a mass of well-arranged statistical material which is tucked away at the back of the book where it does not continually interrupt the flow of the argument. There are also two appendices, which deal briefly with Cyprus and Greece's northern frontiers.

Books Received

YEAR BOOK AND GUIDE TO SOUTHERN AFRICA 1955. Edited by A. Gordon-Brown. Robert Hale for the Union-Castle Line. 928 pages and 48 pages of maps. 9s. 6d.

YEAR BOOK AND GUIDE TO EAST AFRICA 1955. Edited by A. Gordon-Brown. Robert Hale for the Union-Castle Line. 436 pages and 16 pages of maps. 7s. 6d.

THE MIDDLE EAST 1955. Fourth Edition. Europa Publications. 439 pages. 60s.

THE ECONOMIST, JANUARY 29, 1955

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 Union Tandem

Washington, D.C.

IN slow stately fashion the two American trade union horses are moving into double harness. The meeting of the American Federation of Labour's executive council which begins at Miami Beach next Tuesday is expected to approve a "working paper" for a united trade union movement, and at the end of a week its members are to be joined under the palm trees by their opposite numbers from the Congress of Industrial Organisations. The merging of the two great labour groups (the mineworkers, the longshoremen, the railway brotherhoods and various Communist-tainted independent unions will still be left out) appears more likely now than at any time since the founders of the CIO were expelled by the AFL in 1938.

In the first place, time has had a mollifying effect on the original causes of disunion, most obviously by the toll it has taken of the irreconcilable personalities involved in the schism. The great heresiarch himself, Mr John L. Lewis, of the mineworkers' union, who took the CIO out of the AFL and then took himself out of the CIO, has diminished, not in style, but in significance. Still willing to make mischief but more used by mischief-makers within the two federations than using them, he tyrannises, a stranded giant, over the fast declining fortunes of his industry. The two other principals, Mr William Green of the AFL and Mr Philip Murray of the CIO, died within a few weeks of each other at the end of 1952 and their rancour went with them. As soon as their successors were elected—Mr Meany by the AFL and Mr Reuther by the CIO—they began the present round of negotiations for reunion.

In more subtle ways time has also helped with the two main points of contrast between the two groups. Since the CIO broke away on the grounds that the AFL was sluggish both in organising the workers in the great mass-production industries and in exploring the potentialities of political action, the exaggerated distinction has often been made between an AFL organised on a "horizontal" or craft basis and a CIO organised on a "vertical" or industrial basis, and between a "socialist-minded" CIO and a politically neutral AFL. There is still just a residue of truth in these distinctions. The CIO's politics have the more theoretical tinge; it is Mr Reuther's intellectual pretensions rather than his actual views that have too often betrayed fellow-unionists into joining the employers in baiting him. And, while there are many industrial unions in the AFL, there are hardly any craft unions in the CIO.

But the AFL has paid its rival the compliment of imita-

tion and, if, as some CIO leaders are demanding, a special "industrial department" is formed in the unified headquarters, the AFL will be in the majority even there. Moreover in their attitude to politics the two organisations have been converging slowly. The AFL, for example, for the first time endorsed a presidential candidate in 1952, while the CIO's readiness to go all out in support of Mr McNamara, a Democratic member of the AFL, in the Michigan senatorial campaign last autumn, made a deep impression. As for Mr Reuther, that ambiguous personality delivered a copybook answer at the last CIO convention when a disgruntled union leader from New York called for a British-type Labour party. He rejected the idea out of hand on the ground that it "would commit the American political system to the same narrow class structure upon which the political parties of Europe are built."

★

While the genuine differences of principle have thus come to appear miniscule, the penalties of continued rivalry have grown more apparent. So long as both federations were expanding rapidly with the connivance of an actively sympathetic Democratic Administration in Washington, these dangers lacked urgency. Now the position has changed. On the surface the trade unions have little to complain of: they have, by and large, obtained full recognition and a strong bargaining position in the northern industrial towns; their political influence expands as they show increasing maturity in their political techniques; the lavish offices many of them are building in Washington are evidence of their capacity for conspicuous consumption.

But the coin has another side. For all their political power the unions have managed since the war to get very little of the legislation they want through Congress. This year they are fighting with their backs to the wall in many of the state capitals to prevent a further spread of "right to work" laws, making all forms of compulsory union membership illegal. In an expanding labour force, total membership of the two trade union groups has remained static at 16 million (about 11 million of whom are in the AFL), which means that only about a third of the non-agricultural workers belong to either. The chemical and oil industries are largely ununionised or dominated by company unions, and in the south there are many areas wholly uncolonised by the unions, where visiting labour organisers are bitterly reviled by the entire community.

Once the necessity for reunion had become manifest,

a procedure was needed that would not be too disruptive of vested interests and would avoid the pitfalls that have been fatal to negotiations in the past. The third reason why hopes of reunion are now high is that a formula has been agreed which calls for the physical merger only of the topmost echelons—the establishment of a single “trade union centre” which it is generally conceded will be headed by Mr Meany—and the preservation of the *status quo* among the member unions. This means abandoning the ideal of a single union for each industry or craft and accepting a system of compulsory internal arbitration of jurisdictional disputes, a technique with which each of the federations has recently been experimenting.

But there are still many obstacles. It is questionable, for instance, whether the AFL, a traditional believer in the velvet glove, will promise that disciplinary action will be taken as forcefully as the CIO wishes against unions accused of racial discrimination or racketeering. Moreover there is always the irreconcilable Mr Beck, who heads the teamsters, one of the biggest unions in the AFL. He has announced that there are thousands of workers he means to take from the CIO, other AFL unions and Mr Lewis, and he has never accepted either the AFL's own arbitration scheme or the two-year no-raiding truce with the CIO which was the first practical move towards unity. His name is one for the sceptics to conjure with, but nevertheless the prospects appear at least reasonably good that a detailed scheme for pulling together will be ready in time for the full AFL convention next September.

No Trespassing on Formosa

THERE were three basic reasons why the President wanted Congress to give him specific authority to do what it has been the declared intention of the United States to do ever since 1950: to protect Formosa and the Pescadores Islands against armed attack, in order to “preserve the vital stake of the free world in a free Formosa.” In the first place, President Eisenhower desired to give a definite warning to Communist China in the face of its increasingly active threat, by drawing a line beyond which it could not go without fighting the United States. Secondly, he wished to show the world that the United States was indeed united against this threat, by associating both Democrats and recalcitrant Republicans with his policy. Thirdly, there was some doubt, now that the Korean war was over, whether in fact the President had power to order armed forces into combat to defend Formosa.

When, however, the original intention of drawing an exact line was found undesirable for both geographic and military reasons, two of the three purposes of the congressional resolution were to some extent frustrated—and the constitutional aspect of the third was in any case doubtful. The Communists were left with some excuse for thinking that they could attack Quemoy and Matsu with impunity, although it is understood that, for the present at least, these are in fact regarded as essential to the defence of Formosa and are therefore covered by the resolution. And to some members of Congress the vagueness of the President's message seemed to be the price paid for Senator Knowland's support for a departure that his

Nationalist friends regard as fatal to their hopes of returning to the mainland with American help. On the other hand, it is also being argued in the Senate that the resolution could be interpreted as authorising American aggression, since it permits the President to take “other



measures” which he considers necessary to defend Formosa and which admittedly might include the bombing of Chinese bases. This, according to the argument, weakens the moral position of the United States and furthermore might involve the country in a major war, perhaps without allies.

What the President has in fact asked for, it has been said, is a “blank cheque” declaration of war, something which Congress can hardly give without failing in its constitutional duty. Similarly, it is claimed that the President, by asking for this resolution, is weakening the constitutional division of power between executive and legislature. None of this means, however, that the Senate, in the present atmosphere of crisis, is going to delay more than a day or two in passing, by a large majority, the resolution that has already been carried almost unanimously in the House of Representatives.

Defence Squeeze

Washington, D.C.

AT first sight the broad totals for military and defence expenditures in President Eisenhower's budget for the fiscal year 1955-56, beginning next July, seem to represent little change from those for the current year, and to give little justification for the fears and doubts now being expressed in Congress and by military commentators about the new direction of American strategic policy. Total expenditure under the broad heading “protection” (that is, for defence, atomic energy, stockpiling, and the various military assistance programmes) is estimated at \$40,458 million or only \$186 million less than in the current year, and the allocation for defence proper, at \$34,000 million, represents a cut of only \$375 million.

The most obvious and most advertised change in policy is the reduction in the strength of the army, and to a lesser extent of the navy and marines, while the air force continues slowly to expand. The army will be reduced by slightly under 25 per cent in the next eighteen months, and its current strength of 19 active and five training divisions will be cut to about 15 active divisions. While the President has not really made it clear whether this policy is based on strategic or economic considerations, it would appear to arise from a synthesis of both; on the one hand, from a recognition that the mobile reserve of ground power which is necessary to deter local aggression can be no larger than the air transport facilities which would give it its mobility; and on the other, that as the proportion of the budget that must be devoted to equipment rises it becomes essential to reduce the costs of American manpower wherever possible.

The army will save \$500 million within the next year on manpower, and would have saved more but for the fact that it has had to increase the scales of pay at a cost of \$730 million to check the decline in service morale and in the rate of re-enlistment. But even this saving is largely offset by increases in the amounts the army is expected to spend on research and development (most of it presumably in connection with its guided missiles programme for continental defence) and in the operation of the new reserve programme. Similarly for the navy, increased expenditure on equipment and research is counterbalanced by slightly lower manpower costs. The programme for ships, not all of which are included on the navy's budget, includes a request to lay down a fifth aircraft carrier of the USS *Forrestal* class and the gradual replacement of other first line ships, while keeping the strength of the fleet at about 400 active and 600 reserve vessels, and the marines at three divisions and three aircraft wings.

PROGRAMME FOR DEFENCE
(\$ million; fiscal years ending June 30th)

	Expenditures		New Appropriations	
	1955 est.	1956 est.	1955 est.	1956 recommended
Army	8,900	8,850	7,788	7,303
Navy	9,775	9,700	10,272	8,937
Air Force	15,200	15,600	12,065	14,536
Other spending and adjustments	500	150	658	2,123
TOTAL	34,375	34,000	30,783	32,899

Expenditure on the air force for 1955-56 is put only a little higher than for the current year. However, the different emphasis being given to this service is shown in the much larger sum that the President is asking Congress to authorise for it to spend in future years. Whereas in this budget the request for new appropriations for the navy has dropped by nearly \$1,335 million and for the army by \$485 million, the request for the air force at \$14,536 million is \$2,471 million more than was voted for the current 1955 year. Against an eventual goal of 137 wings, the strength of the air force now stands at about 118 wings and will reach 120 by July of this year.

The sharp increase in the request for new appropriations

does not, it seems, reflect the cost of equipping the last 17 wings, but rather the fact that the air force is now running into a serious problem of replacements. The heavy bomber wings and other new units which will bring the air force up to its maximum strength have been largely paid for out of funds authorised in previous years, but the elaborate modification process which all large new aircraft seem to

DISTRIBUTION OF DEFENCE SPENDING
(\$ million; fiscal years ending June 30th)

	Expenditures		New Appropriations	
	1954 actual	1955 est.	1956 est.	1956 recommended
Military personnel	10,961	10,245	10,295	10,612
Operation & maintenance	9,356	7,869	8,576	9,184
Procurement & production:				
Aircraft	8,334	7,557	7,550	6,064
Ships	1,090	888	999	1,317
Other	6,534	4,182	4,169	2,143
Reserve forces	584	705	927	1,037
Research and development	1,385	1,307	1,369	1,370
Other	2,092	1,622	115	1,172
TOTAL	40,336	34,375	34,000	32,899

have to undergo, in both Britain and the United States, after they leave the production line, is a continuing source of expense; for instance, the modification of the first 730 of the 1,000 B-47s now in service with the Strategic Air Command cost \$300 million. The air force is now faced with the problem of replacing most of its jet fighters, which were of the latest pattern at the beginning of the Korean war, with newer supersonic types.

In addition, the increasing emphasis on defence, both of the continental United States and the North Atlantic Treaty area, involves a switch from pure fighter to interceptor planes, while greater attention to the mobility of the air striking and airborne forces means laying out more money on heavy bombers—to fly from America rather than overseas bases—and transport aircraft. This minor but most expensive revolution within the air force is illustrated by the fact that, of the new spending authority being sought for procurement in 1955-56, aircraft account for two-thirds as against only two-fifths in the year 1954-55.

In the minds of many American conservatives from Senator Taft onwards, one of the principal attractions of a strategic policy which relied primarily on air strength and the principle of “massive retaliation” was that it would be less costly, not only in terms of mobilised manpower but of dollars. It seems probable that the technological revolution in aircraft and guided missiles, which has been gathering pace over the last five years, may invalidate the financial argument, even though it may have strengthened the strategic arguments, in favour of overwhelming airpower. In addition, an increasingly large proportion of the resources of the army and the navy will have to be devoted to anti-aircraft and other guided missiles, radar picket ships and the like. In consequence, it is difficult to believe that the Administration's “long haul” policy—the grounding of defence expenditure on a figure as near as possible to \$30 billion—can be maintained in future years without squeezing the conventional forces to a size which even the loudest advocates of air power would recognise as too small.

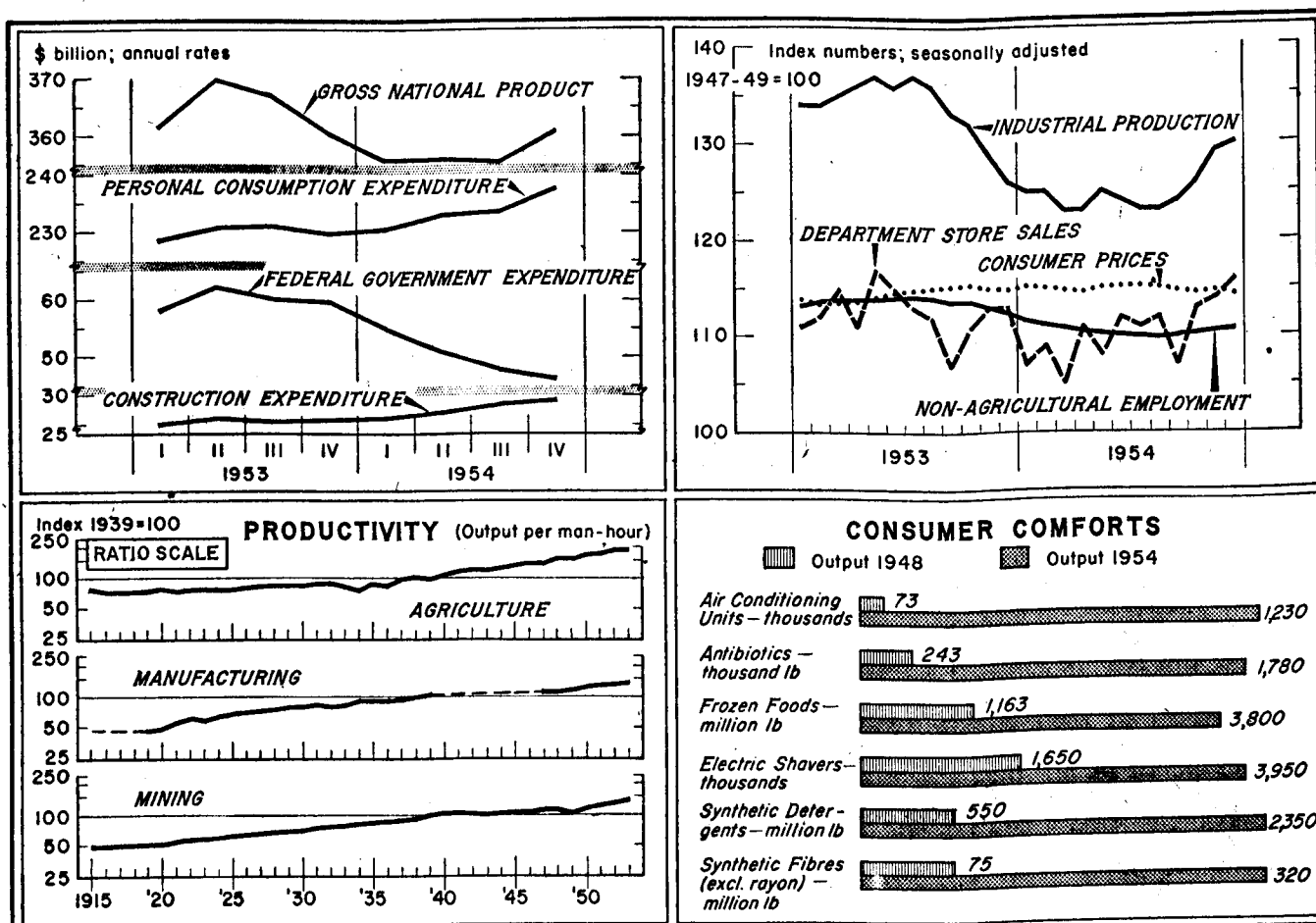
Encounter with the Business Cycle

CONTROLLED confidence is the main theme of the reports of the President and his Council of Economic Advisers on what they call the country's "latest encounter with the business cycle." As the charts show, the recession that threatened a year ago developed into no more than a "contraction," which already seems to have been left safely behind as a result of the confidence of consumers and businessmen in the underlying strength of the country's prosperity. They went on buying and building in spite of falling industrial production and increasing unemployment, and quickly took up the slack left by the decline in government spending on defence. The speedy recovery in 1954 has reinforced this confidence in the future and thus the confidence of the Economic Advisers that a continued expansion can be expected; this, they calculate, should bring the gross national product, now running at a rate of \$360 billion a year, up to \$500 billion, at current prices, in a decade. This calculation is based on the prospect of further gains in productivity and in the demands of consumers who already prefer the latest comforts to bargain prices.

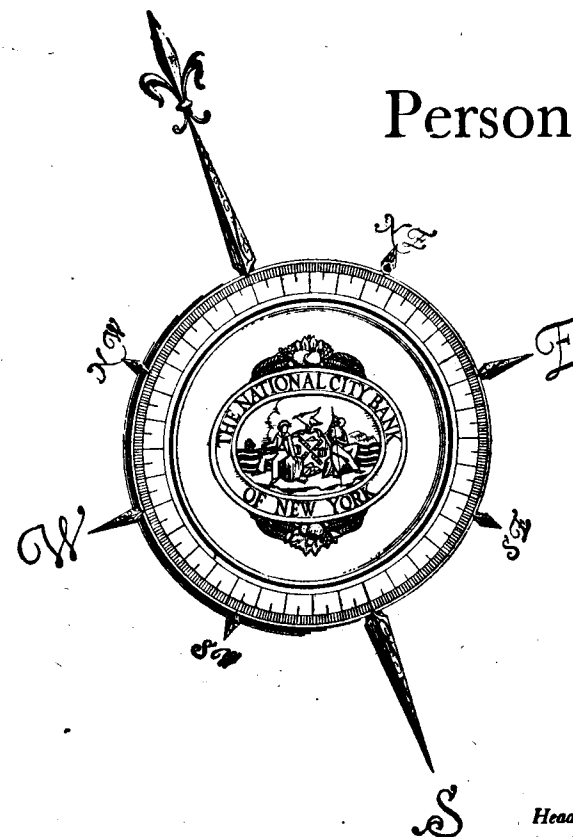
The President's insistence that in these circumstances the government should direct its attention in 1955 toward fostering long-term economic growth rather than to "imparting an immediate upward thrust to economic activity" will be contested by the Democrats when congressional hearings open on this economic report. Their argument that unemployment is still a serious problem is likely to be backed up by the statistics next month, for a seasonal rise in the number out of work is to be expected. If this happens, there will be more impetus in the Demo-

cratic drive for a repetition of the tax reductions which were so important a factor in last year's recovery. It will also be contended that the recovery is not mounting fast enough or far enough to ensure full employment for the growing resources of the country and that it should be more actively encouraged by the government. But the Economic Advisers are more concerned lest over-confidence may lead to excessive speculation, particularly in the stock and housing markets, and thus to inflation and disaster.

This is only one of many warnings in the report that there are still clouds on the economic horizon that could become storms if they are not diverted by government efforts. For this Republican Administration is very ready not simply, and justifiably, to give much of the credit for last year's sustained confidence to its own prompt fiscal and monetary actions, but also to insist that Congress must give it more power to take positive steps to safeguard future prosperity and sustain economic growth. The thirty-three economic measures for which the President asked (a few of them are requests to State Legislatures, not Congress) have nearly all been put forward before. They deal not only with increased coverage by unemployment and old age insurance schemes and by minimum wage regulations, designed to put a stronger floor of personal security under people's confidence in the future, but also with plans for providing private enterprise with more opportunity for competitive expansion. Among the latter much prominence is again given to the President's foreign trade policy and to such schemes for expanding the country's "physical stock of capital" as his ten-year highway project.



Personal service the world around



THE NATIONAL CITY BANK of New York maintains a world-wide network of 57 overseas branches and of correspondents in every commercially important city throughout the free world.

Businessmen who consult The National City Bank are thus assured of individual and personal service the world around. Their particular interests can be assisted and furthered by up-to-the-minute reports from the experienced group who man this extensive banking chain.

The London officers of The National City Bank are always happy to advise on all aspects of world trade and banking and are, as well, especially trained to deal with enquiries regarding the dollar area. A visit to any branch of The National City Bank of New York will help solve your problems.

THE NATIONAL CITY BANK OF NEW YORK

(ESTABLISHED 1812)

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

Head Office: 55 WALL STREET, NEW YORK

London Offices:—City: 117 OLD BROAD STREET, E.C.2 West End: 11 WATERLOO PLACE, S.W.1

Preserving our National Heritage

The rapid expansion of industry has left very few British streams and rivers unspoiled by obnoxious waste products.

In many cases however, the polluting effect

of industrial waste on these natural waters can be reduced or even eliminated by pre-treatment with Spence Aluminoferric.

Details may be obtained on request.



Aluminoferric

PETER SPENCE & SONS LIMITED · WIDNES · LANCASHIRE

Also at LONDON and BRISTOL



What Price Synthetic Rubber?

New York

CONGRESS can hardly fail to agree that the government has obtained "full, fair value" for the 24 synthetic rubber plants sold to private industry. It will receive \$286 million (nearly 60 per cent of the original cost and more than twice the net book value of these twelve-year-old facilities) as well as synthetic rubber stocks worth \$25 million and \$91 million in cash. If allowance is made for the three plants remaining unsold, the government can claim that its highly successful wartime emergency incursion into the new field of synthetic rubber production has been accomplished at little or no cost to the American taxpayer. Fears still linger that the big businesses, whether in rubber or in oil, which have acquired the plants, cannot be trusted to assure the small fabricators adequate supplies, especially in periods of strong demand; but these fears are not strong enough to hold up for long congressional approval of the disposal programme.

The big question now, therefore, is the price which private industry will ask for its synthetic rubber output. The government has been selling GR-S at a fixed price of 23 cents a pound, plus a flat freight charge, irrespective of destination, of 1.1 cents a pound. In maintaining this price it has been accused, especially by the natural rubber producers, of selling below cost. It has certainly acquired some of its raw materials, particularly its styrene supplies, at exceptionally favourable prices, and has been able to avoid tax liabilities. However, in the long run there is little doubt that the price of synthetic rubber will fall.

Private industry is likely to incur higher selling and transportation charges, and to spend more on research. But if operations in private hands can be concentrated in the most efficient plants, the burden of the highest cost facilities, which swelled the government's average costs, will be avoided. And if the price of natural rubber remains near its present level, the growing demand for synthetic will enable plants to be operated nearer to their most efficient rates. But in the near future the price of synthetic rubber under private control is more likely to rise than to fall, and while the price of a comparable grade of natural rubber remains above 30 cents a pound, synthetic could rise sharply and still remain competitive. Such evidence as there is at present, however, suggests that the rise will be slight.

General Motorama

AGAINST a background of ballet and orchestral music, the General Motors Corporation presented last week the full range of its 1955 automobile models to the American motoring public at its annual "Motorama" at the Waldorf-Astoria Hotel. Into the production of seven experimental "dream" cars and the re-styling of regular GM models has gone the largest programme of short-term capital expenditure ever made by a private company. A year ago when industry in general—and the automobile industry in

THE ECONOMIST, JANUARY 29, 1955

particular—was anxiously watching sales figures, General Motors announced its faith in the future with a \$1 billion investment programme of re-equipment and re-tooling, which has now been enlarged to \$1.25 billion to carry through the corporation's plans to the end of this year.

The rate of growth of this giant corporation shows no sign of abating. It is now responsible for 40 per cent of all new car and lorry registrations in the United States, and is expanding at a similar pace its production of diesel locomotives, household appliances, road-building machinery and aircraft engines. It operates 120 plants in the United States, 6 in Canada and has interests in 18 other countries; and its Buick, Cadillac, Chevrolet, Oldsmobile and Pontiac models are sold by 18,500 distributors and dealers. By vigorously combating last year the 30 per cent decline in its defence orders, and by launching a re-equipment programme, which proved a boon to numerous supplying industries which were themselves faced with a serious cutback in defence contracts, the corporation through its sheer size gave substance to the phrase "what is good for General Motors is good for the United States."

Thanks to the early introduction of 1955 models, GM sales during 1954 of passenger cars and trucks in the United States and abroad numbered 3,450,000 or only 46,000 less than in 1953. The president of General Motors forecasts this year's US market for cars and lorries at 6.8 million, 600,000 more than in 1954. With improved engineering, fresh designs, and colour schemes specially adapted to attract the all-important feminine eye, General Motors is confident it will provide well over 3 million of these. To speed this year's sales drive, it has attempted to meet one of the major problems facing the industry—that of price cutting—by assuring its dealers that it will buy back any 1955 models that are unsold. But dealers wonder whether those who take advantage of this offer may not suffer when it comes to the annual renewal of their contracts.

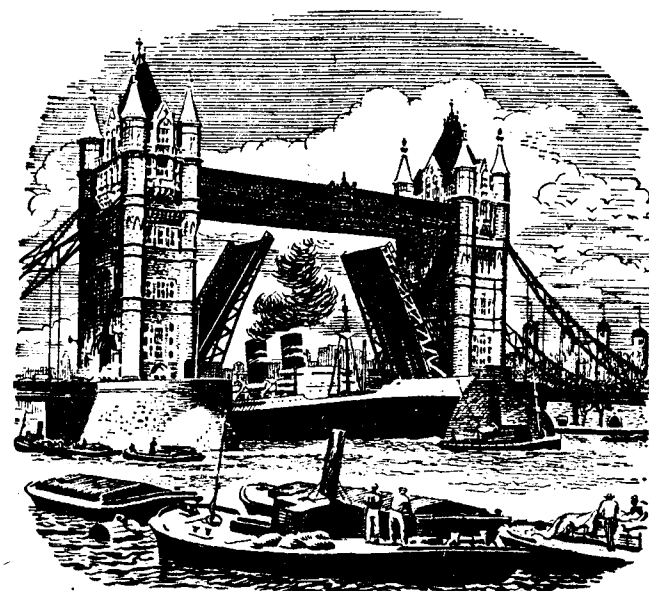
Coffee off the Boil

New York

WITH the exception of the Democratic Senator Douglas, the members of the Senate subcommittee which investigated coffee trading during the last Congress had the good sense to retract their previous threats to bring the coffee futures market under the control of the federal Commodity Exchange Authority, at least for the time being. In the report just issued the subcommittee recognises that the sharp rise in coffee prices last year partly reflected the crop-killing frosts in Brazil in 1953. But it blames the "irregularities and shortcomings" of the New York Coffee and Sugar Exchange and inadequate and unreliable crop information for grossly exaggerating these fluctuations. However, the Senators took the view that the inter-American study group, set up with the support of the United States to discuss international measures to reduce fluctuations in coffee prices, should at least be allowed to report before unilateral action was taken by the United States. Importance was also attached to the possible outcome of the complaint of unfair trade brought by the Federal Trade Commission against the exchange.

THE ECONOMIST, JANUARY 29, 1955

In London or around the world... here's what we can do for you!



... SERVING COMMERCE AROUND THE WORLD ...

HEADQUARTERS San Francisco and Los Angeles, California.
OVERSEAS BRANCHES: Manila; Tokyo; Yokohama; Kobe; Osaka; Bangkok; Guam.
REPRESENTATIVES: New York, Mexico City, Milan, Paris, Zurich and New Delhi. Correspondents throughout the world.

BANK OF AMERICA (INTERNATIONAL)

New York, a wholly owned subsidiary; overseas branch Düsseldorf.

BANK OF AMERICA'S London offices offer you credit facilities and direct representation in the world's great trade centres... plus up-to-the-minute information collected and evaluated by Bank of America Officers travelling in all parts of the world. Complete information on request.

Bank of America

NATIONAL TRUST AND SAVINGS ASSOCIATION
Incorporated with limited liability under the National Bank Act of U.S.A.
LONDON BRANCH: 12 Nicholas Lane, E.C.4.
WEST END BRANCH: 29 Davies Street, W.1.

Sale Deposit Boxes available at the West End Branch.

GLENEAGLES HOTEL

Perthshire

The world-famous resort hotel and its unique sporting facilities. Guests pay reduced green fees on its championship golf courses and have free use of its superb tennis courts, putting and bowling greens, squash courts and indoor swimming pool. Dancing, private cinema.

Opens for the season 7th April

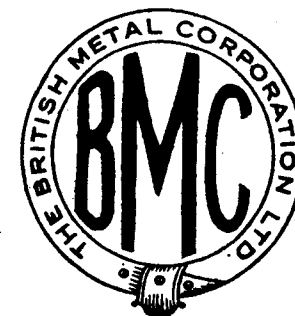
The Resident Manager will be happy to send full particulars.

TURNBERRY HOTEL

Ayrshire

The famous hotel and its championship Ailsa Golf Course on the warm and sheltered Ayrshire coast. Reduced green fees for hotel guests. Tennis courts, pitch and putt course, indoor swimming pool. Dancing, private cinema.

The Resident Manager will be happy to send full details.



LONDON BIRMINGHAM SWANSEA MONTREAL TORONTO
VANCOUVER SYDNEY PERTH MELBOURNE
CAIRNS CALCUTTA BOMBAY KARACHI
LAHORE JOHANNESBURG SALISBURY BULAWAYO

ASSOCIATES:

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

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

THE BRITISH METAL CORPORATION LIMITED
PRINCES HOUSE, 93 GRESHAM STREET, LONDON, E.C.2

Telephone:
MONarch 8051

Telegrams:
Brimetacor, London

Telex:
London 8404

The present more reasonable attitude of Senators no doubt owes much to the fact that coffee prices have fallen appreciably since the original storm in a coffee cup blew up last April. But, as the president of the Coffee Exchange showed in his evidence before the committee, the essential functions of a futures market have apparently not yet been grasped by the Federal Trade Commission, which insists on judging last year's price movements on the basis of this year's knowledge. If Senator Douglas were to have his way, and CEA regulation were imposed, domestic coffee consumers would probably be the losers. For coffee, unlike the other commodities controlled by the CEA, is entirely imported and, since the main speculative functions are usually performed by Brazilian traders outside the United States, it is difficult to see how any limitations on speculative trading could be enforced. A more likely outcome of government regulation, the Coffee Exchange feels, would be the diversion of futures trading from New York to London, making the New York market still narrower.

American consumers would be better served if Congress and the FTC contented themselves with seeking improvements in the coffee futures contract generally in use. The Coffee Exchange itself is seeking to broaden the narrow "Santos" contract by permitting the delivery of other closely defined grades at specific price differentials. If some means of doing this, acceptable both to the trade and to the FTC, can be found, the rest of the latter's charges can safely be forgotten without detriment to the interests of the coffee-drinking public.

Hey, Presto !

New York.

AEROSOLS, a group of products packaged so that the contents spurt out vigorously at the push of a button, are invading almost every counter in America's drug stores. Low-pressure aerosol insecticides, the sophisticated development of the original high-pressure army "bug bomb," are still the most commonly stocked product but, according to a survey by the du Pont Company, more than half of all customers would also prefer their room deodorants and hair lacquers pressure-packed. For a little over a dollar a customer can buy "up to 200 barber shop-smooth shaves" (also advertised as "nine months of shaving"), complete with "whisker wilting" diexin or lanolin. At this price, the aerosols compete with shaving cream in tubes but, for those hardy individuals who refuse to pay a huge premium for convenience, the obsolescent shaving stick still provides a shave at a tenth of the cost.

The manufacture of aerosols presents many difficult technical problems. There are five parts to an aerosol product—the gas or propellant, which is filled into the container either in liquid form or under pressure, the solvent (usually hydrocarbon based), the valve for push-button operation, the container, and the product itself. The chief difficulties are the possibility of destructive chemical action by the propellant on the other ingredients and of the contents corroding the metal container, and the danger that the final product may be toxic. Some of these difficulties have been met by the development of glass and aluminium containers, and by

the end of this year several nylon and plastic varieties are expected to make an appearance.

If the technical difficulties of combining the propellant with the other ingredients can be overcome, toothpaste is expected to provide the next sharp spurt. The ultimate market for aerosols is apparently only limited by the cost of container, valve and propellant, which together still account in some cases for nearly 90 per cent of the total manufacturing cost of the product. Even so, Americans bought, in 1953, 39 million tins of aerosol space insecticides, 32 million tins of aerosol shaving soap (twice as many as in 1952), and nearly 9 million tins of artificial snow for the Christmas tree. The food market offers special attractions for aerosols, especially for the makers of whipped cream, whose sales in aerosol containers jumped overnight to almost 75 million tins. And those few Americans who celebrate Shrove Tuesday can now spray ready-mixed pancake batter into the pan from an aerosol container.

SHORTER NOTES

President Eisenhower celebrated the second anniversary of his inauguration by inaugurating a new type of coverage for his press conference. In the future it will be filmed and the result will be released for television after the film has been edited by the White House. Even the Democrats, who expect that the resultant publicity will be of advantage to their rivals, agree that this is a legitimate concession to a new medium of public information.

★

The State Department has matched the Russian prohibition against Americans travelling in 30 per cent of the Soviet Union by the exclusion of Soviet citizens from 27 per cent of the United States—including Moscow (Idaho), a university town with a lumber mill—on the grounds of "security and reciprocity." The geographical inaccuracies of the new order, which, for example, excludes San Francisco County but not the city of San Francisco (which the county surrounds), and the beaches of Cape Cod but not the Bremerton naval yard, copied a similar capriciousness in the Russian regulations. But the order has provoked numerous complaints, some of them from places which feel insulted at being classified as "open," and presumably insignificant.

★

Both the Republicans and the Democrats have decided, subject to the final approval of their national committees, to shorten the 1956 election campaign by holding the conventions, at which they nominate their presidential candidates, in late August and September; the tradition has become a June or July meeting, followed by almost half a year of expensive and excessive campaigning. If the new schedule is confirmed, the Republicans will be meeting after the Democrats for the first time since 1888; but the Democrats will not be in any doubt about who the Republican candidate is to be—except, of course, in the now unlikely event that Mr Eisenhower does not run again.

The World Overseas

Russian Consumers Still in Doubt

THIS year is the last one of the Soviet five-year plan. There is much speculation now whether the line of concessions to the consumer launched after Stalin's death will be continued or whether it will be revised as part of a big change in Soviet strategy. Indeed, in recent Soviet propaganda there has been a clear shift of emphasis from the "needs of the consumer" to "the primary importance of heavy industry." If a switch is really intended, however, there is no evidence of it in the economic balance-sheet for 1954 just published by Moscow's Gosplan. Last year, it would appear, both the heavy and light branches of Soviet industry proceeded according to schedule. The shortcomings in the output of consumer goods were, on the whole, slight, with the possible exception of foodstuffs. But the lag in the production of, say, meat or butter can be easily explained by well-known agricultural difficulties.

It is claimed that gross industrial production rose by 13 per cent during the year and the plan is, therefore, likely to be fulfilled before the end of 1955. As can be seen in the table below, all branches of basic production will probably reach their targets. Coal extraction last year increased by some 25 million tons and an even bigger jump is expected in the present year thanks to the opening of new mines in the east. Success in oil extraction is also dependent on eastern expansion, particularly in the Bashkir Republic, where output has already risen from less than 2 million tons before the war to about 7 million tons in 1950 and to 15 million tons last year. While pig iron production has fallen behind schedule, output of rolled steel seems to be forging ahead of it.

SOVIET BASIC PRODUCTION (Million tons)

	1940	1950	1953	1954	1955 planned
Coal.....	166.0	260.0	318.0	344.0	372.0
Petroleum.....	31.0	37.8	53.0	59.5	70.0
Electricity*	48.0	90.0	132.0	146.5	162.5
Cement.....	5.8	10.3	16.2	19.3	22.7
Pig iron.....	15.0	19.4	27.5	30.0	34.1
Crude steel.....	18.3	27.3	37.8	40.8	44.2
Rolled steel.....	13.1	20.8	29.5	32.2	34.1

* '000 million kWh.

Amid the consumer goods it is necessary to distinguish the staple commodities, such as clothing or shoes, and the semi-luxury goods like sewing machines or wireless sets. When Stalin's successors made their pledge to the consumer they did not alter radically the existing plans for the former;

their real innovation was to promise a "sharp rise" in the output of semi-luxury goods. Last year's results seem on the whole successful in both fields of consumer production. True, the real test for the more sophisticated items will come only this year and the next, but a comparison of the targets for 1954 outlined by Malenkov and Mikoyan with the results now published does not show any very big discrepancies. The scaling down of this year's objective for television sets from 760,000 to 500,000 does not by itself justify the conclusion that a shift away from consumer goods is already occurring.

SOVIET PRODUCTION OF CONSUMER GOODS

	Unit	1940	1950	1954	1955 plan
Cotton fabrics....	mn.metres	3,880	3,800	5,500	6,250
Woollen fabrics...	"	120	165	260	270
Watches, clocks..	'000, units	2,550	7,200	16,800	22,000
Sewing machines..	"	180	500	1,335	2,615
Bicycles	"	270	660	2,510	3,445

The report itself, on the other hand, admits failures in the production of certain foodstuffs, for example, fish and meat, butter and sugar. The full benefits have not yet been derived from the policy of incentives in the countryside, while it is still too early for a substantial contribution from the reclaimed "virgin lands" in Kazakhstan and Siberia. Indeed, the grain surplus from the new areas was barely sufficient to counterbalance poor weather conditions in southern Ukraine and the Volga region. The total grain crop is still a mystery, but it was only slightly higher than the poor yield of 1953. Incidentally, bad weather in the Ukraine also accounts for the poor sugar harvest, since about two-thirds of Russia's sugar-beet is to be found in that region. Mr Khrushchev must hope that next year will bring better news from the agricultural front. Nature may finally smile on the planners; 17.6 million hectares of additional virgin land have been ploughed; the rise in livestock numbers may at last get translated into more meat and dairy products.

With the exception of agriculture, 1954 was a good year for the Soviet economy. All branches of industry are forging ahead towards their ambitious objectives. The ranks of the urban labour force have been swollen by a further two million people. With over 40 million tons of steel and about 47 million workers and employees the Gosplan has a good deal of room in which to manoeuvre. Yet its tasks are gigantic. The drive to improve rapidly

the standard of life of the consumer requires heavy investment not only in agriculture and light industries but in building as well.

The problem facing Russia's leaders is not really whether they should abandon pledges made on Stalin's grave, but whether they should scale them down and to what extent. There are signs that military leaders now have a bigger say in the policy-making of the *Gosplan* and they would obviously insist that Russia's military preparedness must come first. They may get quite a lot of party backing if it is judged in Moscow that the international situation is really getting worse. This is a decisive year in which the current five-year-plan must be completed and the Soviet leaders must make up their minds about the future line of Soviet economic development. Will the hopes of the average Russian raised so high after Stalin's death be once again partly disappointed? Mr Mikoyan's departure from the ministry of trade is one enigmatic clue; the forthcoming session of the Supreme Soviet should provide some more.

Banana Politics

FROM A CORRESPONDENT IN COSTA RICA

COMMUNIST propagandists across the world from Prague to Peking swung smoothly into action this month with the charge that the real villain behind Costa Rica's troubles was the United Fruit Company. No evidence was offered to support this accusation; it was clearly taken for granted that the peoples of the Communist world would accept the guilt of the American company as axiomatic. As a result, the party line took on what was, to say the least, a strangely old-fashioned look; for the accused company, which is the world's largest producer and exporter of bananas, has lately embarked on a new policy in its relations with the governments in whose territory it operates.

United Fruit grows bananas in eight Central American and Caribbean countries as well as on the west coast of Africa. It has been at work for fifty years, and when its operations began most of the tropical terrain concerned was wholly undeveloped. It was therefore obliged to build and operate its own railways and port facilities, and to acquire vast plantations (some 700,000 acres in all), for there were no existing means of getting perishable fruit quickly to distant markets, nor any large-scale local growers from whom the company could buy. Many of its concessions were granted long ago, by Central American presidents whose rule was often despotic. All these circumstances have made United Fruit an obvious whipping boy for Caribbean nationalists; and in the last few years its executives have observed the fast rising tide of nationalism with considerable alarm.

In Costa Rica, where the company operates over 128,162 improved acres of land, the matter came to a head early in 1954 when President Figueres demanded that either the company pay his government 50 per cent of its operating profits or else turn over its plantations to the government and merely buy the produce at the docks; the government would pay for the property out of the profits it received from operating the plantations over a period of years. After

prolonged negotiations, the company agreed to pay Costa Rica 30 per cent of its net operating profits in that republic and to waive exemptions from import duties as well as to give up other favourable concessions.

Subsequently, in 1954, similar contractual arrangements, including the "profit sharing" 30 per cent clause, were offered to and promptly accepted by Panama and Guatemala and company officials agree that it "has set a pattern" which they hope will lead to more co-operation from local governments. They point out that under the new agreements, local politicians and governments are "in effect, our partners," and they feel that local self-interest will dictate that labour trouble and discriminatory legislation shall be kept at a minimum. Whether or not the same agreements will be offered to other Caribbean states remains to be seen. But most observers, including the United States State Department, feel that the company will be forced to do so.

The United Fruit Company's operations, in spite of the risks involved, have been highly successful. In view of its ability to deduct local taxes paid on income from its US tax bill, the new agreements should have little effect on consolidated net earnings. The company's chief worry has been potential interruptions in production due to locally sponsored labour agitation and discriminatory legislation. But it hopes that the new agreements will lessen this risk and take it out of the category of the "foreign imperialists" and "foreign monopolists."

However successful this new programme of "profit sharing" in tropical America may be for the United Fruit Company, it has not apparently impressed the United States Government itself. Last year, the office of the Attorney General lodged an anti-trust suit against the company. This complained that, with the exception of Ecuador, the United Fruit Company controls 85 per cent of the land in the American tropics suitable for banana cultivation, and 75 per cent of all the ships available for banana-carrying; that it imports into the United States 65 per cent of all the bananas sold in America; and that it coerces American banana distributors into not buying from the company's competitors. These charges have naturally given Caribbean nationalists considerable satisfaction; they do not hesitate to proclaim that "even the United States Government has now confirmed the charges we have been making for years."

Chinese Communist Air Power

BY A CORRESPONDENT

THE recent attacks by the Chinese Communist air force on the Tachen Islands, 200 miles north of Formosa, points to a new development of China's limited air resources—the increased use of tactical air power. During the civil war the Communist armies conquered the Chinese mainland without the help of air power. But in the Korean war, the Chinese air force began to show its paces. It is true that during most of the fighting the main part of the Communists' fighter and light bomber forces remained unused at their Manchurian bases; a force of obsolescent piston-engined fighter-bombers was at one time based on forward air fields in Korea, but the repeated bombing of these air-

Starch does surprising things

IN SUCH SURPRISING PLACES



Example:

STARCH IN CARPET MAKING

There are two main parts to a carpet: the wool pile and the backing. After the carpet has been woven, the backing is sized with one of a range of speciality starches, depending on the sizing equipment in use and the type of carpet being made. This operation is called back-sizing. It strengthens the backing and assists in anchoring the base of the pile into the backing. It also prevents curling and improves the handling and wearability of the carpet.

Brown & Polson Industrial Division produce 200,000 tons of starch products a year: more than 400 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 learned 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.



CORN PRODUCTS COMPANY LIMITED

THE INDUSTRIAL DIVISION OF

Brown & Polson

WELLINGTON HOUSE, 125/130 STRAND, LONDON, W.C.2



DOWN GOES THE PLUNGER and in the river distance a white, white plume goes up, sudden and silent. Seconds later comes the sound, the crack of the explosion, a thundering, a rumbling. The jam is cleared. The logs are free to jostle and leap and run with the current, glistening, wet, shining as they go, travelling with the river to the mills. It's all in the day's work in Scandinavia where, at Bowaters' groundwood mills, spruce is pulped and pressed, baled and loaded into ships to cross the North Sea, destined for the Bowater paper mills in the United Kingdom.

Every day of the year the Bowater Organisation is at work converting timber into woodpulp into paper. From its mills in Europe and North America comes newsprint in a never-ending stream for the newspapers and journals of the world; other printing papers for the magazines and reviews that carry colour and interest into countless lives; paper for the protection of food and for packages of almost infinite versatility.

Bowaters

 THE BOWATER PAPER CORPORATION LIMITED

Great Britain United States of America Canada Australia South Africa Republic of Ireland Norway Sweden

fields soon made them untenable. But to many people's surprise, an increasing number of Mig 15s, flown by Chinese pilots, intercepted United Nations bombers during 1951. They provoked the United States Air Force Chief of Staff into saying that China had become one of the major air powers of the world. In most of the Korean air combats, however, they failed to measure up to this flattering estimate.

In spite of local numerical superiority and the tactical advantage of defending the same limited target area again and again, the Chinese fighters remained on the defensive; they operated with great caution and therefore failed to carry out their task of protecting targets near the Chongchun and Yalu rivers. But although the Migs did not plunge recklessly into battle, they were steadily engaged, and, under Soviet tutelage, gained valuable experience in interception operations. They slowly applied the lessons they learnt on making the best use of their early warning system. They gave their air combat units very short spells of duty, and this, combined with cautious fighter tactics, enabled them to build up their strength. Indeed, they seem to have regarded some of the Korean operations as a kind of accelerated combat training. In using their air forces in this careful and conservative way, the Chinese are following in the steps of their Soviet tutors. The Soviet long range bomber force was operated with great caution in the second world war when many of its combat crews, like most of the Chinese pilots in Korea, were very inexperienced.

Shortage of Trained Crews

Since the end of the Korean war there has been evidence that the Soviet Union has been providing China with more modern tactical assault planes—Yak single jet fighter bombers (equivalent to early Thunderjets) and twin jet Tupolev and Ilyushin machines (similar to Canberras). At the same time the Mig 15 fighter defences have thinned out along the east coast of China opposite Formosa and the early warning network, so concentrated in the small battle area over North Korea, has also become diluted. This dispersal and dilution may explain why Chinese Communist fighters have made few successful interceptions of the raids carried out by Chiang's air squadrons on Chinese territory since the end of the Korean war. The Chinese Nationalist Mitchells escorted by Thunderjets should have been vulnerable to Mig 15 attack. But in many sectors of the coastal defence the only fighters available to the Communists are obsolescent piston-engined machines flown by inferior pilots. It was probably two such planes which shot down the British owned Skymaster off Hainan on July 23rd last year.

The operational strength of the Chinese Communist air force is today probably more than 3,000 planes. Numerically it is the largest of the air forces allied to the Soviet Union. But it also has the largest air commitment and relatively it is weak. Because of a shortage of highly trained crews and lack of reserves of modern aircraft it cannot hope to maintain intensive operations of any kind. The raids on the Tachen islands show that the Chinese Communists are slowly building up a modern offensive air force; it was reported that over fifty fighter-bombers and light bombers have been in action at one time. But China must pursue a policy of conservation of air effort for some time to come and must husband its resources. Indeed for the next year or so its lack of air power may limit its Asian strategy and diplomacy more than any other single factor.

Talleyrand of Tirana

BY A CORRESPONDENT

DURING the celebrations earlier this month of the ninth proclamation of the Albanian People's Republic, one Albanian newspaper advised the country's enemies not to forget that Albania belonged to the 900 million strong camp of peace and democracy led by the Soviet Union. This boast may possibly soon be given a firmer foundation than in the past. At the Moscow conference of Soviet satellites last month, Mr Manush Myftiu, the Albanian Vice-Premier, said that his country was ready to adopt collective military measures with the rest of the Communist bloc "to ensure the inviolability of the frontiers of our land from any aggression." Thus if the collective military measures announced at the conference are put into force after the ratification of the London and Paris agreements, this isolated Communist regime will for the first time be brought within the scope of Russia's military guarantees; and Russia itself will give notice in the least provocative manner that it is in its Mediterranean outpost to stay.

Moscow has hitherto been shy of any commitment in Albania, which was left after the war as virtually a seventh federal republic of Yugoslavia and was not thought either important or independent enough to be invited even to join the Cominform. Even after the break with Marshal Tito, the Russians were anxious to keep contacts as indirect as possible, apart of course from their direct control of the Communist party leadership and the judicious encouragement of personal rivalries within it. At various times the Poles, the Rumanians and above all the Bulgarians found that the responsibility of supplying Albania by sea had been delegated to them, along with the organisation of "cultural exchanges" and the training of technicians; but none of these was asked to give it a guarantee of protection in case of attack.

Soviet policy towards Albania was to keep it loyal at the minimum political and economic cost. Industrial plan-

ning was aimed at making the country self-supporting as far as possible—especially in food, textiles, sugar, cement, fuel—in order to save merchant ship tonnage, which was already inadequate and needed elsewhere. The Russians accordingly supplied the necessary factories and equipment for an oil refinery and hydro-electric power stations, taking payment in the form of chrome and copper ore, bitumen and surplus oil production. Two railway lines, the arteries of this economic system, converge on Durazzo, the only port to which serious attention has been paid.

In recent months there have been signs that Moscow has decided to play a more active and direct role in Albania.



Articles and stories began to appear in the Russian press praising the Albanians, culminating on National Day in November with nineteen pictures, seven in colour, in a single issue of the Moscow weekly *Ogonyok*. The signing of the Balkan Alliance, seen no doubt as a menace to Albania, was followed last June by a visit of the Commander-in-Chief of the Soviet Black Sea Fleet with a cruiser and destroyers to Albania, a typically Palmerstonian gesture indicating that Soviet Russia was not prepared to be squeezed quietly out of its Adriatic bridgehead. The warships were followed by a regular passenger and cargo service between Durazzo and Odessa.

It seems to have been felt in Moscow that isolated gestures of cruiser diplomacy are not enough to ensure Albania's stability, particularly now that a somewhat easier international situation and growing naval power allows Russia to profit from its foothold in the Mediterranean with few risks of a clash. However, the difficulties of offering a direct military guarantee to Albania while at the same time professing a desire for "co-existence" and "relaxation of tension" with Yugoslavia and Turkey are obvious. Without rousing their suspicions again, Russia has indicated that it will hang on to its position in Albania.

Some possible implications of this development immediately suggest themselves. Internally, an Albanian regime fortified by proclaimed Soviet support is a far less lonely and vulnerable object, whether as a target for so-called "diversionism" by infiltration from neighbouring countries, or in its dealings with non-Communist States. (It maintains relations at present with France, Yugoslavia and Italy with which it has recently signed a trade agreement.) Being accessible only by sea and air, Albania has also some degree of manoeuvrability even in relation to its protector.

Instinct for Survival

Any deflection however has already been largely guarded against, for good care has been taken to split the authority of the two main rivals for supreme power—Enver Hoxha, who is secretary of the Party, and Mehmet Shehu, the Premier—by a division on the lines of the "collective" settlement established in the Soviet Union itself and elsewhere in Eastern Europe. Hoxha, the Talleyrand of Tirana, obeyed and fulsomely praised Tito, Stalin and Malenkov in turn, and then fell into line behind the powerful Khrushchev. Now he has been received into the capacious bosom of Molotov, who once went on record as saying that Hoxha shows sign of a bourgeois upbringing. Such adaptability and instinct for survival are without rival in the Communist world.

One other method of reminding the Albanian government, as well as the West, of the presence of Russian power, might well be to continue regular naval visits and to begin at last the reconstruction of at least some of the old Italian naval base facilities in Valona Bay. The only evidence of such an intention at present is the decision to turn the flow of crude oil from the Berat district, piped by the Italians to Valona, to a new refinery and transshipment point on a spur of the Durazzo railway, thus removing from Valona its principal *raison d'être* as a commercial port. During the naval visit last June, too, one of the Soviet naval captains was reported in Valona. It is hardly to be supposed that he went there merely to see the beauty of the view.

Health Scheme for Swedes

FROM OUR SCANDINAVIAN CORRESPONDENT

SWEDEN—that *doyen* among welfare states—only introduced compulsory, comprehensive health insurance on January 1st, although social services have long claimed 10 per cent of the national income. Hitherto, two-thirds of Sweden's seven million population were voluntarily insured, compared with 96 per cent in Denmark and 85 per cent in Norway. Although treatment in Swedish hospitals costs a nominal amount, sickness benefits, to compensate for lost wages, have been totally inadequate.

Health insurance had become a well-worn plank in the platform of the Social Democrats, who have governed with brief interruptions for three decades. The Swedes, however, dislike being hustled; and Swedish socialism is empirical rather than starry-eyed. The *Riksdag* finally passed an Act in 1946 to fill the gap. But inflation and preoccupation with other urgent tasks, notably housing, induced the government to keep the Act on ice. Moreover, the traditional caution of the Farmers' Party, the junior partner in the present "Red-Green Coalition," has recently been acting as a brake. But although this year's budget is designed to curb public and private spending, the government finally decided against further postponement.

The scheme's main provisions regulate sickness, medical care and maternity benefits. The basic sickness benefit is 3 kronor (4s.) a day for all over 16 with an annual income of 1,200 kronor (£85); housewives living at home are included. Supplementary benefits are graded according to income; a worker earning 14,000 kronor (£1,000) receives the maximum of 20 kronor (27s.) daily, tax free. Full benefits are payable for three months. Medicine is supplied free for serious complaints, and at low cost for others; and hospital expenses are refunded at the standard rate of treatment in public wards.

The scheme represents a broad advance, although the position of widows and pensioners among others remains unsatisfactory. A linked system of voluntary contributions should, however, alleviate most cases of hardship. The total cost for 1955 is estimated at 738 million kronor (£50 million), of which contributors, employers and the state will pay 44, 27 and 29 per cent respectively. The annual contributions range from 44 kronor (£3) to 164 kronor (£12) for single people, and from 44 to 222 kronor (£16) for married couples. If both parties are working, their maximum joint contribution is 328 kronor (£24). The new service enjoys the support of all parties; only the moment chosen for introducing it has aroused criticism, for Sweden again faces economic difficulties.

COMMODITY REPORTS

Special and regular reports on the supply and demand position and on the price and market prospects for most commodities can be prepared for individual clients by our Commodities Department. Scope, length, frequency and cost are determined by clients' needs.

Further information from:

The Economist Intelligence Unit
22 Ryder Street, London, S.W.1
Whitehall 1511, Extension .28

As the Commonwealth Sees the Conference

(The following notes are contributed by our Commonwealth correspondents)

DESPITE the club-like atmosphere of a Commonwealth conference, each country approaches it with different aims and in different mood. To the British, the most notable change in recent weeks has been the apparent postponement of the need for a precise decision about the Gold Coast. Mr Nkrumah's government is now too preoccupied with domestic political difficulties to press for a decision on its Commonwealth status at the present meeting. This has at the same time put off the questions of South Africa's formal opposition and of any immediate necessity to re-define the status of the Central African Federation.

On the general question of anti-colonialism, which may be raised by the Asian members, the British feel that they have a good case. Progress towards self-government in many colonies has been substantial. Kenya is now conducting an experiment in multi-racial government. In addition to the Gold Coast, Nigeria, the West Indies, Malaya and Singapore have all made further progress along the road towards self-government. And although the constitution remains suspended in British Guiana, the right lessons from that suspension are being applied in British Honduras.

Perhaps the question on which the British are least well placed is that of trade. Many Australians feel that, although the British are not directly to blame, the Ottawa agreements of 1932 have in fact worked out unfairly to Australia's disadvantage. While Britain's preferences in Australia are reckoned in percentages, Australia's in Britain have failed to move with the changes in the value of money because many of them are given in fixed amounts. There is also the difficulty that both the abandonment of bulk buying and an increase in sterling-dollar trade hinder Britain from giving Australians the long-term contracts they want for their agricultural produce.

Australia Talks Strategy

The 1955 Commonwealth Prime Ministers Conference will probably mark a strategic epoch for Australia; for the country's whole strategic outlook has changed since the Commonwealth leaders last met. Until 1954 and the collapse of French power in Indo-China, British and Australian foreign policy met in the Middle East. Australian interest in this region arose out of the paramountcy of European military and economic power. Now, the new tensions in Asia, created by the twin colossi of America and Soviet Russia, have forced Australian foreign policy to fall back from its historic Middle East "frontier" with Britain.

As the Prime Minister, Mr Menzies, recently told Australians, the nation's defensive frontier now rests on the Asian mainland and, in consequence, its first line of defence has been shifted from the African to the Asian side of the Indian Ocean, 7,000 miles nearer home. This is the central politico-military fact which must be uppermost in Mr Menzies' mind. It is not new. It publicly exercised the Australian Premier as far back as 1950, when his government first sent part of the Royal Australian Air Force to assist the hard-pressed British forces in Malaya. By the same token, it was also evident that the old concept of "lines of communication," linking Australia with Common-

wealth partners, notably Britain, had given way to the new concept of self-contained "areas of power."

It was in 1950 that Australia became a "main support area," as Mr Menzies publicly described it, with Malaya as a "key point" in this Eastern strategic region. This meant that Malaya could no longer be regarded as a purely British responsibility. Strategically considered, it had become part of the Australian "area of power." The British Government seems to have taken account of this development in the recent military talks in Melbourne between British and Australian service chiefs. The presence of Australian troops in Malaya would certainly be concrete evidence to South East Asians that Seato was more than a scrap of Manila paper, and this is an objective dear to the heart of Australian diplomacy. There is also the need to make the situation clear to Peking.

New Zealand Looks to the Pacific

There has been rather a belated recognition in New Zealand of the particular importance of the Commonwealth Prime Ministers Conference. The average New Zealander, though he is at pains to be reasonably well informed on international affairs, shows no great interest in them except when obvious crisis threatens. The high level of prosperity in New Zealand conspires with geographical isolation to encourage some over-complacency.

It was only on the eve of his departure for London that Mr Holland indicated that this particular conference was likely to have unusual significance for New Zealand. He then said that he realised New Zealand would probably be asked for some definite material contribution towards the defence of South-East Asia, and Malaya in particular. So far, New Zealand's defence planning has been on the basis that if the country has to send an expeditionary force overseas, it will serve once again in the Middle East. The government has never explicitly defined the commitment, but it has been fairly generally understood that it existed. In recent years, however, there has been a slow but definite change in the New Zealand attitude. The country's participation in the Anzus Pact and the developing threat of Communist aggression proceeding from Indo-China has greatly strengthened the conviction that New Zealand's contribution to Commonwealth defence must be in the Pacific. Public opinion is therefore reasonably well prepared for any suggestions to that end that may be made in London and at Bangkok. But it is doubtful if it is as well prepared for the cost of any contribution it may be asked to make. But if Mr Holland does return from London with a larger defence bill there is little doubt that the country will be prepared to foot it.

Canada Stresses Asia and Trade

The conference is earlier than was convenient for several members, including Canada; but the date was the best compromise that could be reached. As they frequently do, some Canadian ministers are inclined to relate the calling of Commonwealth meetings to the exigencies of Britain's domestic politics. But it is also thought to be quite a good idea to have a meeting with the Asians in view of the forthcoming Asian-Arab and Bangkok meetings. In Canadian eyes the general review of Asian policy will probably be the biggest item.

There has been an unfortunate political background to

380

the conference in Canada, which perhaps makes it difficult for anyone in Ottawa to talk very freely. The Conservative Opposition has been demanding since the beginning of the session that the Prime Minister should make a statement about the conference and provide a chance to debate it. It has for some time been running a rather silly line, urging the Canadian government to take the initiative in summoning a Commonwealth Conference to discuss trade. And it is presumably in support of this line that it wants to inflate the present prime ministers' conference in advance, so that they can later accuse Mr St. Laurent of failing to get increased markets for Canadian products or to wring out any promise of a definite move to convertibility.

Since the September meetings of the World Bank and International Monetary Fund, the official Canadian line puts off convertibility into a quite indefinite future; and the anxieties on this score are at present concentrated on Gatt rather than London. Canadians expect the Australians to ensure that the Gatt quarrel flows over to the London meeting; but they feel that this will be something for Britain to deal with. Mr St Laurent can do little but cheer the more liberal British views from the sidelines.

Pakistan Assumes the Best

The forthcoming Commonwealth Conference has not aroused any particular public interest in Pakistan. This is perhaps on the whole a good thing, as it seems to point to the fact that Pakistanis take the present state of affairs for granted and look on the conference as a routine meeting. Thus, if nothing particularly exciting transpires, there will be no feeling of anti-climax. The main item of public interest will be the discussions regarding Pakistan's position in the Commonwealth under the proposed new constitutional set-up. Generally speaking, the feeling towards the Commonwealth is warmer and firmer than it has been for some years. Some of this arises from the fact that the suspension of the Assembly has deprived politicians of the opportunity to strike attitudes which they hope will curry favour with the mass of the people.

The present cabinet contains a number of men who are actively pro-Commonwealth. Some of them much regret the unavoidable severance of the personal link with the Crown; the royal family and its traditions of service are widely admired. But it is now too late to go back on the idea of a republic, and the mere mention of doing so in public would amount almost to political suicide for any politician. Accordingly, although the Commonwealth occupies a predominant place in Pakistan's mind, at the moment it is slightly in the background because of greater pre-occupation with the Middle East and Seato. Karachi is delighted at the Turko-Iraqi agreement and it is logical that it should concentrate on trying to reach a Pakistani-Iraqi agreement on similar lines.

India's Widening of Horizons

There has been little speculation in India about the Commonwealth conference. This is hardly surprising. Mr Nehru has been away in Indonesia and in his absence interest in foreign affairs always lags. Moreover, it is felt in Delhi that the whole point of the conference is that this is not an emergency; Mr Nehru has been to similar meetings before and everyone hopes that he will go to many more. This lack of excitement is due not to apathy, but to acceptance. Except for the Communists, India's

THE ECONOMIST, JANUARY 29, 1955

membership of the Commonwealth is no longer an issue; it has become as much a part of Indian life as free elections.

There is a general thing; that it is desirable that he should London is a good thing; that it is desirable that he should meet fellow prime ministers who, whatever their domestic and foreign policies, share with India a familiar background of law, education and language; and that he should do so of law, education and language; and that he should do so without observers, interpreters or language-seekers to the press. Indians agree that Mr Nehru will gain from cold war, relations leagues feel about such subjects as the future of Africa, with America, German rearmament and, to make a major And they expect Mr Nehru, for his part, to make a major contribution on China, on the part of the underdeveloped world. conference and on the feelings of the underdeveloped world.

Indians look on a Commonwealth conference as an opportunity for friendly discussions and the widening of horizons; not as an occasion for the settlement of disputes or for quarrelling over painful differences. Mr Nehru is not expected to bring home a solution either for Kashmir or for Kashmir. It is this widening of horizons that Indians particularly value about these meetings, particularly since they are beginning to feel that they will increasingly be able to give as much as they can get. As the *Hindustan Times* says, "it would not be strange if Britain, from influencing the policies of other (Commonwealth) members, came to be guided by their experience and wisdom."

South Africa Holds Its Hand

There is genuine regret in South Africa at the decision of the Prime Minister, Mr Strydom, not to go to London for the Commonwealth Conference; but it is realised that it would genuinely have been very difficult for him to be away so soon after becoming premier and within a week of the opening of his first Parliament as head of the government. Although the choice of Mr Swart, the Minister of Justice, to deputise for him has understandably met with little or no enthusiasm from non-Nationalists, who set great store by the Commonwealth link, it was only logical that Mr Strydom should nominate him because he is also Deputy Prime Minister.

The government press has been strangely silent about Mr Swart's role in London; for the most part he will be an interested observer. But it is not unlikely that he will tell the conference of the Union's willingness to play its part in the fight against the spread of Communism; that it will join in any Middle East defence scheme; that it is opposed to the further admission of "non-white members" to the Commonwealth (its eyes are firmly fixed on West Africa), at any rate without the fullest prior consultation; that it will co-operate in any scheme to further Commonwealth trade; and that it will make whatever contribution it can to the development of atomic energy for non-military purposes.

South Africa is on good terms with all members of the Commonwealth except India, with whom it has no diplomatic relations. The Strydom regime will continue to co-operate with other members of the Commonwealth, "when it is in South Africa's interests to do so." But its ideal remains a republic outside the Commonwealth, as soon as it can obtain "adequate" (the Prime Minister's word) white support in the Union for the project. But Mr Strydom's recent reassurance that no steps in this direction will be taken in the life of the present parliament means that the question has been temporarily shelved.



World-wide technical collaboration

in electrical engineering development

THE DRIVER-HARRIS ORGANISATION

Close liaison between the companies of the Driver-Harris world-wide organisation is a very real and active policy. It continues to yield an impressive dividend of technical progress.

The liaison is expressed in regular communication and exchange of visits between technologists, a pooling of knowledge on every fresh aspect of wire-drawing technique, and continuous research along parallel lines between the laboratories and manufacturing plants in the United Kingdom, United States, Eire, France, Italy, Austria and Spain.

The result of that collaboration is a succession of advances in the production of nickel-alloy resistance materials of profound importance to all development in the electrical engineering world.

BRITISH DRIVER-HARRIS CO LTD. MANCHESTER 15

NICHROME

"The greatest name in electrical resistance materials"

Marchon manufacture at Whitehaven
detergents and detergent raw materials
and sell them throughout the World

Marchon

PRODUCTS LIMITED

Head Office and Works: Whitehaven, Cumberland
London Office: 140 Park Lane, W.1



ALEXANDRIA: More than three centuries before Christ, Alexander the Great marked out the foundations of the city which was to prove his most enduring memorial. Originally, he conceived it as a naval base to support his army in his Persian campaigns, but he also wished to create a meeting-place for East and West, and a trading centre for all the Mediterranean. The later story of Alexandria is studded with the names of some of the most vivid personalities ever to cross the stage of history; from Julius Caesar to Napoleon famous commanders have sought to possess it. Illustrious philosophers such as Aristarchus and Philo Judaeus taught within its walls; it boasted mathematicians and poets, and all the arts flourished. The city was famous in ancient times for its Library; its lighthouse, over 400 ft. in height, was one of the Seven Wonders of the World.

Business men who require information on current commercial conditions in modern Egypt are invited to get into touch with our Intelligence Department, 54 Lombard Street, London, E.C.3. Up-to-date reports from our branches in Alexandria and elsewhere are readily obtainable on request.

BARCLAYS BANK D.C.O.



THE BUSINESS WORLD

Astringent for the Pound

ON Thursday morning the Bank of England confirmed the gilt-edged market and the money market in their recent suspicions by raising Bank rate from 3 to 3½ per cent. The monetary authorities thus take due note of the sustained weakness of sterling, the incipient signs of inflationary pressure, and the several recent indications that demands for credit are becoming more aggressive. They have wisely decided, however, that what was needed—was a warning shot rather than a broadside. The decision whether to make any change at all cannot, indeed, have been easy to reach, for not all the indicators of underlying financial and economic trends have pointed in the same direction.

Especially has this been true of the influences playing upon sterling. For some time now the rate has been weak over a period when it should have been rallying from its normal autumn relapse with the US dollar quoted at around \$2.78½-1. Without the modest intervention of the Exchange Equalisation Account it might have reached the lower gold point of \$2.78 several times recently. Less than a year ago it was only the massive intervention of the Exchange Equalisation Account that kept the rate below its ceiling. This trend had inevitably raised the disquieting question: Has the dismal sequence of balance of payments crises in the odd years since the war merely skipped 1953 to reappear in 1955? Or has the weakness arisen mainly from technical and even ephemeral influences?

The facts cannot have been easy to disentangle. Sterling is a world currency drawing its strength or weakness not from the United Kingdom alone, nor even from the whole sterling area, but from the operation of all the "transferable account" countries now using sterling for a large part of their current trade. The transferable account area plus the sterling area makes

up the whole world, minus the dollar bloc and the Communist bloc. If Australia is overspending its current income and drawing upon London funds, if the Continent of Europe is buying dollar wheat and paying for it in sterling through the EPU machinery, even if Russia buys Danish butter and pays for it in sterling, all these factors will have an impact on the sterling-dollar rate. Add to this the facts that there is more than £4,000 million of sterling held in London on overseas account at call or short notice, that much of it may give the holders direct access to the dollars in the United Kingdom reserve, and that the international banking mechanism of the City of London is making a substantial volume of sterling available to overseas customers by acceptance and cash credits. The pattern of cross currents then becomes so complex that it is hard to pick out the main stream.

The direction of that main stream, however, as reflected in the behaviour of the sterling-dollar rate, has been unmistakable. It changed in the late summer of last year. The timing of the change and what is known of the operations that contributed to it show that "sentiment" played a large part in changing its direction. It was in September of last year that the rate for sterling in terms of dollars left the neighbourhood of its upper gold point and started its steady decline. Until that month the world at large had assumed that sterling was moving reasonably fast towards convertibility. In the early summer of last year, this belief was accompanied by rumours that either in preparation for the move or even as part of it the sterling rate might be allowed to "float"—either freely or within a wider margin of free movement than the 1 per cent on either side of parity envisaged by the International Monetary Fund.

Spurred by these rumours importers of sterling goods bought sterling in anticipation of their needs. Then

came the meeting of Governors of the International Monetary Fund at which the Chancellor of the Exchequer, who led the British delegation, delivered himself of a most effective damper to those hopes. The Chancellor and his spokesmen at the Treasury can rightly claim that they had never given any justification for the expectation of early convertibility, whether on the basis of fixed or flexible rates; but the important fact is that such an expectation had been widely held and exerted an influence on the sterling exchange. After the IMF meeting in September the sterling pendulum naturally swung. There was no drastic withdrawal of balances held in London but rather a gradual utilisation of what had been accumulated in anticipation of future needs. Commercial purchases of sterling in the latter months of 1954 and in the early weeks of 1955 have in consequence not been as large as they should have been.

The change in sentiment about sterling also affected the rate for transferable sterling. Whenever the margin between official and transferable sterling widens beyond 2 per cent it is through the transferable type of sterling that the transferable sterling countries (and they cover the greater part of the world) conduct much of their trade with North America. That margin has lately been 3 per cent, so that the discount on transferable sterling became sufficient to introduce substantial distortion into the normal pattern of international trade in such commodities as tin, rubber, diamonds, furs—anything where value is high in relation to bulk. Early in 1954 the rate for transferable sterling had climbed within the range of the gold points of the official sterling-dollar rate. By the middle of March, 1954, the transferable sterling rate was quoted at \$2.78½ and by April it had risen to over \$2.79. This was further evidence of the confidence with which the world viewed the prospects of early convertibility for sterling; it was reasonable to buy transferable sterling, for under the convertible regime it would become merged in the one type of non-resident sterling and be freely convertible.

After the Washington douche to these expectations the transferable sterling rate began to weaken and by last December it had dipped below \$2.71. It has since recovered to \$2.72 but even at this rate it shows a discount of more than 3 per cent. At this discount a wide

range of commodity shunting operations, which had vanished while transferable sterling appreciated to within the upper and lower limits of the official rate, has reappeared. Sterling tin, for example, normally sold to the United States direct by British merchants, can be sold a little more cheaply if the transaction is done through Continental merchants who buy the tin with transferable sterling, sell it to the United States for dollars and then reconvert their dollars into transferable sterling at the appropriate discount. In this way the United Kingdom repays sterling debt, since overseas sterling has been extinguished in buying the tin, but the dollars that should have been offered for sterling in the London market in order to pay for the tin have gone instead to the Netherlands or Belgium or Italy.

A similar result followed from the use on the Continent of dollar export incentive schemes which in effect subsidise exports of the local product to dollar markets. French African cocoa, for example, has been pressed for sale in the United States to the disadvantage of British West African cocoa, the sales of which have therefore been directed towards the Continent of Europe. This has helped in the improvement of the United Kingdom account with EPU, but has involved a corresponding loss of dollars.

Commodity shunting plus export incentive schemes on the Continent have eaten into the sterling area's normal commercial inflow of dollars and partly explain why the high prices for sterling area commodities, such as tin, rubber, tea and cocoa, have had so little effect on the Continent have eaten into the sterling area's on the exchange rate. It is flanked by a widening divergence between sterling and dollar wholesale prices illustrated in the accompanying chart. For commodities entering into international trade the relative level of sterling and dollar quotations is greatly influenced, not by the rate for official sterling but by the transferable variety. The widening margin between the American and British wholesale price levels has kept fairly closely in step with the widening discount on transferable sterling.

This divergence in prices may also reflect something more basic—a greater degree of inflation in the United Kingdom and the sterling area in general, than in the

United States. The domestic economy in the United Kingdom has in recent months become so buoyant and voracious that it is beginning to absorb imports of certain products that normally come from home sources (steel sheet, tinplate and coal, are examples). It has also absorbed into domestic consumption some of the products that ought to be exported. This is not another 1948, when the existence of "two-price worlds" heralded the devaluation of sterling. The productive power that lies behind sterling today is much greater than it was six years ago, and the price margins dividing the dollar and sterling worlds are much narrower. But the symptoms, modest though they were, showed the need for the brake of monetary policy.

The recent weakness of sterling has been all the more significant in view of the behaviour of short-term money rates in the London and New York markets. The rise of these rates in London had outstripped the corresponding movement in New York. Helped by the fact that three months forward sterling had remained at only 1/16 discount on the spot rate against the dollar, this disparity in short-term rates allowed a fair amount of interest arbitrage; American money had been coming to London for three months, fully covered by forward sale of sterling and earning appreciably more than could be

obtained from a comparable investment in the New York market. This must have given some support to the spot sterling rate. On the other hand the advance in the London short-term money rate has not gone so far as to deter overseas borrowing on short-term commercial account in London. Sterling acceptance credits are fully utilised, especially on behalf of customers in European countries where money rates are appreciably higher than here, notably France, Germany and Italy, thus feeding additional sterling into the exchange market.

There was no sign of a bear account in sterling, but the world at large was clearly registering a feeling of indecision about the pound. The evidence—slight though it may be—of inflation in the United Kingdom, the steadily mounting level of wages and of wage demands had not escaped it. Sterling was no longer being regarded as a currency that before long would be indistinguishable from the dollar in its hardness and convertible qualities. The world marks all these facts in its assessment of the "proper" rate of exchange. Now, it may be hoped, it will equally mark the implications of the precautionary change in Bank rate—the first clear evidence that the authorities in London will use the instrument of dearer money as a normal regulator instead of reserving it simply for crisis occasions.

The Credit Background

THE spate of facts, opinions and analyses that pours from the banks at this time of year regularly invites attention for the light it may shed on three quite separate questions—the monetary trends, what the City thinks about the business prospect and public policy, and how the banks themselves are faring. Comment may sometimes be rightly focused upon one of these themes, but this time it is necessary to glance at all three.

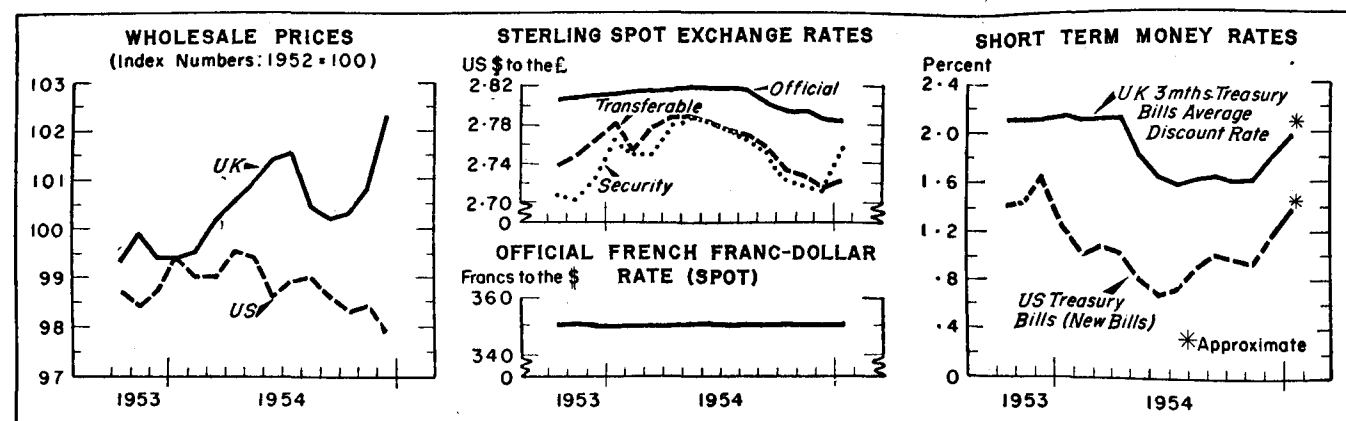
On the monetary trends, the message from the bank balance sheets is moderately reassuring. Credit expansion continued last year but at a somewhat slower rate than in 1953, although industrial production rose almost as fast as in that year and financial activity was much greater. "Net" deposits of the clearing banks touched a new peak at the year-end, at £6,558 million, showing an increase of £188 million compared with one of £216 million in 1953 and £119 million in 1952.

The source of this credit expansion was, however, very different from that of the two preceding years. In 1952, under the influence of the credit squeeze and falling commodity prices and the localised business recession, the private sector of the economy sharply reduced its indebtedness to the banks, but the credit effects of these repayments were much more than offset by heavy additional demands by the Government upon the banks. In 1953 Government borrowings were again

the source of credit creation; and even though these demands were probably less than half those of 1952, the pace of credit expansion increased, because repayments by the private sector had almost ceased. This relationship between the sectors was almost precisely reversed in 1954: the private sector became an active borrower, while the Government succeeded in making a small net repayment.

Bank advances, which had reached their lowest point in October, 1953, at £1,654 million, last year rose by £191 million, or 11 per cent, to £1,897 million, whereas in 1953 they had fallen by £42 million. This rise, it will be noted, was actually slightly larger than the whole rise in net deposits (the much bigger rise in gross deposits gives a distorted impression, being inflated by the abnormal volume of cheques in course of clearing at the year-end). In addition, the banks' portfolios of commercial bills rose by £35 million, or by nearly three times as much as in 1953. The change in the credit needs of the private sector proper was not, however, so violent as these comparisons suggest; rather more than half the difference was probably attributable to the big fluctuations in the bank indebtedness of the nationalised public utility industries, whose outstanding loans happened to be unusually low at the end of 1953 but high at the end of 1954.

Whatever the precise weight of this factor, it is clear



that central government operations, including those of the "departments," were putting a brake on credit expansion last year instead of pressing on the accelerator. This change was primarily a reflection of the unexpected improvement in the domestic finances of the Exchequer—the big decline in the "above-line" deficit, heavy net borrowings on tax certificates, and a swing from deficit to surplus on "savings" securities. But, large though it was, this improvement would not by itself have enabled the Government actually to reduce its indebtedness to the banking system, because the resources accruing from these domestic channels were being fully absorbed in financing the surplus on Britain's external finances. In other words, the full effect of Government operations in restraining credit expansion was the outcome of deliberate policy—in seizing the chances provided by a generally firm gilt-edged market for funding issues and sales of securities through the "taps." Thanks to the success of these operations in selling securities to the public, as well as to the readiness of several of the banks to add to their own investment portfolios, the year's credit expansion has been accompanied by a tightening of the banks' liquidity ratios.

If their activities are judged over the year as a whole, the monetary authorities are therefore shown to have exerted a sensible restraint; but it is not certain that their policy has been equally alive to the situation that has been developing in the past few months. The big increase in the credit intake of the private sector shown on the annual comparison was, in fact, largely the product of the demands of the autumn—despite the fact that that was a season of boom in the new issue market. There is some evidence that these credit tendencies have been gaining an undue momentum. Yet the monetary authorities chose to make their last conversion operation on "no-change" terms—a decision that scarcely implied any expectation of the rise in money rates and gilt-edged yields that started at that very moment.

Except for the doubts that several of them voice about the growth of hire-purchase, the bank chairmen in their annual statements have not alluded to these credit trends. Two of the three statements that have

appeared this week have indeed matched those of last week in their warnings about the dangers of the longer-run drift to inflation. Lord Harlech, of the Midland Bank, and Lord Aldenham, of the Westminster, have emphasised the dangers for the export trade and for the future of savings of the persistence of a steady pressure of "cost-inflation." There is no doubt that the bankers, as a group, are worried about the underlying trend. But it cannot fairly be said that their statements as a whole have this year uttered any immediate warning, still less that they have appealed for any general tightening of financial policy. Most of them, indeed, still evidently look for "incentive" reliefs in taxation in the coming budget—without making the point that it may be the duty of monetary policy to make such reliefs possible. Lord Aldenham observes, prophetically, that a rise in Bank rate would be "much less undesirable" than inflation; and Lord Harlech seems concerned at the part that last May's reduction of Bank rate may have played in the rise in equities "to a level at which they heavily discount the prospects of continued high activity in industry and trade, a further growth in business profits and larger distributions therefrom."

The third major theme in the seasonal flow relates to the activities of the banks themselves. In their annual statements several of the bank chairmen have this year given more information than usual about their internal policies, problems and organisation. Sir Oliver Franks, the new chairman of Lloyds Bank, has indeed devoted the whole of his statement to a survey of the ways in which Lloyds Bank has been adapting itself to the far-reaching changes that have occurred in the past sixteen years. He shows clearly why the three-fold expansion in deposits since 1938 (and the quadrupling of turnover) is not "an unmixed blessing." During the period of maximum expansion of the resources available to them the banks were experiencing not only a general rise in costs but a fall in the rates their resources would earn. Then, at the very time when the curve of deposits flattened, the curve of costs steepened, so that an increase in commission charges became necessary; and it is only since the swing to a flexible monetary policy that the "downward pressure" on earnings

TABLE I.—LONDON CLEARING BANKS

At End-December	£ million			As % of Gross Deposits		
	1952	1953	1954	1952	1953	1954
Gross deposits	6,460	6,894	6,941	...	...	...
"Net" deposits..	6,154	6,370	6,558	...	...	...
Liquid assets	2,327	2,460	2,382	36.0	36.8	34.3
Cash	550	542	571	8.5	8.1	8.2
Call Money	529	501	498	8.2	7.5	7.2
Treasury Bills ..	1,182	1,338	1,199	18.3	20.0	17.3
Other Bills	66	79	114	1.0	1.2	1.6
Investments and advances	3,897	3,982	4,250	60.4	59.5	61.2
Investments	2,148	2,275	2,353	33.3	34.0	33.9
Advances	1,749	1,707	1,897	27.1	25.5	27.3

TABLE II.—BANKING TRENDS COMPARED (£ million)

	Deposits*		Advances*		Investments†	
	1953	1954	1953	1954	1953	1954
Barclays	1,376.1	1,426.2	352.2	387.6	499.8	511.2
Lloyds	1,203.0	1,244.3	289.0	301.2	410.1	424.5
Midland	1,414.2	1,454.5	343.6	398.1	486.1	488.2
Nat. Provincial ..	869.4	909.3	244.2	249.9	249.7	282.4
Westminster	845.3	907.9	222.7	269.7	279.9	308.9
Martins	329.9	330.3	83.2	95.4	120.2	109.1
District	251.8	255.2	60.9	65.9	92.9	96.8
W. Deacon's	142.7	147.7	37.8	45.1	50.2	49.5
Glyn Mills	70.7	65.1	14.1	21.3	22.9	22.4
Coutts	53.3	52.2	13.4	16.5	20.1	16.3
National	79.4	85.5	30.2	32.2	28.7	28.9

*Excluding balances from or loans to subsidiaries.
†Excluding "Trade" investments.

has been "mitigated." It is interesting to learn that, despite these big changes, the average rate earned on Lloyds' advances during the past six months was less than $\frac{1}{4}$ per cent higher than in 1938, while commission charges provided about the same proportion of earnings as they did then.

The problem of dealing with a greatly increased turnover has been met by big changes in organisation. In consequence of intensified mechanisation and of a big intake of female staff, now almost three times as large as before the war, the male staff has actually been reduced, yet there are many more managerial posts to be filled, and promotion comes sooner. These changes, Sir Oliver claimed, have "ended the disheartening fifteen-year or twenty-year apprenticeship" that even the ablest of bank clerks used to have to endure.

These and other facts from Sir Oliver's survey deserve to be set beside some of the recent criticisms of the banking system, both in the context of salaries and of the charges that the banks have been slow to modernise their methods and are too timid as lenders.

On the Right Track

PLANNING can easily degenerate into exercises in round numbers, and there are plenty of these in the plan for modernisation and re-equipment of British railways that the Transport Commission has submitted to the Minister. It seems ambitious, but the measures that are proposed will, after fifteen years, put this country's railway system no further ahead than, say, the Dutch railways today. There is nothing of a technical revolution here; the plan merely testifies that in fifteen years British railways may catch up with the facts of railway working as most civilised countries know them.

Broadly, the plan proposes that £1,200 million should be spent on a programme of capital works, starting within five years and to be completed within fifteen years. This expenditure, the Commission expect, "will ultimately attract a return amounting to at least £85 million a year." But these figures (which are based on prices last autumn) imply something more than a gross 7 per cent return. The Commission would have to spend half of the money anyhow, merely to maintain the present services. They reckon that £400 million will be provided from depreciation provisions (evidently only two-thirds of what they should be) and that £800 million will have to be borrowed. So, on another set of assumptions, the plan presupposes a return of 10½ per cent gross on new money.

The plan is given an air of inevitability—nothing much less than this will suffice if Britain is to have a modern railway system. A net investment of about £50 million a year (say 2½ per cent of the country's

To these charges two others among the bank chairmen reply point-blank. Lord Harlech gives an impressive catalogue of the Midland Bank's 27-year record in mechanisation of the basic bookkeeping processes of banking and of its constant search for machine aids for more specialised processes.

To the charge that the banks are timid lenders, Mr A. W. Tuke, of Barclays, has replied that the bank is very willing to make unsecured advances "in appropriate cases"—he explains that these do not usually include salaried customers—and states that such advances accounted, at a recent date, for between one-fifth and one-quarter of total advances. The profit motive and free competition between the banks in this field together ensure, he says, that the customer gets all the credit his finances justify—"sometimes perhaps a little more." The CIC and selective control, he thinks, rarely now prevent bankers from making loans that would be justified by the traditional canons of bank lending—though that body is regarded by "some" as a "diabolical interference" with free enterprise.

gross investment of all kinds) is well short of visionary, in relation to railway assets valued in the books at £1,300 million. If £105 million to be spent on the track secures main line speeds of "at least 100 mph where conditions permit" British railways will be able to look France in the face. The signalling programme, costing another £100 million, is an essential complement to track improvement to secure the fullest and safest use of the lines.

"The end of the steam era is at hand." It is not so long since railway spokesmen were extolling the cheapness and reliability of the steam engine as a power unit. Now all is changed. There is no longer any nonsense about diesel traction being uneconomic ("We have short hauls in this country compared with America") or strategically dangerous ("We must rely on indigenous fuel"). It is not the haul that counts, but efficient rostering. It is not imported oil but inadequate coal that constitutes the threat. The Commission propose to combine electricity and diesel traction "to the best advantage." The difficulty here is to be certain where the best advantage lies. There is a general presumption in favour of electrification of densely occupied tracks, but big engineering works are entailed, and the introduction of new electric services takes much longer than changing over from steam to diesel, which involves no major works on the track. There would be a good deal of logic in the rapid introduction of diesel locomotives on main routes, to give an immediate stimulus to traffic and staff, while the electrification projects are

steadily maturing. That would lose none of the eventual advantages of electrification—for they will be slow in coming in any case—but it would give a clear interim gain over steam working.

THE PLAN SUMMARISED			
TRACK:	£ mil.	PASSENGER TRAFFIC:	£ mil.
Bridges	20	Station improvements	55
Realignment	25	Carriages, electric and diesel multiple unit vehicles	230
Strengthening	35		
New lines	25		
	105		285
SIGNALLING:		FREIGHT TRAFFIC:	
Colour lights, power boxes, etc.	85	Marshalling yards	80
Automatic train control	20	Goods stations	50
	105	Continuous brakes	75
		New wagons	150
TRACTION:			365
Electrification—		SUNDRY ITEMS:	
LMR & ER main lines	120	Ports	12
SR extensions	25	Development and Research	10
Suburban	40		
Diesels—			
Main line locos	125		
Other	25		
	345	Total (say)	1,200

Due allowance must be made, however, for the capacity of the manufacturers of the various classes of equipment. A total of 2,500 mainline diesels over 15 years means turning out one every two days; at the end of 1953 there were four in service. It is difficult to put any reliable figures on capital costs when the order involves a transformation from bespoke work to mass production. The plan says that "the present cost of a diesel locomotive is about two and a half to three times that of a steam locomotive of equivalent power." But surely there should be considerable economies in an output of the scale that is contemplated, and the same consideration presumably applies to other major elements in the scheme. It appears, for instance, that the cost of fitting goods wagons with vacuum brakes would be about £75 each; figures recently quoted by the Foreign Operations Administration for the supply of fitted goods wagons to India put the cost of British vacuum brakes at \$90 or just over £30 per vehicle.

If this plan goes through, the railways ought to rely on outside suppliers for a major part of their motive power though it is not clear that they intend to do so. This would be a change of immense consequence, for they would become customers of industries that ought to be on their toes to supply them efficiently and economically, and could have an important contribution to make towards technical problems of traction and railway working. The United States has shown how important such a contribution can be; and the transport history of this country shows how much British railways have lacked it.

If, in any case, £600 million would have to be found to replace the present system, another £600 million does not seem an outrageous addition to provide a modernised system of railway transport. The implications for the better use of labour are under-stressed in the plan, but at least it is clear that one of the conditions

of greater cooperation and better morale among the staff is a radical improvement in the equipment that they now have to work. Nor is it at all probable that some sections of the travelling public will like what is in store for them. Last year, about 216 million loaded passenger train miles were run. By 1970, the figure might be 204 million. But while the fast and suburban mileage will increase there will be "a marked reduction" in the stopping and branch line services that last year accounted for two-fifths of the total mileage. The fruits of reorganisation, so far as passenger services are concerned, rest on a comprehensive proviso:

Provided that the passenger service as a whole can be overhauled, and that improved and highly competitive services are offered in those fields for which the railway has the natural advantage, the remaining services being either turned over to new forms of motive power or transferred to road, there should be an overall improvement in working results of around £35 million a year.

There will also be a great outcry from those who have long been accustomed to branch line services at fares wholly out of relation to economic costs.

It will be said that the guess of £85 million net from the scheme will give the railways prosperity, holding out glittering opportunities for higher wages and lower charges. It does nothing of the kind. Of the potential gain, £40 million will be absorbed in interest on new capital; another £15 million extra will be needed for depreciation on the new assets; and £25 million or so of net surplus is by no means an excessive provision for the railways to strengthen their resources and keep their fixed capital in a healthy state by continuous improvement. If, as the plan suggests with some optimism, the total return "might conceivably be much greater," so much the better. Some forms of profit-sharing incentives might help towards achieving these gains. But the plan involves such a revolution of minds to march with the improvement of technical means that modest expectations are probably wiser. On such a condition, the Government ought to give it the most serious consideration.

Are you

PLOUGHING BACK ENOUGH

to keep pace with changing

capital replacement costs?

Our indices for nearly twenty

types of equipment are the

most economical way of measuring

the rise in costs over the last fifteen years

The Economist Intelligence Unit

22 Ryder Street, London, S.W.1.

Whitehall 1511 Extension 114

Business Notes

Before the Dust Settles

ON Monday, when the gilt-edged market reached a temporary trough and talk of a higher Bank rate was widespread, some jobbers in the gilt-edged market were putting around this paradox: "The one thing that could make our market move upwards would be a half per cent rise in Bank rate." The Governor of the Bank of England has obliged. Bank rate rose $\frac{1}{2}$ per cent to $3\frac{1}{2}$ per cent on Thursday. The paradox has not worked out—not quite. Long-dated gilt-edged stocks made a brave showing but in the end they fell slightly—usually by $\frac{1}{8}$, bringing $2\frac{1}{2}$ per cent Consols, for example, down to $64\frac{1}{2}$. But the fall was generally smaller than the advance that had occurred on Wednesday.

In the short-dated gilt-edged market a different set of conditions applied. Here prices had to be adjusted to a new series of money rates that had not fully emerged by Thursday evening. In particular it was necessary for jobbers to make a guess at the approximate rate at which the Treasury bills would be allotted not this week but in the weeks that follow. As a pure guess, they made the assumption that the rate might eventually settle down somewhere near $2\frac{1}{2}$ per cent. Prices of short-dated gilt-edged were therefore marked down relatively sharply, but no one supposed that the process had been completed. At what price, for example, will the Government broker be prepared to release Treasury 2 per cent stock 1960? That he will be prepared to meet the change in conditions seems a reasonable assumption, but it will need time for the short-dated market to find its level.

The rest of the market, both gilt-edged and industrial, has suffered a minimum of disturbance. There was no flurry of activity immediately after the Bank rate announcement. The advance in industrials was checked and then quickly resumed, undismayed by Bank rate. How does logic equate a rise in Bank rate to $3\frac{1}{2}$ per cent and the rise in the *Financial Times* ordinary share index to a new high of 194.4 on the same day? There can seldom have been a Bank rate change that has produced less immediate reaction on markets, and therefore since a cause of doubt has been removed the new way seems clearer for steady markets except among the shorts. But experts will watch carefully to see what the effect on the sterling exchange rate may be before they give many hostages to fortune.

The Pattern of Rates

IT will be several days, perhaps, before the full effects upon the pattern of rates can be clearly seen. The clearing banks, as expected, modified the practice that has obtained

in recent years, and have raised the rate allowed on deposit account balances by only $\frac{1}{4}$ per cent, to $1\frac{1}{4}$ per cent, and reduced the minimum notice for deposits from twenty-one days to seven, whereas the minimum charge for short loans to the money market has been raised by the full extent of the move in Bank rate and the differential rates against Treasury bills, commercial bills and bonds are now all amalgamated at $1\frac{1}{4}$ per cent. The margin of deposit rate below Bank rate is thus restored to the 2 per cent that obtained in the nineteen-twenties (the last phase of flexible money)—and since then had ruled only for the recent period of the 4 per cent Bank rate. More significantly, a margin has at last been opened up again between the deposit allowance and the short loan charge—which is a much more natural arrangement than has obtained in these postwar years.

Stag Fodder

IN a sense the offer for sale of 10 million £1 Ordinary shares of Colvilles at 26s. per share marked the climax of a great financial achievement. Of the seven steel unscrambling operations planned for the first stage of the realisation agency's operations only the relatively small Whitehead Iron and Steel equity remains to be sold. It is true that the agency still has a vast amount of work to do: it has to tackle the Steel Company of Wales—though that mammoth operation now looks nearer and is perhaps less than a year away. There remains a host of smaller steel companies many of which may be offered by the agency supported by just one or two City houses. There remain also the prior charges in companies whose ordinary shares have already been sold; some of these will involve public offers, others placings. The consortium of eight leading issuing houses and six leading brokers (supplemented this time by one from Glasgow) is not being dissolved; it will be needed certainly for Steel of Wales and possibly for some of the others.

Yet investors will look upon Colvilles as ringing down the curtain on Act I of the consortium's performance. What an uproarious finale it was. With 150,000 applications for 120 million shares (not counting the firm applications of the underwriters) Colvilles was by far the most heavily oversubscribed of the steel offers. Allotments to the general public were so scaled down that applicants for between 50 and 1,000 shares got only 50, and the maximum allotment was only 100. Former shareholders fared better; applicants up to 200 shares received full allotment, and the big applicants 3 per cent of their requirements with a maximum allotment of 1,750 shares. It followed that when dealings

started on Tuesday an enormous number of tiny holders were waiting to sell. But the buyers outweighed the sellers for many institutions are now happier about adding steel shares to their portfolios. The shares opened at 2s. 1½d.-2s. 6d. premium, advanced to over 3s. premium and then dropped back to around 2s. 3d. premium—all on a dull market day when industrial shares as a whole were declining. They settled down later at a little over 2s. 6d. premium.

Industry and the Railway Plan

WHAT business will there be in the new railway programme for the locomotive, carriage, and wagon builders and the electrical manufacturing industries? Since 1947 British Railways has added just over 2,300 locomotives to its stock to replace obsolete units. But over three-quarters of these were built or assembled in its own workshops, including all or nearly all the 60 electric and 240 diesel-electric locomotives, though the power units and some of the mechanical parts for these were contracted out. The new programme envisages the construction of 2,500 main-line diesel locomotives, 1,100 main-line electric locomotives, and another 1,200 diesel shunting and trip units after the present programme for 573 diesel shunting units ends in 1957 (nearly 100 of these have already been built). Some of Sir Brian Robertson's comments on the plan early this week gave a general impression that the work might come mainly to private manufacturers. That impression—and the resultant fillip given to shares in some of the companies—seems to have been too optimistic.

	Price Dec. 31	Price Jan. 21	Price June 26	Assumed Dividend %	Yield
English Electric (£1).....	55/-	60/-	61/3	12½	4 1 8
Vickers (£).....	39/6	40/-	41/9	7½	3 11 10
Kuston & Hornsby (£1)...	57/6	56/9	60/-	12½	4 3 4
Birmingham Railway Carr. & Wagon (£1).....	36/3	40/-	42/6	10	4 14 1
North British Loco (£1)...	19/4½	20/-	23/-	5	4 6 11
Beyer Peacock (£1).....	47/6	53/6	57/6	16	5 11 4
Leyland (£1).....	101/10½	110/-	111/3	25	4 9 11
GEC (£1).....	58/9	60/-	60/-	12½	4 3 4
Crompton Parkinson (5/-)	20/7½d	18/3	18/3	16	4 7 8
Cannell Laird (5/-).....	10/6	11/6	12/-	14-8	6 3 4
Westinghouse Brake (£1)...	85/-	93/9	100/-	18	3 12 0

There are now suggestions that much of the programme will probably be carried out in the railway workshops at Swindon, Crewe, Derby and elsewhere, though the value of bought-out components in the new engines will be much higher than in steam locomotives. The Transport Commission claims that it is cheaper to build or assemble its own locomotives; though this may be so because it does not charge itself any profit on the £15-20 million of capital that is tied up in the workshops. In the Commission's view, its own shops are well equipped to produce most of the 3,275 main-line and shunting locomotives that are to be built.

The programme also aims at introducing 31,000 new passenger coaches and 255,000 wagons by 1970. The first figure includes 3,600 multiple unit electric vehicles and 4,300 multiple-unit diesel vehicles. Recently, two out of every five new coaches have been built under contract. This

share may increase, since the programme implies a substantial increase over the present rate of construction; it also includes an unspecified number of powered electric and diesel cars, which the railway workshops are at present less well equipped to build. The wagon-builders, however, will not have ignored the heavy cut foreshadowed in the freight rolling stock, following more economic wagon operation and the use of larger wagons. As a result, the average annual rate of construction throughout the period of the new programme will drop to a third of the present level, and the lion's share that has gone to outside firms in the past may now be retained by the Commission. This business, furthermore, may come later when the bulk of existing wagons have been fitted with continuous brakes.

At this early stage the future looks least bright for the private wagon-builders, whose export business has never been very large. Locomotive firms may see little benefit in the new programme, too; the broad smiles are on the faces of those who make brakes, power units and other parts for diesel and electric locomotives.

Purchase Tax in a New Light

IT had been expected that when Parliament reassembled Mr Butler would have something to say about the changes in purchase tax that came into operation on Monday; but what he did say was quite unexpected. Last year, the Chancellor created for himself what could have been an awkward precedent by announcing, shortly after a number of purchase tax changes had been made, that no further changes would be made in the Budget due to follow in two months' time. There was general curiosity to know whether he would give the retail trades the same assurance this year, or whether his silence could be taken to mean that he was planning more extensive changes. In fact, he had what seemed to be a principle to enunciate—that, in his view, purchase tax changes should not be confined to the Budget, and that full use should be made of the government's authority to alter the liability of goods to tax at any time by Treasury order.

Both last year's changes and this year's, the Chancellor pointed out, were made to deal with "special situations"; that is, with special cases of hardship or the correction of anomalies. Certainly Monday's adjustments have little financial importance, costing about £500,000 in a full year. But the fur trade will be encouraged by a tax concession that moves it from the luxury class of goods taxed at 75 per cent (which it shared with cosmetics and the more lavish greetings cards) to the less exotic class taxed at 50 per cent. The only other major adjustment was the taxing—at the rate of 25 per cent—of motor units for bicycles, bringing them into line with bicycles sold with the engine already fitted.

If the Chancellor is seriously contemplating announcing future tax changes whenever it seems convenient, then he is returning to a practice that was specifically condemned by the committee which, under the chairmanship of Sir Maurice Hutton, studied this special problem of losses on tax-paid stock. The committee strongly recommended that retailers should know when tax changes could be



● ● not pretentious ● ●



● ● not dogmatic ● ●



● ● not unctuous ● ●

Willing's Press Service Ltd.,
Incorporated Practitioners in
Advertising, give the following
services to advertisers.

marketing · research ·
writing and designing press
advertising · designing, planning
and inspection of outdoor
advertising · display packaging ·
printing · export
advertising · radio (and
TV when it comes) · films ·
public relations

Among the famous names for
whom we work are
Adastra Clothing · Airscrew
Fans · Bon Marche · Carr's
Biscuits · Eburite Corrugated
Containers · Ekco Radio,
Television, Electronics and
Plastics · Euthymol Toothpaste ·
Gordon Hotels · Mr. Hutton ·
I.C.S. · Societe JOB ·
Mackinlay's · 'meatendra'
Tenderising Salt · Meltis ·
National Cash Register Co. Ltd. ·
Parke-Davis · Port of London
Authority · Robertson's
Preserves · Stewart & Arden ·
Suchard · Thermovent Heating ·
Thresher & Glenny · Tullis
Russell Paper · Van Heusen ·
Weyroc Man Made Timber.

We try to do our work without
pretension · without being either
dogmatic or unctuous. It is a
pleasant and sensible way of working.

Some of our clients have been
with us for over twenty years.

W.P.S., WILLING HOUSE
354-364 Grays Inn Road, London, W.C.1
(Managing Director · H. F. Overy, F.J.P.A.)

FOR NEW IDEAS*



ON MECHANIZED FIGUREWORK

The man from Remington
Rand is highly-trained in all
branches of modern account-
ancy. If there's too long a
time lag in compiling balances,
analyses or statements, if pay-
day preparations are a head-
ache—call him in. He'll get
to the root of your accounting
problem, and provide the
equipment to solve it.

* THIS IS
FOREMOST
—the modern accounting
machine. Easy to install;
easy to operate; adapt-
able at a moment's notice
to any accounting job.
Automatic balances; line
proof of accuracy. Cuts
accounting costs drastic-
ally, yet remains within
the means of quite
modest businesses. In-
terested?

Send for the Man from

Remington Rand

COUPON: I would like to know more about Foremost Accountancy.
Please * arrange for a representative to visit me ☐ * send me informative
free literature ☐ (tick course of action required)

NAME

POSITION

ADDRESS

REMINGTON RAND LTD, 1-19 NEW OXFORD STREET, LONDON, WC1
Telephone CHAncery 8888

A sherry that is sheer delight

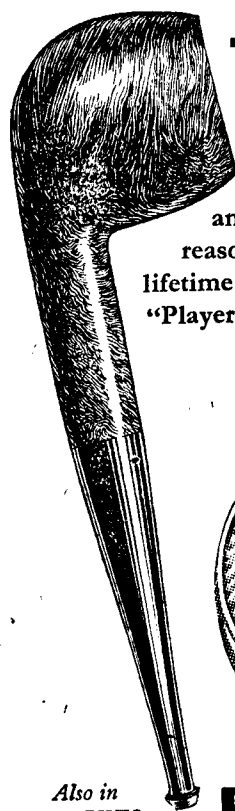
A perfect gift to the most critical palate, Pintail is an exceptionally fine sherry, both pale and beautifully dry. Specially selected at Jerez, this proud product of Spain is available in a trial pack of two bottles at 42/7d; subsequent supplies at £12 per dozen bottles. Your orders will have prompt attention.



Pintail  **SHERRY**

Established 1800

MATTHEW GLOAG & SON LTD., PERTH, SCOTLAND.



The choice for a lifetime

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



Ask for this
AIRTIGHT
2 oz. pocket tin
8/10d

Also in
1 OZ. PKTS.
4/5d

**PLAYER'S
MEDIUM
NAVY CUT TOBACCO**

John Player & Sons, Branch of The Imperial Tobacco Co. (of Great Britain & Ireland), Ltd. [NCT 820]

FROM PAKISTAN

A New Airline...

KARACHI VIA CAIRO
UNDER 16* HRS

-Fastest Time Ever!

Now! From Pakistan comes a new airline—Pakistan International Airlines. Flying a fleet of sleek Super-Constellation aircraft, P.I.A. (as it expects to be called) will travel East and West in the fastest commercial flying time ever. Starting February 4th, the new service will link London and Karachi via Cairo in less than 16* hours flying time (West to East 15:50 hrs.; East to West 17:50 hrs.). Regular weekly flights will leave London on Friday, and Karachi on Tuesday. Hospitality aboard will be eastern in style. P.I.A. will bring to East-West air travel an Atlantic standard of luxury aloft. Its domestic network will cover Pakistan, East Pakistan and India, and its booking service will arrange flights to all points East. See your local travel agent for detailed information.



**FLY
PAKISTAN INTERNATIONAL
AIRLINES**

CONTACT YOUR LOCAL TRAVEL AGENT

or P.I.A. 249 Brompton Road, S.W.3. Telephone: KNightsbridge 4371

SUPER-CONSTELLATIONS, specially fitted for P.I.A., will bring a new standard of luxury to East-West air travel.

TOURIST AND FIRST CLASS FARES will comply with normal competitive rates. It will cost no more for P.I.A. speed and comfort.

P.I.A. BOOKING SERVICE can arrange through P.I.A. international and domestic networks, or will use other airlines, to fly you to all points East.

expected to take place, and that the time chosen should be the Budget, so that since there had to be uncertainty and speculation over this major revenue tax (which brings in a steady £300 million a year) these should be confined to a known period of the year and not spread over the whole twelve months. It is possible that Mr Butler was nimbly avoiding his own trap—he warned against drawing any inferences from his statement. But if he is not, and if he does mean to make purchase tax more or less independent of the Budget, retailers will regard this as anything but a concession.

Open Market in Copper?

How should copper be priced—by the operation of supply and demand or by some arbitrary means? Fabricators in this country are concerned that prices on the London Metal Exchange are at present much higher than in the rest of the world, to the advantage of some of their foreign competitors. They also fear increased competition from other metals. The London market accurately reflects supply and demand for the copper that it handles, but few would deny that the turnover is too small: hence the very high and fluctuating prices of recent months. Other complaints are that electrolytic copper is only rarely delivered on the market, and then usually at a premium; and that the persistence of the large discount on forward copper makes the market an unsatisfactory hedging medium. Fabricators are naturally attracted by the idea of a stable (and lower) price. Like many industries, they would normally be more interested in stability than in the absolute level of price; stability is convenient, and would fit in with the policy of selling their products at agreed prices. It is hardly surprising, therefore, that consumers recently approached the Rhodesian producers, who provide most of Britain's supplies, to examine whether a stable system of pricing copper could be worked out. The Rhodesian producers are in two minds, as their statements this week have disclosed. The Mufulira and Roan Antelope companies, under the wing of Rhodesian Selection Trust, have expressed their sympathy with the idea, and will continue to examine the question with consumers. The Nchanga and Rhokana companies, operated by the Anglo American group, disagree: they are opposed to any interference with the free market, and consider that the metal exchange price is the best basis for their sales of copper.

Surely this is the right approach. There is little doubt that the market can work satisfactorily, if producers and consumers are prepared to make it work; the technicalities of the contract are of secondary importance. For the consumers, this means that they should fully use the market's facilities—in particular, to buy forward. For the producers, it means that they must feed more metal to the market. The statement of the Nchanga and Rhokana companies implies that they are prepared to do so—otherwise there is little point in their suggestion that the question of a contract for electrolytic wirebars should again be examined. And it would be in consumers' own interests to agree to take rather less copper under their direct long-term contracts with the producers, and more through the market.

Although it is difficult to see how one producing group could sell in Britain at fixed prices, without the co-operation of the other group, there are other reasons why consumers should pause before embracing the principle of fixed prices. They would be surrendering most of their control over price, and the metal exchange—if it could function at all in those circumstances—would be a completely unreal barometer of price. And all parties should bear in mind that it is only a few years since they were governed by American prices and praying for the reopening of the London market.

Par Values and Coronets

ALL discussions on the issue of no par value shares have one feature in common. Those who know the subject support the permissive introduction of no par value shares. The opponents come from those whose knowledge of finance is second-hand. Tuesday's debate in the Lords on Lord Cromer's motion was no exception. It revealed only one confirmed opponent of the NPV share—Lord Pethick-Lawrence—and his main line was the thesis maintained by Mr Beard in the minority report of the Gedge committee—that the TUC would find no par value a difficult concept to explain to its members. The debate revealed several well informed supporters of the alternative view that no par value shares might sweep away the cobwebs of obscurity. Among them an excellent speech came from Lord Balfour of Burleigh; it was well up to his old style—racy yet based on an intimate knowledge of finance. His reply to Lord Pethick-Lawrence was devastating: "It is not only the TUC who have difficulty in explaining company finance to those whom they seek to enlighten." And his case for the NPV share was concise: "If there is a fictitious element at all it is in a 10s. share nominal which is worth £4 on the Stock Exchange, or a £1 share which is worth nothing because the company is bankrupt. That is much more fictitious than a share of no par value, the price of which on the market will correspond exactly with what it is worth in money yield."

Nearly all debates on shares of no par value have another element in common: they fail to mark a definite advance. Unfortunately the Lords debate was also in that class. Lord Mancroft, Joint Under-Secretary of State at the Home Office, who replied for the Government, had to announce that there was no hope of legislation in the present session—a decision that he based on the consequential tax changes that would be needed in income tax, surtax, profits tax, and estate duties. These reservations seem mysterious: Lord Mancroft did not explain them nor did they impress themselves on the Gedge Committee. Naturally that committee did recognise, as Lord Mancroft again pointed out, that an alteration of the companies' capital duty would be involved. Still he left the House in no doubt which way his own and the Government's feelings lay. The Government supports the majority findings of the Gedge report; it believes that a strong case has been made out for alteration of the company law so as to allow companies to issue ordinary shares of no par value if they wish to do so.

Active Year in Lombard Street

THE steady rise in money rates which culminated in Thursday's increase in Bank rate, has been too recent a phenomenon to have had any important impact on the earnings of the discount houses in 1954. That period was still predominantly one of falling money rates, rising turnover in both bills and bonds, and of capital gains in the bond portfolio. The increase in Bank rate will probably now involve the market in some erosion of the capital value of bonds in its portfolio and losses on bills—though to an extent limited by the gradual edging up in the Treasury bill rate for the past two months. This had brought the market rate at the last tender before the Bank rate change to just under 2 per cent, a mere $\frac{1}{2}$ per cent below the rate prevailing immediately before the Bank rate was reduced from $3\frac{1}{2}$ to 3 per cent in May, 1954. What the market gained on the change down in 1954 may not therefore be wholly lost in this week's change up.

In 1954, certainly, the market enjoyed a profitable year. Only three discount houses have accounting years to end—December—the Union Discount, the National Discount and Alexanders, and since these are the giants of Lombard Street their earnings experience is not always an accurate reflection of that of the market as a whole. But in 1954 the rise in their published profits was probably a fair guide. The net profits of the three houses together rose by 23.8 per cent—those of the Union rose from £368,000 to £505,000, those of the National from £370,000 to £452,000 and those of Alexanders from £282,000 to £305,000. Both the Union and the National paid higher rates of dividend on increased capital; the Union's rate of $12\frac{1}{2}$ per cent compared with a rate equivalent to 9.63 per cent in 1953, whilst the 12 per cent paid by the National on its "B" stock compared with a rate equivalent to $7\frac{1}{2}$ per cent. Alexanders made no increase in its total distribution, incorporating the bonus payment of 1953 into the dividend—an interim of $7\frac{1}{2}$ per cent paid on the old capital and a final of $8\frac{1}{4}$ per cent on the full £2.4 million of ordinary shares.

The balance sheets of both the National Discount and Alexanders—that of the Union Discount is due next week—reflect the larger volume of business in Lombard Street. The National increased its bill portfolio by £6 million, more than making good the reduction of 1953, and continued to add to its holdings of bonds. Alexanders also showed an appreciable increase in investments but added only fractionally to its holdings of bills. Sir Eric Gore Browne, the chairman, states that turnover in Treasury bills was slightly less and turnover in commercial bills slightly more than in 1953—a reflection of the more flexible rates on commercial bills obtaining after the reduction in Bank rate of May last.

Tamed Lion

THE National Film Finance Corporation has set up a new company to carry on the film distributing business of the British Lion Film Corporation, which was put into receivership last summer after losing most of the £3 million of public money that it had borrowed from the finance

corporation a few years before. The successor company, British Lion Films Ltd., takes over all the assets of the old, including accumulated taxation losses and the 94 per cent shareholding in British Lion Studio Company. The Shepperton studios owned by this subsidiary will continue to be leased for the making of films by independent producers, but British Lion Films will not itself produce films. As a distributing company it will continue to offer guarantees of distribution to British films; such guarantees, which can be discounted in the City for about 70 per cent of the cost of making the film, constitute the basic financial backing of British films, supplemented by various kinds of "end money," including the producers' own resources but mainly obtained from the NFFC itself.

The operation has cost the NFFC yet more in cash. It has agreed to pay certain creditors and bank loans of the old company, to the tune of £964,000; and it will subscribe in cash for £160,000 in loan stock in the successor company and transfer this to British Lion Studio Company in satisfaction of an outstanding debt. Against this the receiver has repaid the NFFC £555,000. Its outlay on British Lion, therefore, now amounts to £3,569,000, in consideration of which it owns the entire issued capital—600,000 £1 shares—of the new company. It is only fair to say that the whole sorry venture is not an example of the film finance corporation's business judgment in backing British film production; the initial and continued support of British Lion has been a matter of Government policy, cost what it may.

Britain's Best Customers

WHEN Ministers extol the expansion of British exports in 1954, a low bow to the 11 million people who live in Australia and New Zealand would not be out of place. Thanks to the relaxation of import restrictions, Australia spent £65 million more on British goods last year, and New Zealand an extra £26 million, bringing their imports from this country to £278 million and £126 million. The combined increase was equal to the rise of £91 million to £2,673 million fob in British exports, excluding re-exports, last year. To most other sterling markets such as South Africa, India, East and West Africa, where foreign competition was more severe, Britain either made no gains, or slipped back a little. As a result, exports and re-exports to all sterling countries rose by £77 million to £1,346 million fob. Exports to non-sterling countries were only £10 million higher at £1,428 million, but a sharp fall of £38 million in shipments to North America was more than offset by a rise of £28 million in shipments to the OEEC area and by a rise of £20 million in shipments to other dollar and non-sterling countries.

The engineering and chemical industries can take most of the credit for the expansion in exports. Shipments of engineering goods rose by £42 million to a record £1,012 million; sales of road vehicles and tractors were particularly high, but almost all groups shared in the rise. The major exception was electrical machinery, exports of which fell slightly to £170 million. Shipments of "other manufactures" rose by £35 million to £496 million, thanks mainly to the steady growth in exports of chemicals, which were £26½ million higher at a new record of £204 million.

It will not be easy for Britain to maintain its exports in 1955 at the record level of last year. The Australian and

UNITED KINGDOM TRADE BY AREAS

	1951	1952	1953	1954
£ million				
Imports (cif):				
Non-sterling—				
Dollar Area	774	721	634	620
OEEC Area	1,007	856	769	819
Other	723	464	437	440
Total Non-Sterling Area	2,504	2,041	1,840	1,879
Sterling Area	1,398	1,436	1,503	1,500
Total	3,902	3,477	3,343	3,379
Exports and re-exports (fob):				
Non-sterling—				
Dollar Area	346	377	404	375
OEEC Area	675	701	750	778
Other	359	366	264	275
Total Non-Sterling Area	1,380	1,444	1,418	1,428
Sterling Area	1,329	1,284	1,269	1,346
Total	2,709	2,728	2,687	2,774
Trade Deficit:				
Non-sterling—				
Dollar Area	428	344	231	244
OEEC Area	332	155	19	41
Other	365	99	172	165
Total Non-Sterling Area	1,125	597	421	450
Sterling Area	68	152	234	155
Total	1,193	749	655	605

New Zealand markets have lost a little of their bloom, and competition in all markets is plainly increasing. But though it would be optimistic to hope that much headway

can be made in Latin America and the Middle East as a whole, it is reasonable to expect further gains in exports to Europe and a recovery in exports to North America. Even so, Britain will be fortunate if the balance of trade is as favourable as in 1954, when the gross visible deficit fell by £50 million to £605 million. The small rise last year of about one per cent in the volume and value of total imports, to £3,379 million cif, concealed a marked rise in imports of many industrial materials and transient savings from the consumption of some official stocks, notably of grain. The volume of imports as a whole can be expected to increase, and prices are rising.

Analysing the Wholesalers

THE third and last volume of the massive 1950 Census of Distribution taken in 1950 was published this week. It puts the wholesale trade of the country under a microscope and proceeds to list its features in exhaustive, exhausting, but rewarding detail. There were, in 1950, 55,701 wholesale establishments in the country with total sales of £13,000 million. They are broken down here into wholesale merchants, exporters, importers, invoicing and non-invoicing agents, government departments, marketing boards and the buying offices of overseas companies.

The census is not confined to goods going to the retail trades; it covers wholesaling and buying operations in metals, scrap, chemicals, oil products, timber and other industrial materials. Their principal customers (£3,947

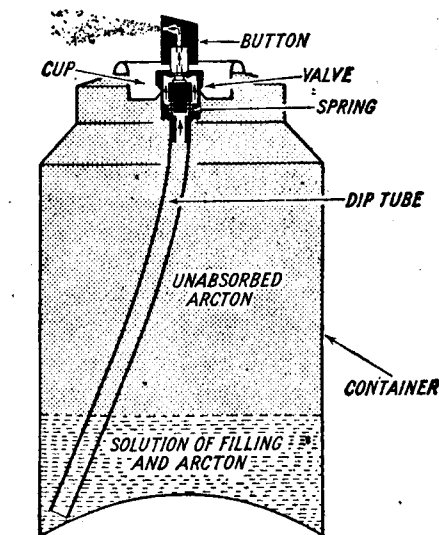
Aerosols Under Way

MIX a paint, cosmetic, insecticide or cream with a harmless gas that readily becomes a liquid under pressure; squeeze the mixture into a strong and attractive, hand-size container so that it will be forced out in a fine, controllable spray when a valve is opened; and the result is an "aerosol" dispenser. This pressure can is a peacetime development of the "bug-bomb" first used by United States troops in the Pacific war. Since 1948, when a cheaper and smaller aerosol package appeared on the American market, and the aerosol itself was released by the government, dispensers have been used for a widening range of products ranging from artificial snow for Christmas trees to moulding powders for plastics manufacture. About 40 million aerosols were sold there in 1951; nearly 200 million last year.

In Britain, development has been slower. But materials and equipment have not been easy to get, firms have taken some time to work out the best combination of container, valve, and propellant for each product, and the high initial price of aerosols compared with conventional containers has limited their market.

About 8-10 million aerosols are expected to appear this year (as against a

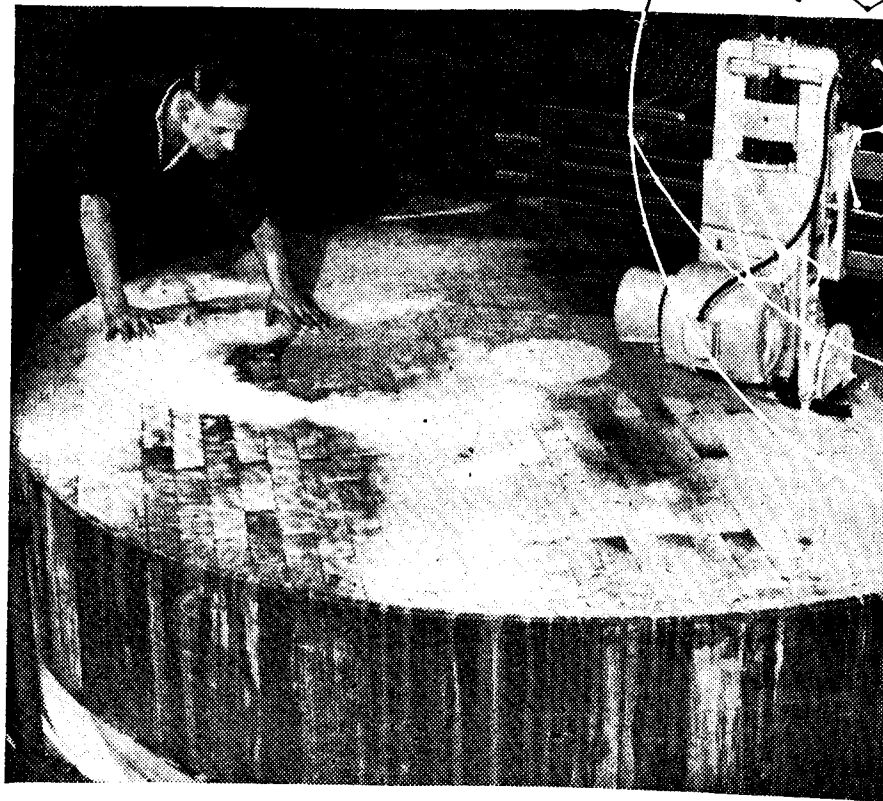
total of say 3,000 million conventional cans); and present plans indicate production of 30 million or more by 1957. Insecticides and air-fresheners are the largest packs so far, but shaving



cream and hair lacquers are also supplied in aerosols, and the paint spray to touch-up car and furniture surfaces may be marketed soon.

Tinplate makes the best container for most packs other than the most corrosive; but supplies have been tight and still are. Aluminium was used for all British packs before last August; its use is limited, however, by cost, its liability to corrosion, and the present difficulty to ensure air-tight seaming. Glass bottles can be used for highly corrosive and more expensive contents, provided they are first strengthened with a plastic or metal coat or a low pressure propellant is used inside the bottle. A wider choice and volume of valves are now made. But the propellant—Arcton, a fluorinated hydrocarbon compound—is made here only by ICI. Supplies are easier now, but this is still the most expensive component of the aerosol. The mixture of propellant and filling varies with the pack. For insecticide air-sprays as much as 85 per cent of the mixture is Arcton. A butane-propane mixture may be used; it is cheaper, but it is also inflammable and toxic, and its application is therefore small.

Filling the empty container is the other major cost item. Two methods—refrigeration and pressure filling—are used but experience and expensive equipment are needed. It is a specialist business; but about five companies have entered the field as "contract packers," who fill the pressure cans with their clients' products.



CARBORUNDUM and a present for Sir Isaac Newton

IN 1949, BRITISH ASTRONOMY received from the MacGregor Trust of Michigan the gift of a piece of glass. It was special, low-expansion glass—a disc more than 8 feet in diameter, weighing 5 tons and worth more than £10,000. This was the MacGregor Trust's very generous contribution to the 98-inch astronomical telescope that is to be installed at the observatory at Hurstmonceux, in Sussex, as a memorial to Sir Isaac Newton.

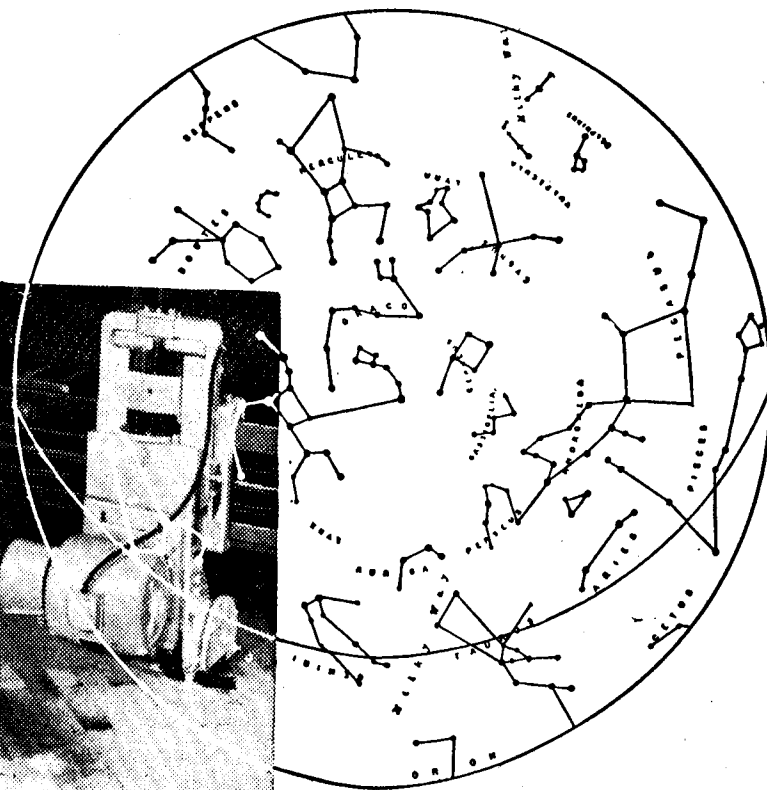
Sir Howard Grubb, Parsons, and Company, of Newcastle on Tyne, undertook the work of converting the biggest piece of glass in Europe into a 98-inch telescope mirror whose concave surface would nowhere depart by more than 2 millionths of an inch from a perfect sphere with a radius of some 50 feet. Before they began the job, they consulted CARBORUNDUM—as many highly competent engineering firms do when they are faced with specially difficult or important work that involves the use of abrasives. And

the consultation was fruitful: for the job of shaping this big piece of glass, CARBORUNDUM were able to develop special diamond wheels which eliminated the danger of overheating and cut the glass more cleanly and rapidly than it could have been cut without them. When they were used for machining the edge of the disc the new wheels were able to take cuts up to a sixteenth of an inch deep.

Including the slow, meticulous work of finishing, the making of the mirror from the disc has taken almost 2 years' actual working time, and has involved the cutting away of 1800 lbs. of glass. We were interested enough in this great undertaking to send the CARBORUNDUM Film Unit to make a 16 mm. record of the work, in colour, with a spoken commentary. We shall be glad to lend this film, free of charge, to responsible organizations who may care to see it.

Abrasive and Refractory products by CARBORUNDUM

THE CARBORUNDUM COMPANY LIMITED, TRAFFORD PARK, MANCHESTER



million) were in industry; retailers and grocers bought £3,000 million worth of goods through wholesale channels; wholesalers bought £1,944 million from each other, and sold £143 million direct to the public.

Sales, wages, and turnover of each group and sub-group are all listed, along with the major towns and urban districts where they work (half the wholesale trade of the country was carried out in London, a quarter of the total within the City). Purchase tax paid, government compensation, commissions, sales on commission and on own account, are listed one after the other for different trades and different types of wholesaler. So are the gross margins earned, the size of the stocks carried at the beginning and end of the year. Figures are given for the cost of transport and the method used. Wholesale merchants dealing in industrial chemicals spend £851,000 in transport, £97,000 of it being the cost of operating their own vehicles; the export merchants dealing in the same goods spent £564,000 on transport. The wholesalers' rate of stockturn is also given; in general, it seems plain that the census takers have been able to ask the wholesalers for rather more detail than they did the retailers.

There is, unfortunately, no regular series of wholesaling statistics, except in the textile trades, that would correspond with the retail sales index, and so no means of bringing the figures up to date. The census remains a sharply delineated picture of middlemen in 1950, the first of its kind ever to be taken in this country and a mine of information for those prepared to dig for their data. Now that the retail census has been published in its entirety, the amount and value of the data that the whole compilation provided reopens the question of whether a census of this kind should be taken only once a decade.

On Taking-off Vertically

NO major advance in engineering knowledge can have had such a risible public debut as the Rolls-Royce experiments in vertical take-off, films of which have been released this week. Dispensing with all the aerodynamic refinements normally considered necessary for flight—wings, runway, ailerons and other controls, rotor, or even any pretence of airframe, Rolls-Royce have demonstrated that a structure consisting just of two engines and weighing 3½ tons can be lifted into the air, steered and guided in the normal fashion and brought gently to land on nothing more tangible than hot air.

Having proved the soundness of the principle in this rough-and-ready fashion, the company's next step will be to develop a special vertical take-off engine that will be used simply to lift the aircraft to a certain height (and later to land it) after which the main engines take over and provide forward power. If and when Rolls-Royce can offer such engines to the aircraft industry, the effect on the outward appearance of aircraft is likely to be startling. Much of the present-day wing area is required for take-off and landing purposes only. So at the same time as the vertical take-off principle makes all forms of runway unnecessary, it dramatically cuts the amount of wing required; the ratio is roughly one pound of wing less for every pound of downward jet thrust. The only wing area remaining

will be what is strictly necessary for forward flight; something in the form of a narrow delta has been suggested. A big reduction in the unladen weight of aircraft is expected. This makes vertical take-off economically important to the civil operator as well as to the military.

It may well take as long as 15 years to produce a vertical take-off airliner, but application of the principle to high-speed fighters is likely to be pressed ahead as rapidly as possible. The vulnerability of modern high-speed flight is its total dependence on runways of massive weight and strength. The pressure in Nato for "light" fighters stems from fear of the fate of the fighter bases in Western Europe, built at a cost of £3 million apiece. Rolls-Royce is the first company to produce an engineering formula—as distinct from a make-shift device like rocket launching—that offers a way out of this dilemma.

Prospect for Rubber

THIS is the time when brave spirits in Mincing Lane reach for their crystal balls to see what the new year holds for natural rubber. The exercise is hazardous: last year most forecasts of production and consumption missed the mark, yet on the most vital point—the forecast of a negligible surplus—the crystal did not lie. Instead of declining, world production rose last year by some 35,000 tons to an estimated 1,760,000 tons, but world consumption rose by well over 100,000 tons to a record of about 1,730,000 tons. The figures can only be approximate, but there is no doubt that the apparent surplus was small. With a little absorption into government stockpiles, there was no sign of any rubber seeking a home. From a trough of 16d. a lb in March, the London spot price had almost doubled by the end of the year. Temporary interruptions of supplies and speculation played a part in that advance, but the market is still firm.

At anything like recent prices, production should increase further, perhaps by some 50,000 tons. Will consumption show a similar increase? American consumption and imports into the Soviet bloc and China are the two major imponderables. Forecasts of American consumption are complicated not only by price, but on the effects of the probable transfer of the government's synthetic rubber plants to private industry. The American manufacturers expect consumption to rise by about 30,000 tons to 1,260,000 tons of all rubber this year; that estimate assumes a larger production of motor cars and larger sales of replacement tyres, but it may still be on the low side. How much of the total will be natural? The high price of natural rubber has already stimulated a switch to synthetic; the ratio of natural to total rubber consumption dropped from 49.7 per cent in September to 46.4 per cent in December and may drop below 45 per cent. Hence it seems prudent to assume that America will not use more natural rubber this year, and may use rather less.

What are the prospects for increased consumption in the rest of the world? With a further expansion in the output of motor vehicles, consumption in Western Europe and other countries may well increase by some 30,000 tons. The outcome of the recent negotiations between Indonesia and Russia and China is not known, but they at

least suggest that the Communist countries are interested in obtaining more rubber from Indonesia—it would be foolish to guess how much more. Thus it is probable that part of the increase in world production this year will be absorbed and that the surplus will not be burdensome. It may well be unwise for the natural rubber producers to hope for more than that. Present prices are encouraging the use of synthetic rubber in Europe as well as the United States, but no radical weakening in the market is yet in prospect; for seasonal reasons any surplus is not likely to appear until the second half of the year.

Computers on the Counter

A BIG sales drive for electronic computers has been started by Elliott Brothers with the appearance of an elaborate and most effective brochure describing the company's small "402" computer and its possible uses. Skilled publicity of this kind is needed to break down the general suspicion in industry towards what the layman regards as the brain-children of scientific Franksteins but which are in fact valuable office tools. Although the Elliott computer is put forward as the first "brain" to be marketed as a standard commercial product, both Ferranti Limited, and J. Lyons, the caterers, have, or soon will have, competing designs on the market, and Ferranti intend to start a computing service in London shortly. Such a service is already being operated by Elliott Brothers.

Britain's Share of Shipbuilding

AT the end of 1954 about 37 per cent of the ships under construction throughout the world were in British shipyards; of ships commenced, launched and completed during the year, the British share was a little less than 30 per cent. All of these percentages were slightly higher than in 1953; combined with the record figure of tonnage completed—1½ million gross tons—and recently of ships commenced—75 ships of 437,376 tons in the final quarter of the year—they provide backing for the moderate confidence now evident among British shipbuilders.

How much importance should be attached to the marked rise in orders for British yards during the last quarter of 1954 it is hard to say. During the year as a whole the yards had a net addition to their order books (i.e., allowing for the cancellation of about 300,000 tons of ships, mainly by foreign owners) of only 334,000 tons, about a fifth as much as was completed during the year. British shipbuilders for the most part are sensibly inclined to take that as a welcome reduction in the tremendous amount of outstanding tonnage on order that was built up a few years ago, which inevitably put off new customers in 1953 and 1954. Britain has still far more orders on its books than any of its competitors, and the deliveries it can offer are still longer than shipowners can obtain abroad. But its main rivals, Germany and Japan, have steadily grown busier too; and German shipbuilders in particular, with delivery periods, are developing the same reluctance as British to quote fixed prices.

SHORTER NOTES

Last year's earnings of the Blue Circle Group of cement companies were substantially higher than in 1953, thanks largely to the cessation of the non-profit-making imports of foreign cement. The directors of Associated Portland and British Portland have decided to raise ordinary dividend payments from 17½ to 20 per cent. An up-to-date touch is added to this statement by the decision to revalue the group's assets.

With the provisional trading results for 1954 and the order books of 1955 in front of them, the directors of English Electric have decided to put the ordinary dividend up from the equivalent of 9 1/6 to 12½ per cent. This early announcement is made to coincide with the offer of five English Electric £1 ordinary shares for every six ordinary shares of Vulcan Foundry, and with the offer of one English Electric ordinary share for every five 5s. units of Robert Stephenson's stock held by the public. The new shares to be issued by English Electric, if the offers are accepted, will not rank for the 1954 dividend.

More working time was lost in industry through strikes last year than in any year since the war—nearly 2½ million working days; the industries most affected were transport (counting in the docks), ship repairing, coal, and building. This cost of industrial disputes was markedly higher in 1954 than the average of the last 20 years; though it in no way approaches the average loss of working time caused by strikes in the twenties or early thirties.

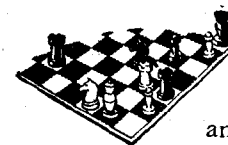
Short of cash and with a large loan outstanding, Electric and Musical Industries is financing its purchase of a majority holding in Capitol Records of Hollywood by a preference issue to stockholders of all classes. They are offered 3 million 5½ per cent second £1 cumulative preference shares. The existing 4 per cent Notes (1953-58) are to be repaid at 100½ and their place taken by a similar amount—£2 million—of unsecured loan stock (1970-75).

Tanganyika Concessions has placed privately a £2 million 4½ per cent unsecured loan stock at 99. This new money will be used to finance the purchase of further debentures in Benguela Railways, in which "Tanks" owns all the existing debenture capital and 90 per cent of the equity.

Polyvinyl acetate, which is used in emulsion paints and as an adhesive, is now being made in Britain from indigenous materials for the first time. British Oxygen have spent nearly £500,000 on a small PVA plant at Chester-le-Street, which uses acetylene piped from its industrial gas plant nearby. The capacity of the plant is small, only "a few thousand tons a year"; until last September, nearly all the supplies of vinyl acetate monomer came from Germany.

In three months of booming stock markets, over 800 subscribers have enrolled under the "M and G" Thrift Plan, designed for the purchase of trust units by regular subscriptions. Accounts opened so far range from £10 to

What's the next move?



A recurring industrial problem—and one where *THE FINANCIAL TIMES* is of great help. Sound decisions demand the right background, and decisions are unquestionably easier for the executive who regularly reads this important newspaper. He is well-informed on facts and figures, and well-advised by authoritative writers on the possible future course of events. Recognised as the daily newspaper of industry and commerce, *THE FINANCIAL TIMES* supplies a wealth of vital information—carefully marshalled for quick reference—and absorbing articles and comments on many industrial subjects. What's your next move? Order a regular copy of *THE FINANCIAL TIMES* today, and make certain of getting wise counsel.

Men of industry read
THE FINANCIAL TIMES
every day

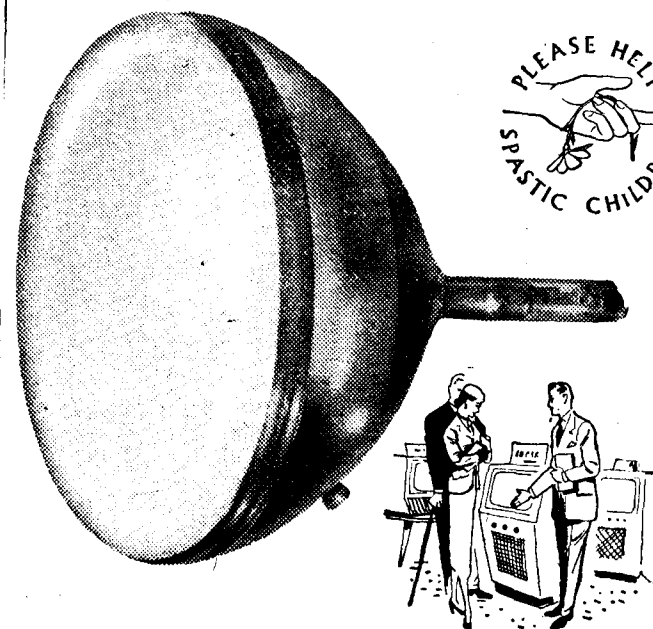


THE FINANCIAL TIMES • 72 COLEMAN STREET • LONDON • EC2

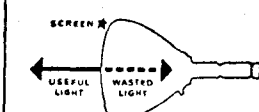
© FG.9

ALUMINIZED TUBES

reduce your television costs

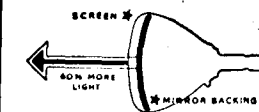


REPLACEMENT costs, particularly of the expensive picture tube, are an important consideration when you buy a Television set. That is why you should choose a set that is



WITHOUT ALUMINIZING

Without aluminizing, tubes waste half their light. To counteract this the brilliance must be increased and tube life is shortened.



WITH EDISWAN ALUMINIZING

Ediswan aluminized tubes have a mirror backing to the screen. All the light is thus thrown forwards, giving brighter, clearer pictures and extra life.

fitted with an Ediswan Mazda aluminized picture tube. Ediswan-Mazda aluminized tubes give brighter, clearer pictures than ordinary tubes. Thus the set can be operated with the brilliance control at a lower level, and the tube lasts longer.

In addition, ion burn—the cause of ugly brown patches on the screen; and ion bombardment—one of the most frequent causes of tube failure—are largely prevented in an Ediswan Mazda aluminized tube. It is worth your while to insist on an Ediswan Mazda aluminized picture tube—you get better pictures at lower cost.

EDISWAN

M A Z D A

ALUMINIZED CATHODE RAY TUBES

THE EDISON SWAN ELECTRIC COMPANY LIMITED,
155 Charing Cross Road, London, W.C.2
Member of the A.E.I. Group of Companies.

RV7

£800 a year, with an average of £43. Enrolments continue at a steady rate.

The use of vacuum techniques in the casting of steel, which has been the subject of small-scale experiment for some years, is claimed to have been developed to a commercial scale by the Bochumer Verein steel company of the Ruhr. The German company announces that it has already cast 10,000 tons of high-grade steel under vacuum at its works at Bochum. Removal of air during the casting process can avoid hydrogen embrittlement of steel, and other

impurities caused by nitrogen and oxygen, as well as rendering the whole process of casting, particularly in large sizes, more easily controllable.

Temperance Permanent Building Society announces that total assets in the year ended December 31st last rose by £3.2 million to £33.6 million. Mortgages by £2.0 million to £28.2 million. The ratio of liquid assets to total assets improved from 13.4 per cent to 15.3 per cent. The ratio of reserves to total assets was 5.58 per cent against 5.75 per cent.

Company Notes

DORMAN LONG. Last November the directors of Dorman Long estimated in the offer for sale of the company's equity to the public that the trading surplus in the year to October 2nd would be about £6,000,000. From that profit they expected to pay an ordinary dividend equivalent to 8 per cent for the full year. Their forecasts could not be far off the mark, for the group's financial year was already over. The company's preliminary statement now shows that the comparable figure for the £6,000,000 is, in fact, £6,237,164. After depreciation and a provision for renewals the group's profit is shown to have risen from £6,203,948 to £6,541,130. Net earnings are also up—from £3,378,474 to £3,553,896—and the dividend is 6½ per cent, making a rate of 8 per cent per annum.

Dorman Long has still a heavy capital development programme in front of it, and the emphasis has been placed on profit retentions. Nearly £3,000,000 has been ploughed back. The size of those commitments alone could act as a curb on dividend payments, though the directors are confident that the new assets will add substantially to the earning capacity of the group. The £1 ordinary shares, which were issued at 22s. 6d., now stand at 26s. 6d., to yield just a fraction over 6 per cent.

CARRERAS. Three sets of figures dominate the full accounts of Carreras. They are: the drop in trading profits, from £3,613,572 to £3,367,525; the increase in stocks, from £17,395,559 to £19,471,807; and the fall in debtors, from £8,631,519 to £6,384,145. The decline in the trading surplus is smaller than the company's preliminary statement suggested, but, even so, it is disappointing in a year in which cigarette sales were buoyant and in which the Carreras group distributed Dunhill cigarettes on a national scale. The increase in stocks is a natural result of better supplies of leaf tobacco; the manufacturers themselves seem anxious to build up stocks above the customary minimum of twelve months' supply. The tobacco companies usually collect their debts from retailers

and wholesalers every four or five weeks, so that the fall in debtors suggests that the tobacconists had rather smaller stocks of Carreras's cigarettes on their shelves towards the end of last October than they had a year before.

Taking these three movements in the accounts together, they point to a fall in sales. Costs are still rising in the industry and competition between the manufacturers to maintain their share of the market is keener. If there has been a falling off in Carreras's sales it cannot, on the evidence of these figures, have been large. At the end of last October cigarettes were still in name on quotas to the retailers. But these quotas were

	Years to Oct. 31, 1953	1954
Consolidated earnings:—		
Trading surplus.....	3,613,572	3,367,525
Total income.....	3,790,477	3,559,992
Taxation.....	1,858,421	1,773,995
Net profit.....	1,331,950	1,012,541
Ordinary dividends.....	716,158	716,158
Ordinary dividends (per cent).....	17½	17½
Retained profits.....	580,855	260,633
Consolidated balance sheet:—		
Net fixed assets.....	3,377,812	3,683,840
Net current assets.....	9,986,945	10,000,677
Stocks.....	17,395,559	19,471,807
Debtors.....	8,631,519	6,384,145
Cash.....	350,829	447,616
Bank overdrafts.....	12,301,757	11,907,698
Reserves.....	4,721,100	5,048,108
Ordinary capital.....	7,440,600	7,440,600

little more than nominal, and recently they have been lifted altogether, so that any decline in turnover is a significant pointer for the trade. It is not so significant for Carreras's shareholders, because that company, like Imperial Tobacco, has a record of steady dividends. That record is unlikely to be disturbed by anything less than a major fluctuation in trade.

AERATED BREAD COMPANY. Mr Garfield Weston, who through Weston Holdings controls Allied Bakeries, has been busy this week. He has made two take-over bids. They are simple bids in the sense that they have been cash offers for the ordinary shares of going concerns at prices above those quoted in Throgmorton Street. They

have one feature in common. They refer to companies which have not been doing particularly well in recent years. Mr Weston is not looking for hidden asset values, but for ageing businesses which new management might rejuvenate.

The offer for the ordinary capital of Meredith and Drew, the biscuit manufacturers, seems to be nothing more than an attempt to add a few more shares to the growth of Allied Bakeries, which already controls a large number of bakeries and biscuit factories and a great number of shops. The offer is of 26s. for each £1 unit, either ordinary or "A" ordinary; the issued capital is made up of £364,097 ordinary units and £414,295 "A" ordinary units. The "A" units on the eve of the offer changed hands at around 20s. 6d. In the year to September 30th Meredith and Drew made a loss of £11,056, compared with a loss of £179,227 in 1952-53; the ordinary dividend has been passed. Some of the directors, controlling more than 10 per cent of the equity capital, are not willing to accept Mr Weston's offer. Some of the other directors are. Mr Weston, if he chooses, can carry the deal through even if less than 90 per cent of each class of equity accept his offer.

More far-reaching than this bid is Mr Weston's offer of 45s. for each £1 ordinary stock unit in the Aerated Bread Company, with an issued equity capital of £1,282,000. The day before the offer was made these units gained 2s. 6d. and after its announcement rose another 4s. 6d. to 42s. ABC, particularly in the London area, is the catering and tea shop rival of J. Lyons, but less prosperous than its bigger rival. Over the last few years the directors, though they have left the ordinary dividend unchanged at 10 per cent, have had to report a steady decline in profits. In 1954 profits went down again—from £313,000 to £220,000. Allied Bakeries does not intend, if the offer is accepted, to change the policy of ABC but more emphasis will be put on the bakery side of the business. As much as £1 million may be spent on modifications and renovations within the ABC group. The number of take-over bids Mr Weston has made recently sets him in the confectionery trades on something like the same pinnacle on which Mr Wolfson stands in the furniture and drapery trades.

Thus Allied Bakeries is offering to buy Aerated Bread Company for £2.9 million

and Meredith and Drew for just over £1 million. After the issue of £1,225,000 5½ per cent preference shares at 21s. last May the group should have substantial funds in hand, but not funds to the tune of nearly £4 million. A further issue seems the probable solution.

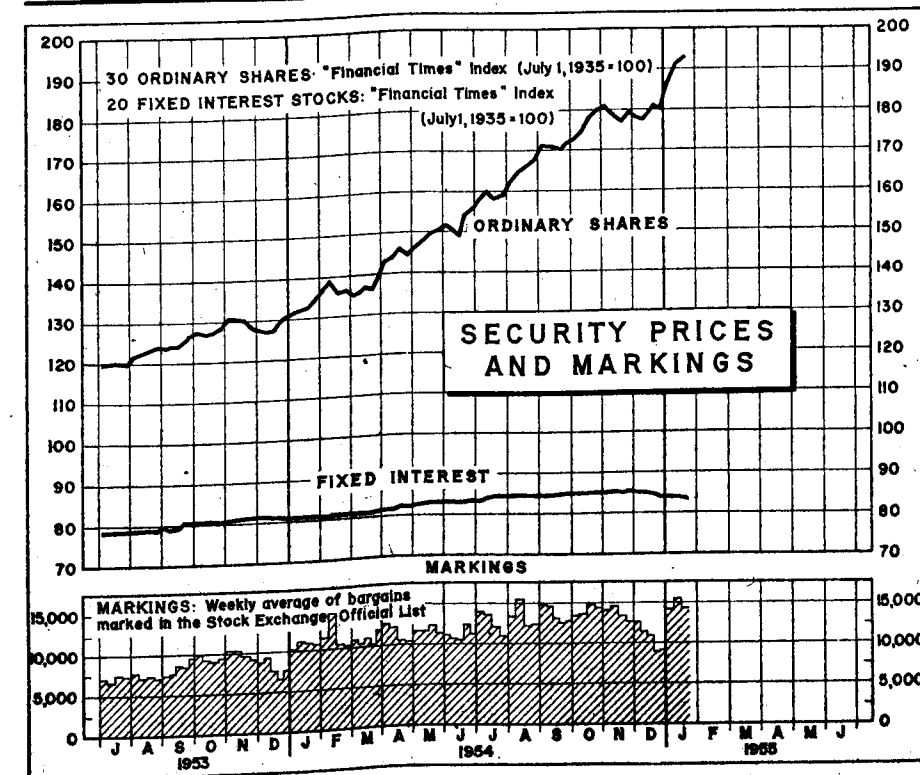
JOHN SUMMERS. The John Summers equity was sold by the Iron and Steel Realisation Agency at the beginning of October. At that time, with the company's financial year just completed, the directors were able to make a firm forecast of the year's profits and dividends. After charging depreciation they estimated the profit in the year to October 2nd at "about £3,500,000." Their dividend forecast was 9 per cent. The company's preliminary statement, because of the timing of the offer, was not expected to differ much from these estimates. And it has not.

The ordinary dividend is 9 per cent. Trading profits, after depreciation of £1,577,147 but before tax of £1,636,051, amount to £3,666,535. These figures, which owe much to an increase in steel ingot production at the Hawarden Bridge Works, compare with a profit of £1,471,200, after depreciation of £1,293,732 but before tax of £710,364, in 1952-53. Development of the Hawarden Bridge Works will not be completed until the middle of 1956. About eighteen months must elapse before the plant reaches its full rated capacity. But production will be going up steadily and in the prospectus the directors were confident that profits for the next few years would not be less than £3,500,000 a year. On that basis the ordinary dividend is covered more than twice by net equity earnings. Hence, if the political risks are ignored, there should be an element of

growth in the £1 stock units. Those units were issued at 24s. 6d. each. They now stand at 30s. 7½d., to offer a yield of 5½ per cent.

CABLE AND WIRELESS (HOLDING). Last year was one of those years directors and investors in investment trusts dream about. Equity values rose quickly and steadily throughout the year. Dividends, too, were going up and, what is as important, the prospect of even higher payments was not dimmed. It is the equities in a trust's portfolio that give its accounts their glitter. And at the end of last year a trust's income account would be swollen by the bigger dividends already paid and its balance sheet strengthened by the appreciation in market values. Shrewd switching in the portfolio could add that extra sparkle of capital gains.

No investment trust and certainly not one of the biggest of all, Cable and Wireless (Holding), could avoid doing well. How well can be judged by the rise of just under 28 per cent in gross earnings from £583,000 to £744,000. Net earnings advanced from £317,000 to £399,000. Inevitably, that expansion was followed by bigger ordinary dividends. On a capital of £5,500,000, as increased by a free scrip issue of £500,000, the directors of Cable and Wireless have recommended a full year's dividend of 10 per cent. In 1953 a dividend of 9 per cent was paid on a capital of £5 million. In effect the ordinary dividend has been raised from 8.2 to 10 per cent. On that dividend the £1 stock units yield, at the current price of 48s., 4.2 per cent. That is only a shade under the average yield offered by leading industrial equities and, like that yield, it is justified by the hope of bigger dividend payments to come.



Next Account begins: February 2nd
Next Contango Day: February 2nd
Next Settlement Day: February 8th

Before the change in Bank rate was announced, the see-saw in the market had tended to swing in another direction than in recent weeks. Gilt-edged stocks began to improve, cheered up by the reduction in the US Treasury bill rate and the revenue figures, but equity prices were rather uncertain. After the rise in Bank rate gilt-edged prices dipped, then rallied to close with only slight net losses; equities after a momentary pause continued to go ahead. The early rally in the Funds began on Tuesday and was quite strong, with the undated stocks leading the way. It happened that applicants for Colvilles had most of their money back for re-investment. Dominion and Colonial stocks moved up in the wake of the Funds, but business was light. In the foreign market the Japanese issues were marked down on the news about Formosa. German issues were dull at first but came to life again on Wednesday.

In the industrial market, prices were unsettled temporarily by the news from Formosa, and prices fluctuated quite widely. The *Financial Times* Ordinary Share Index, having fallen from 194.1 before the week-end to 191.9 by the close on Tuesday, recovered to 192.8 in Wednesday's dealings and rose to a new peak of 194.4 on Thursday. The biggest losses at the beginning of the week were reported in store, tobacco and motor shares. Shipping shares also reacted, losing quite heavily when profits were taken. Against this trend, locomotive and electrical equipment shares improved, on hopes of big orders under the railway re-equipment plan. The leading blue chips soon rallied, but tobacco, brewery and textile shares remained in the doldrums.

Oil shares followed the trend elsewhere in the industrial market, not staging their rally until Wednesday. At the beginning of the week, tea and rubber shares were still rising, but the market turned dull later. Kaffirs, notably the OFS issues, were depressed early in the week, but staged a rally when the market opened on Thursday. Copper shares made substantial gains on the high price of the metal and the statement about free market sales.

FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Jan. 19...	192.6	115.31	3.83	4.43
" 20...	193.2	115.18	3.85	4.41
" 21...	194.1	114.78	3.87	4.39
" 24...	193.2	114.39	3.91	4.41
" 25...	191.9	114.32	3.89	4.44
" 26...	192.8	114.39	3.85	4.42
1955, High.	194.1	115.97	Total bargains	
" Low.	184.2	114.32	1955	
	(Jan. 3)	(Jan. 25)	Jan. 19	14.014
			" 20	13.002
1954, High.	184.0	118.10	" 21	13.640
" Low.	131.1	114.78	Nov. 25	17.227
	(Jan. 1)	(Jan. 5)	Dec. 31	18.443

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Jan. 19, 1955	Price, Jan. 26, 1955	Net Yield, Jan. 26, 1955	Gross Yield, Jan. 26, 1955	Prices, 1955		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Jan. 19, 1955	Price, Jan. 26, 1955	Yield, Jan. 26, 1955
High	Low							High	Low						
100 1/2	99 1/2	Exchequer 2 1/2% 1955	100/0/8	100/4 1/2	100/4 1/2	1 17 5	1 17 5	38/3	20/8 1/2	15 c	STEEL & ENGINEERING		38/6	41/6	4 4 4
100 1/2	98 1/2	Do. As'td. Exchequer 1960	98 1/2	98 1/2	98 1/2	1 9 0	2 7 0	12/4	8/9	15 c	B.S.A. £1		11/3	12/6	4 4 4
100 1/2	99 1/2	Do. As'td. Funding '66-68	97 1/2	96 1/2	96 1/2	1 19 1	3 6 8			15 c	Cammell Laird 5/-		28/9	28/9	6 3 4
100 1/2	99 1/2	Exchequer 2 1/2% '63-64	98 1/2	98 1/2	98 1/2	1 11 11	2 15 3	24/7 1/2	23/3	10 b	Colvilles £1		25/3	26/6	4 4 10
105 1/2	101 1/2	Exchequer 3% 1960	103 1/2	102 1/2	102 1/2	1 3 9	2 9 10	73/6	49/9	10 b	Dorman Long £1		48/9	48/-	5 4 2
105 1/2	99 1/2	Exchequer 3% '62-63	102 1/2	101 1/2	101 1/2	1 8 9	2 15 11	45/6	34/6	10 b	Guest Keen N'fold £1		70/9	70/9	4 4 10
101 1/2	99 1/2	Serial Funding 2 1/2% 1957	99 1/2	99 1/2	99 1/2	1 4 10	2 6 8	30/1 1/2	24/10 1/2	3 a	Stewarts & Lloyds £1		29/9	30/7 1/2	5 17 60
101 1/2	100 1/2	Serial Funding 3% 1955	100 1/2	100 1/2	100 1/2	0 10 2	2 4 0	29/6	22/-	4 a	Summers (John) £1		29/9	29/9	6 14 5
101 1/2	100 1/2	War Bonds 2 1/2% '54-56	100 1/2	100 1/2	100 1/2	1 6 8	2 8 8	41/10 1/2	23/9	15 c	United Steel £1		29/9	41/9	3 11 10 1/2
101 1/2	100 1/2	Funding 2 1/2% '52-57	100 1/2	100 1/2	100 1/2	1 5 9	2 11 9 1/2				Vickers £1		40/-	41/9	3 11 10 1/2
102 1/2	100 1/2	War Loan 3% '55-59	100 1/2	100 1/2	100 1/2	1 9 1	2 17 9 1/2	32/-	21/4	15 c	Bradford Dyer £1		29/6	29/6	6 15 7 1/2
100 1/2	95 1/2	Savings Bonds 3% '55-65	99 1/2	99 1/2	99 1/2	1 14 8	3 1 8 1/2	32/4 1/2	24/9	12 b	Brit. Celanese £1		29/9	30/-	6 0 0 1/2
101 1/2	97 1/2	Funding 2 1/2% '56-61	99 1/2	99 1/2	99 1/2	1 9 8	2 13 5 1/2	31/4 1/2	24/8	10 b	Coats (J. & P.) £1		29/3	28/9	5 4 4 1/2
98 1/2	95 1/2	Funding 3% '59-69	96 1/2	95 1/2	95 1/2	2 1 9	3 10 4 1/2	41/-	25/2	4 1/2 b	Courtaulds £1		42/9	42/-	3 16 2 1/2
101 1/2	95 1/2	Funding 3% '66-68	97 1/2	96 1/2	96 1/2	1 19 1	3 6 8 1/2	32/4 1/2	23/8	10 a	Lancs. Cotton £1		31/6	31/3	8 0 0 1/2
99 1/2	95 1/2	Funding 3 1/2% 1999-2004	94 1/2	93 1/2	93 1/2	2 2 7	3 15 8 1/2	39/9	30/6	15 b	Patons & Baldwins £1		32/6	30/9	6 10 1 1/2
105 1/2	100 1/2	Funding 4% '60-90	103 1/2	103 1/2	103 1/2	1 14 2	3 11 6 1/2				MOTOR & AIRCRAFT				
98 1/2	90 1/2	Savings Bonds 3% '60-70	95 1/2	93 1/2	93 1/2	2 3 0	3 10 11 1/2	25/10 1/2	17/9	6 1/2 b	Bristol Aeroplane 10/-		19/4 1/2	19/7 1/2	5 1 11
97 1/2	90 1/2	Savings Bonds 3% '64-67	93 1/2	93 1/2	93 1/2	2 1 1	3 5 2 1/2	12/5 1/2	6/3 1/2	4 a	British Motor 5/-		12/4 1/2	12/3	5 2 0
106 1/2	101 1/2	Victory 4% '20-76	104 1/2	102 1/2	102 1/2	1 19 1	3 14 0 1/2	30/3	20/9	7 1/2 c	De Havilland £1		25/4 1/2	25/6	5 17 8
96 1/2	87 1/2	Savings Bonds 3% '65-75	92 1/2	91 1/2	91 1/2	2 3 4	3 11 9 1/2	83/6	35/9	12 c	Ford Motor £1		82/6	81/10 1/2	2 18 7
99 1/2	93 1/2	Consols 4% aft. Feb. '57	96 1/2	95 1/2	95 1/2	2 5 11	4 3 5 1/2	49/4 1/2	23/10	3 a	Hawker Siddeley £1		52/6	51/9	4 1 2
93 1/2	84 1/2	Conv. 3 1/2% aft. April '61	87 1/2	87 1/2	87 1/2	2 4 3	4 0 11 1/2	108/-	80/6	25 c	Leyland Motors £1		110/-	111/3	4 9 11
104 1/2	99 1/2	Conv. 3 1/2% 1969	102 1/2	100 1/2	100 1/2	1 17 10	3 9 0	81/3	44/-	12 1/2 b	Rolls Royce £1		80/-	82/6	2 16 7 1/2
100 1/2	99 1/2	Conv. 2% 1958-59	98 1/2	98 1/2	98 1/2	1 8 2	2 6 6 1/2	9/-	5/5 1/2	12 c	Standard Motor 5/-		7/10 1/2	7/10 1/2	7 12 5
69 1/2	63 1/2	Treas. 2 1/2% aft. April '75	65 1/2	65 1/2	65 1/2	2 2 5	3 17 7 1/2				SHOPS & STORES				
82 1/2	74 1/2	Treas. 3% aft. April '66	76 1/2	76 1/2	76 1/2	2 3 3	3 19 2 1/2	30/6	22/9	22 1/2 c	Boots Pure Drug 5/-		31/9	31/6	3 11 5
101 1/2	92 1/2	Treas. 3 1/2% '77-80	97 1/2	96 1/2	96 1/2	2 2 5	3 15 0 1/2	60/6	32/-	7 a	Debenhams 10/-		44/9	43/1 1/2	6 7 6
101 1/2	92 1/2	Treas. 3 1/2% '79-81	96 1/2	96 1/2	96 1/2	2 2 4	3 14 6 1/2	50/6 1/2	26/7 1/2	45 b	Gt. Universal 5/-		61/6	60/-	3 2 6 1/2
91 1/2	83 1/2	Redemption 3% '86-96	86 1/2	86 1/2	86 1/2	2 3 1	3 13 5 1/2	117/6	92/9	17 1/2 b	Lyons (J.) 'A' £1		113/9	113/9	3 19 1
92 1/2	84 1/2	War L'n 3 1/2% aft. Dec. '52	86 1/2	86 1/2	86 1/2	2 4 7	4 1 4 1/2	79/6	36/11	45 b	Marks & Spence 'A' 5/-		72/6	73/-	2 11 4 1/2
69 1/2	63 1/2	Consols 2 1/2%	65 1/2	65 1/2	65 1/2	2 2 4	3 17 1 1/2	65/3	42/8	20 a	Woolworth 5/-		67/9	64/3	3 17 10 1/2
97 1/2	88 1/2	Br. Elec. 3% '68-73	93 1/2	93 1/2	93 1/2	2 3 1	3 12 0 1/2				OIL				
95 1/2	87 1/2	Br. Elec. 3% '74-77	92 1/2	92 1/2	92 1/2	2 2 8	3 11 10 1/2	84/7 1/2	33/7 1/2	37 1/2 b	British Petroleum £1		85/7 1/2	83/9	2 0 7 1/2
111 1/2	103 1/2	Br. Elec. 4 1/2% '74-79	108 1/2	107 1/2	107 1/2	1 18 3	3 15 10 1/2	125/7 1/2	56/9	17 1/2 c	Burmah £1		132/6	128/9	2 15 11
101 1/2	93 1/2	Br. Elec. 3 1/2% '76-79	97 1/2	97 1/2	97 1/2	2 1 9	3 14 4 1/2	153 1/2	128	12 b	Royal Dutch 100 fl.		151 1/2	151	2 8 8 1/2
92 1/2	83 1/2	Br. Trans. 3% '78-88	86 1/2	86 1/2	86 1/2	2 4 9	3 14 7 1/2	121/-	77/10	10 1/2 b	Shell Reg. £1		128/1 1/2	128/1 1/2	3 10 10 1/2
97 1/2	88 1/2	Br. Trans. 3% '68-73	93 1/2	93 1/2	93 1/2	2 3 1	3 12 0 1/2	34/-	17/6	5 1/2 a	Trinidad L'holds 5/-		34/3	33/9	5 7 6
108 1/2	100 1/2	Br. Trans. 4% '72-77	104 1/2	103 1/2	103 1/2	1 19 10	3 15 5 1/2				SHIPPING				
92 1/2	84 1/2	Br. Gas 3% '90-95	87 1/2	87 1/2	87 1/2	2 2 8	3 12 8 1/2	33/6	22/-	16 c	Cunard £1		36/-	35/-	5 9 9 1/2
103 1/2	96 1/2	Br. Gas 3 1/2% '69-71	101 1/2	101 1/2	101 1/2	1 18 0	3 10 4 1/2	47/9	30/3	12 c	Furness Withy £1		54/6	55/-	4 7 3
108 1/2	99 1/2	Br. Gas 4% '69-72	104 1/2	103 1/2	103 1/2	1 18 2	3 13 4 1/2	61/3	31/3	16 b	P. & O. Det. £1		73/6	70/6	3 2 5 1/2

(e) To earliest date. (f) Flat yield. (g) To latest date. (h) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 11 1/2 years approximately.

Prices, 1953		Prices, 1954		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Jan. 19, 1955	Price, Jan. 26, 1955	Yield, Jan. 26, 1955
High	Low	High	Low					
92	84 1/2	97 1/2	90 1/2	Aust. 3 1/2% '65-69	94	93	1 18 1 1/2	64/-
98 1/2	91 1/2	101 1/2	97 1/2	Ceylon 4% '73-75	101	101	3 18 7 1/2	67/9
73 1/2	66 1/2	106 1/2	98 1/2	N. Zealand 4% '76-78	103 1/2	103 1/2	3 15 3 1/2	52/6
95 1/2	90 1/2	79 1/2	71 1/2	L.C.C. 3% aft. 1920	75	73 1/2	4 1 8	80/-
81 1/2	73 1/2	90 1/2	80 1/2	Liverpool 3% '54-64	98 1/2	98 1/2	3 10 1/2	41/6
104 1/2	101 1/2	104 1/2	100 1/2	M. Wtr. 'B' 3% '34-2003	82 1/2	82 1/2	3 15 9 1/2	33/6
...	...	109 1/2	71 1/2	Agric. Mort. 5% '59-89	100 1/2	100 1/2	4 17 6 1/2	50/10 1/2
...	...	168 1/2	102 1/2	German 7 1/2%	100	96 1/2	...	61 1/2
139 1/2	119 1/2	170 1/2	132 1/2	German 5 1/2%	160 1/2	156 1/2	...	38/3
176	136	198 1/2	167	Japan 5 1/2% 1907	163 1/2	161	...	52/6
				Japan 5 1/2% Conv. 1930	194	192 1/2	...	33/6

Prices, 1954		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Jan. 19, 1955	Price, Jan. 26, 1955	Yield, Jan. 26, 1955
High	Low							
51/9	42/3	5 a	7 b	BANKS & DISCOUNT				
75/4 1/2	58/9	7 a	8 b	Barclays £1	56/6	57/-	4 4 3	140/-
90/-	74/9	8 a	10 b	Lloyds 'A' £5, £1 pd.	68/-	67/-	4 9 7	128/1 1/2
85/9	72/7 1/2	8 1/2 a	9 1/2 b	Midland £1, fully pd.	86/6	85/6	4 4 3	76/3
98/9	79/6	8 a	8 b	N. Prov. 'B' £5, £1 pd.	82/-	81/-	4 8 11	54/9
68/6	46/-	7 1/2 a	8 1/2 b	Westminster 'B' £4, £1 pd.	92/6	90/6	4 8 5	6/11 1/2
62/6	40/10 1/2	5 a	7 b	Alexanders £1	59/-	58/6	4 5 6 1/2	4/10 1/2
57/9	44/6	5 a	7 b	Nat. Disc. 'B' £1	56/6	56/-	4 5 9	16 1/2
50/-	37/6	4 a	4 b	Union Disc. £1	58/6	57/-	4 7 9	22 a
49/-	40/3	7 b	7 a	Barc. (D.C.O.) £1	48/-	48/-	3 6 8	20 a
				Chart. Bk. of India £1	50/-	51/-	5 13 9	50 a
16 1/2	9 1/2	50 a	85 b	Leg. & Gen. £1, 5/- pd.	16 1/2	16 1/2	2 0 7	40 b
25 1/2	20 1/2	40 1/2 b	20 1/2 a	Pearl £1, fully pd.	23	23	4 14 11	80 a
47 1/2	35 1/2	105 1/2 c	112 1/2 c	Prudential 'A' £1	45 1/2	44 1/2	4 11 5	20 a
38 1/2	125/-	10 a	33 b	Bass £1	135/7 1/2	135/7 1/2	6 6 10	24 c
28/10 1/2	17/4 1/2	25 c	10 a	Distillers 4/-	28/6	28/-	3 11 5	200 b
43/3	31/-	8 a	15 b	Guinness 10/-	47/6	48/9	4 14 4	
96/-	60/-	15 1/2 b	7 a	Whitbread 'A' Ord. £1	92/6	92/6	4 18 0	

* Ex dividend. † Free of tax. Gross yield. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 50%. (e) To earliest date. (f) Flat yield. (g) On 14%. (h) Also 4% tax free bonus and 50% tax free from capital profits; on 14-8%. (i) On 13 1/2%. (j) On 11 1/2%. (k) On 8%. (l) To latest date. (m) On 10%. (n) On 9%. (o) On 9%. (p) On 8 1/2%. (q) On 22% gross. (r) On 37 1/2%. (s) On 22-7% gross. (t) On 12-6%. (u) Interim for 15 months. On 12%. (v) On 7 1/2%. (w) On 17 1/2%. (x) On 12 1/2%. (y) On 11%. (z) On 8 1/2%. (aa) On 20%.

New York Closing Prices

	Jan. 19	Jan. 26		Jan. 19	Jan. 26		Jan. 19	Jan. 26
	\$	\$		\$	\$		\$	\$
Balt. & Ohio...	38 1/2	38 1/2	Am. Smelting	45 1/2	45 1/2	Inter. Paper...	84 1/2	85 1/2
Can. Pac.	30 1/2	29 1/2	Am. Viscose	42 1/2	41 1/2	Nat. Distill.	22 1/2	22 1/2
N.Y. Cent.	33 1/2	33 1/2	Cel. of Am.	24 1/2	24 1/2	Sears Roebuck	75 1/2	78 1/2
Pennsylv.	23 1/2	24 1/2	Chrysler	67 1/2	67 1/2	Shell	58 1/2	58 1/2
Amer. Tel.	174 1/2	175 1/2	Gen. Elec.	49 1/2	48 1/2	Std. Oil of N.J.	107 1/2	110 1/2
Stand. Gas	15 1/2	15 1/2	Gen. Motors	94 1/2	94 1/2	U.S. Steel	70 1/2	79 1/2
United Corp.	6 1/2	6 1/2	Goodyear	51 1/2	52 1/2	Westinghouse	78 1/2	78 1/2
W. Union Tel.	77 1/2	77 1/2		57 1/2	59 1/2	Woolworth	51 1/2	51 1/2

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	...	41	48	86	100.0	23.86	45.97
1953	110.1	97.0	114.4	112.8	104.8	...	117	102	115	193.3	71.69	71.69
1954	110.3	95.7	114.8	112.6	104.3	...	...	...	...	229.0	71.64	...
1954, August	110.5	95.8	115.0	113.9	103.7	...	122	100	122	237.1	71.06	70.71
" September	110.0	93.6	114.7	112.4	104.3	...	121	100	121	240.4	71.86	71.65
" October	109.7	93.1	114.5	111.8	104.6	...	...	...	...	243.6	72.22	72.15
" November	110.0	93.2	114.6	111.1	104.6	...	...	...	...	254.4	73.57	73.42
" December	109.5	90.0	114.3	110.5	104.3	...	...	...	...	267.7	74.12	...

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rates \$ billion	Total industrial production	Manufacturing production						Building New construction; seasonally adjusted \$ million	Civilian employment			
			Durable goods			Non-durable goods				Total labour force thousands	Total employment	Unem- ployed as % of labour force % rate	
			Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals					
Index 1947-49=100 ; seasonally adjusted													
1939	91.1	58	49	53	48	66	80	45	683	55,230	45,750	17.2	
1953	364.9	134	153	132	189	118	107	147	2,938	63,453	61,929	2.4	
1954	357.1	125	138	108	175	116	100	...	3,098	64,468	61,238	5.0	
1954, August	355.5	{	123	135	105	166	114	99	149	3,145	65,522	62,276	5.0
" September			124	136	105	161	115	97	150	3,157	65,243	62,144	4.8
" October	361.0	{	126	139	110	164	117	103	150	3,105	64,882	62,141	4.2
" November			129	143	118	184	118	104	151	3,192	64,624	61,731	4.5
" December			130	145	120	198	119	107	...	3,262	63,526	60,688	4.5

TRADE

	Personal consumption Annual rates \$ billion; seasonally adjusted	All business *		Total retail *		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manufactures	Total	Finished goods	Imports	Exports
		\$ billion; seasonally adjusted				\$ million			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, June	233.1	47.78	79.00	14.44	22.60	973	225	243	1,462	1,015	164	296
" July	234.8	47.42	78.35	14.27	22.40	820	185	192	1,282	882	139	261
" August	234.8	46.72	78.16	14.15	22.45	826	207	195	1,145	762	140	235
" September	234.8	46.99	77.79	14.21	22.43	777	198	195	1,102	725	133	226
" October	234.8	46.42	77.56	14.07	22.00	761	...	...	1,255	...	...	...
" November	234.8	48.23	77.66	14.36	22.13	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics ³		Budget expenditure ⁴		Bond yields		
	Total	Labour income	Farm income	Total	Installment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds	Corporate Aaa bonds
	\$ billion; seasonally adjusted annual rates			\$ billion; end of period		\$ billion; end of period		\$ billion		Per cent per annum		
1939	72.9	46.6	4.3	7.22	4.50	23.4	17.2	9.0	3.9	0.023	...	3.01
1953	286.1	204.4	12.2	29.54	22.19	78.1	67.6	74.3	9.4	1.931	2.93	3.20
1954	...	...	...	...	...	...	...	67.8	3.1	0.951	2.54	2.90
1954, July	285.7	202.3	11.1	28.73	21.85	80.0	67.3	4.8	2.0	0.710	2.47	2.89
" August	285.4	202.1	11.4	28.74	21.90	83.0	66.4	6.0	2.8	0.892	2.48	2.87
" September	286.6	202.0	11.8	28.86	21.94	83.3	67.2	5.7	0.1	1.007	2.51	2.89
" October	286.3	202.7	10.4	28.98	21.95	86.3	67.8	4.9	2.2	0.987	2.52	2.87
" November	287.6	204.0	10.4	29.21	22.01	86.4	69.7	3.8	0.4	0.948	2.55	2.89
" December	...	...	...	...	...	...	...	...	...	1.174	2.58	2.90

(1) Figures calculated on the basis of a new and larger sample. (2) 1939 figures not strictly comparable with rest of series; stocks are at end of period. (3) All commercial banks. (4) Annual figures are totals for the fiscal year ended June 30th. (5) Second quarter. (6) Third quarter. (7) Preliminary.

Financial Statistics

EXCHEQUER RETURNS

For the week ended January 22nd there was an "above-line" surplus (after allowing for Sinking Funds) of £144,323,000 compared with a surplus of £197,221,000 in the previous week and a surplus of £137,440,000 in the corresponding period of last year. This brought the cumulative account to a surplus of £82,468,000 (compared with a deficit of £120,513,000 in 1953-54). There was a net receipt "below-line" last week of £8,918,000, bringing the total cumulative deficit to £241,031,000 (£432,993,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to Jan. 23, 1954	April 1, 1954 to Jan. 22, 1955	Week ended Jan. 23, 1954	Week ended Jan. 22, 1955
Ord. Revenue	1800,000	1112,746	1135,610	138,595	165,654
Income Tax	132,000	83,800	82,500	7,500	6,500
Sur-tax	132,000	83,800	82,500	7,500	6,500
Death Duties	164,375	131,600	149,300	2,900	3,800
Stamps	55,000	44,600	59,470	600	1,400
Profits Tax & E.P.T.	172,000	161,400	143,600	5,100	2,800
Excess Profits Levy	60,000	52,950	66,350	1,600	1,300
Special Contribution	...	...	...	...	...
Inland Revenue	1,000	920	1,030	...	50
Total Inland Rev.	2384,375	1588,016	1637,860	156,295	181,504
Customs	1062,500	862,026	910,569	19,221	19,722
Excise	719,000	563,370	592,783	5,630	4,140
Total Customs and Excise	1781,500	1425,396	1503,352	24,851	23,862
Motor Duties	77,000	64,286	68,105	15,711	17,258
PO (Net Receipt)	...	300	4,650	300	2,050
Broadcast Licences	21,000	10,900	15,000	...	...
Sundry Loans	24,000	34,629	22,206	12,635	435
Miscellaneous	245,000	97,819	144,874	1,314	689
Total	4532,875	3221,346	3396,047	211,106	225,798
Ord. Expenditure	...	...	...	...	...
Debt Interest	570,000	463,560	454,254	...	...
Payments to N. Ireland Exchequer	51,000	36,625	36,594	...	...
Other Cons. Fund.	10,000	8,664	8,239	286	354
Supply Services	3859,739	2806,144	2787,096	73,170	80,220
Total	4490,739	3314,993	3286,183	73,456	80,574
Sinking Funds	36,000	26,866	27,396	210	900
"Above-line" Surplus or Deficit	...	120,513	82,468	137,440	144,323
"Below-line" Net Expenditure	...	312,480	323,499	6,698	8,918
Total Surplus or Deficit	...	432,993	241,031	144,138	153,241
Net Receipts from:	...	...	...	...	...
Tax Reserve Certificates	83,908	132,085	44,297	61,596	...
Savings Certificates	13,650	32,700	1,100	2,700	...
Defence Bonds	33,619	14,768	35	1,531	...

* Since end September the capital expenditure of the Post Office has been charged directly on the Exchequer (instead of being financed from the Savings Funds) and is consequently included in "below-line" expenditure and the total deficit. As at January 22nd this item stood at £31,900,000.

FLOATING DEBT

(£ million)					
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1954					
Jan. 23.	3,090.0	1,669.9	266.1	...	4,846.0
Oct. 16.	3,380.0	1,591.8	295.1	...	5,226.9
" 23.	3,410.0	1,544.0	307.9	...	5,261.9
" 30.	3,440.0	1,514.3	274.8	...	5,229.0
Nov. 6.	3,450.0	1,483.1	272.3	...	5,205.4
" 13.	3,470.0	1,452.1	273.0	...	5,195.1
" 20.	3,480.0	1,548.1	291.8	...	5,319.8
" 27.	3,480.0	1,571.7	271.2	...	5,322.8
Dec. 4.	3,470.0	1,613.4	254.6	...	5,383.0
" 11.	3,450.0	1,672.7	256.4	3.8	5,382.8
" 18.	3,440.0	1,727.1	262.2	...	5,429.3
" 31.	3,420.0	1,823.5	263.4	...	5,505.9
1955					
Jan. 8.	3,400.0	1,771.4	264.7	...	5,436.0
" 15.	3,350.0	1,719.2	260.4	...	5,330.0
" 22.	3,310.0	1,662.7	262.3	...	5,235.0

THE MONEY MARKET

BANK rate was raised from 3 to 3½ per cent on Thursday. This followed an almost continuous rise in the Treasury bill rate since mid-November—from 1½ to over 2 per cent last week—a sustained extension of the period of seasonal weakness in sterling into the normally favourable new year, and a fairly steady rise in the Treasury bill rate in the United States (though this week the rate fell from 1.407 per cent to 1.349 per cent). The increase in Bank rate was, as expected, made the occasion of important adjustment in rate margins. The banks raised their deposit rates by only ¼ per cent, to 1½ per cent, but increased their call money rate against Treasury bills by the full ½ per cent, to 1½ per cent. The call money rate against different classes of collateral was moreover unified at this level, so that the rate against commercial bills rose by only ¼ per cent and that against bonds by ½ per cent.

Credit conditions in Lombard Street in the week before the Bank rate change had continued to be difficult. Special aid was needed and given on most days. At the Treasury bill tender on Friday last the market reduced its bid by a further ¼d. per cent, to £99 9s. 1½d. per cent, and the market's allotment fell from 61 to 51 per cent.

The Bank return shows a further reflux of notes of £12.9 million. But as "other accounts" rose by £19.8 million, bankers' deposits fell heavily to £251.9 million, the lowest level recorded since 1946.

LONDON MONEY RATES

Bank rates (from 3%, 27/1/53)	%	Discount rates		%
		Bank bills: 60 days	3 months	
Deposits rates (max)	1½	2½	2½	2½
Discount houses	1½	2½	2½	2½
Money Day-to-day	1½	2½	2½	2½
Short periods	1½-1½*	3 months	3-3½	3-3½
Treas. bills 2 months	2½*	4 months	3-3½	3-3½
3 months	2½*	6 months	3½-4½	3½-4½

* Before Bank rate change.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates		Market Rates : Spot						
	January 26		January 20	January 21	January 22	January 24	January 25	January 26	
United States \$...	2.78-2.82		2.78-2.78	2.78-2.78	2.78-2.78	2.78-2.78	2.78-2.78	2.78-2.78	
Canadian \$			2.68-2.69	2.68-2.69	2.68-2.69	2.68-2.69	2.68-2.69	2.68-2.69	
French Fr.	972.65-987.35		975-975	975-975	975-975	974-974	974-974	974-975	
Swiss Fr.	12.15-12.33		12.24-12.25	12.24-12.25	12.24-12.25	12.24-12.25	12.25-12.25	12.25-12.25	
Belgian Fr.	138-95		139-22	139-22	139-22	139-22	139-22	139-30	
	141.05		139-27	139-27	139-27	139-27	139-27	139-35	
Dutch Gld.	10.56-10.72		10.58-10.58	10.58-10.58	10.58-10.58	10.58-10.58	10.58-10.58	10.58-10.59	
W. Ger. D-Mk.	11.67-11.84		11.75-11.75	11.75-11.75	11.75-11.75	11.75-11.75	11.76-11.76	11.76-11.76	
Portuguese Esc.	79.90-81.10		79.90-80.00	79.90-80.00	79.90-80.00	79.90-80.00	79.90-80.00	79.90-80.00	
Swedish Kr.	14.37-14.59		14.50-14.50	14.50-14.50	14.50-14.50	14.50-14.50	14.50-14.51	14.51-14.51	
Danish Kr.	19.19-19.48		19.36-19.37	19.36-19.37	19.36-19.37	19.36-19.37	19.36-19.37	19.37-19.37	
Norwegian Kr.	19.85-20.15		20.01-20.02	20.01-20.02	20.01-20.02	20.01-20.02	20.01-20.02	20.01-20.02	
One Month Forward Rates									
United States \$	Par	h.c. dis	Par	h.c. dis	Par	h.c. dis	Par	h.c. dis	
Canadian \$	Par	h.c. dis	Par	h.c. dis	Par	h.c. dis	Par	h.c. dis	
French Fr.	1 3/4	dis	1 3/4	dis	1 3/4	dis	1 3/4	dis	
Swiss Fr.	1 h.c.	pm	1 h.c.	pm	1 h.c.	pm	1 h.c.	pm	
Belgian Fr.	h.c.	pm	h.c.	pm	h.c.	pm	h.c.	pm	
Dutch Gld.	h.c.	pm	h.c.	pm	h.c.	pm	h.c.	pm	
W. Ger. D-Mk.	h.c.	pm	h.c.	pm	h.c.	pm	h.c.	pm	
Swedish Kr.	h.c.	pm	h.c.	pm	h.c.	pm	h.c.	pm	
Danish Kr.	h.c.	pm	h.c.	pm	h.c.	pm	h.c.	pm	
Norwegian Kr.	h.c.	pm	h.c.	pm	h.c.	pm	h.c.	pm	
Gold Price at Fixing									
Price (s. d. per fine oz.)	251/8		251/7 1/2		...	251/8	251/9	251/9	

A secure future encourages

Efficiency

No worker can put his best into his job if he is worried about the future. The mental burden of provision for himself and his dependants is often a deterrent to efficiency, and although the Welfare State has removed the fear of actual want, it cannot hope to dispel all the financial worries which so often harass those who have retired.

Today it is noticeable that firms with the highest proportion of contented workers are those which have made provision for their employees

by operating Pension and Life Assurance schemes, such as those underwritten by the "Legal and General". Cost is met year by year and the employer's contribution is treated as a business trading expense by the Inland Revenue. The resulting dividends of increased efficiency and greater harmony compensate time and again for the relatively small expense incurred.

Write today for full information and advice on Pension and Life Assurance Schemes.

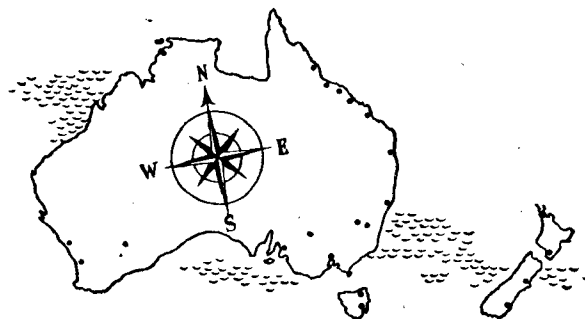
LEGAL & GENERAL

ASSURANCE SOCIETY LTD

CHIEF ADMINISTRATION: 188 FLEET STREET, LONDON, E.C.4



What ARE the Business Prospects?



readily

The answer is available from

The Commercial Bank of Australia Limited

(INCORPORATED IN VICTORIA)

where specially trained officers obtain Trade Information from all points in AUSTRALIA and NEW ZEALAND

LONDON OFFICE: 12 Old Jewry, E.C.2.
Telephone: MONARCH 8747-9

Enquiries welcomed

Head Office: 335-339 Collins Street, Melbourne
Chief New Zealand Office: 328-330 Lambton Quay, Wellington.
690 OTHER OFFICES

Founded: 1866

THE UNITED COMMERCIAL BANK LIMITED

(Incorporated in India. Liability of Members is limited.)

Head Office:

2 ROYAL EXCHANGE PLACE,
CALCUTTA

London Office:

15, THROGMORTON AVENUE, LONDON, E.C.2.

G. D. BIRLA, Esq., Chairman.

AUTHORISED CAPITAL - Rs.80,000,000
SUBSCRIBED CAPITAL - Rs.40,000,000
PAID-UP CAPITAL - - - Rs.20,000,000
RESERVE FUND - - - - Rs. 8,000,000

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

B. T. THAKUR, General Manager.

ALEXANDERS DISCOUNT COMPANY LIMITED.

Statement of Accounts, 31st December, 1954.

LIABILITIES		£	£
Authorised Capital:—			
100,000 Preference Shares of £2 each			
and 2,400,000 Ordinary Shares of £1 each			2,600,000
Issued Capital:—			
100,000 £2 6% Cumulative Preference Shares, fully paid			200,000
2,400,000 £1 Ordinary Shares, fully paid			2,400,000
			2,600,000
Share Premium Account	533,750		
General Reserve (including a transfer of £500,000 from Contingency Reserve)	1,466,250		2,000,000
Profit and Loss Account			267,000
			4,867,000
Loans, Deposits, Sundry Creditors and Contingency Reserve (including liabilities of £146,645,187 secured on certain assets per contra)			
		149,600,183	
Final Dividends (less Tax) recommended		118,800	

NOTES:—

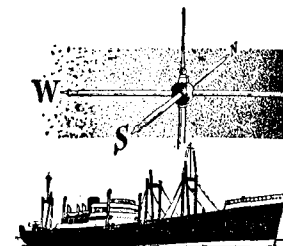
1. There is a Contingent liability in respect of Bills Re-discounted excluding Treasury Bills of £7,757,377 (1953—£6,965,837).
2. Taxation recoverable to date has been included in these accounts.

£154,585,983

ASSETS		£	£
Balances at Bankers and Cash in Hand		467,910	
Bills Discounted (less Provision for Rebate)		75,310,774	
British Government Securities (Quoted)		77,598,033	
Corporation and Dominion Government Securities (Quoted)		258,577	
Loans on Security and Amounts Receivable		950,689	
		£154,585,983	

24, LOMBARD STREET, LONDON, E.C.3

INDIA PAKISTAN BURMA CEYLON MALAYA SINGAPORE



Exports Eastwards?

Business houses looking Eastwards for extended markets are invited to make full use of the services of The Mercantile Bank of India. With branches in all important trading centres the Bank will be pleased to provide current information regarding agency channels, shipping, exchange regulations and allied problems.

THE MERCANTILE BANK OF INDIA LIMITED

Head Office: 15 GRACECHURCH STREET, LONDON, E.C.3.

HONG KONG CHINA MAURITIUS THAILAND JAPAN



PROGRESS 1954

TOTAL ASSETS
at 31st December

£213,461,000
(£181,183,000—1953)

NEW SAVINGS
£51,166,000
(£42,848,000—1953)

ADVANCES ON MORTGAGE
£43,177,000
(£38,362,000—1953)

TRUSTEE INVESTMENTS & CASH
at 31st December
£31,402,000
(£23,478,000—1953)

ABBEE NATIONAL
BUILDING SOCIETY

ABBEE HOUSE, BAKER STREET,
LONDON, N.W.1



BAYERISCHE VEREINSBANK

Every description of Domestic and Foreign Banking Business transacted

Munich Office: 14, Kardinal-Faulhaber-Strasse

Cable Address: "Vereinsbank" Phone: 28401. Telex No. 052/3321

Nuremberg Office: 21, Lorenzerplatz

Cable Address: "Bayverein" Phone: 27741. Telex No. 06/2217

Augsburg Office: 37, Maximilianstrasse

Cable Address: "Vereinsbank" Phone: 4681/84. Telex No. 053/820

77 Branches
Correspondents throughout the World

COMPANY MEETINGS

MIDLAND BANK LIMITED

1954 A GOOD YEAR FOR BRITAIN

GREAT ACHIEVEMENTS IN INDUSTRY AND EXPORT TRADE

LORD HARLECH ON COUNTRY'S ECONOMIC PROGRESS

The 119th annual general meeting of Midland Bank Limited will be held on February 16th at the head office, Poultry, London, E.C.

The following are extracts from the statement issued to shareholders by the chairman, The Right Honourable Lord Harlech, KG, PC, GCMG:

Last October your directors thought it desirable, in the interests of shareholders and in order to remove uncertainty, to announce in advance their intention as to the rate of final dividend to be recommended for the second half of 1954. The payment of 10 per cent subject to tax, if approved by the shareholders at the annual meeting, will bring the total to 18 per cent gross for the year, and this rate it is hoped to maintain with half-yearly payments of 9 per cent. In arriving at their decision your directors were influenced by the improvement in the general economic position of the country and by the more reassuring outlook that had appeared with the clarification of various factors bearing on the earning power and internal strength of the bank.

The net profit for the past year, after the increased profits tax liability arising from the larger distribution, amounts to £2,398,000, roughly £270,000 more than for 1953. Out of that sum we have made somewhat larger allocations to inner reserves, and the higher rate of dividend will absorb rather more than a year ago, as shown in the profit and loss account.

Figures appearing in our balance sheet for December 31st last reflect the general expansion in business activity and in the supply of money. Deposit liabilities have risen to a new peak, roughly £45 million higher on the year, and averaging through the year the increase is of similar proportion—about 3½ per cent, or well within the simultaneous enlargement of the amount of the national income. The increase in deposits is accompanied by a rise in advances by about £55 million over the year, and our analysis shows that this movement is due mainly to the increased borrowing requirements of industry and trade, including the nationalised public utilities, resulting from their expanding turnover and the further lifting or relaxation of Government controls.

The total bill holding has declined somewhat over the year, and the substantial rise, within the total, in bills other than Treasury bills reflects both an expansion of the volume of international trade financing through the London money market and a moderate contraction in the demands made upon bank credit by the Government's short-term borrowing needs. Adding to the bills total the cash and short loans, almost wholly to the money market, it will be found that the increased demand for advances has lowered slightly the "liquidity ratio" between these readily realisable assets and the deposit liabilities. Our holding of investments is almost unchanged in amount, and its composition is well suited to the circumstances of the times in that all of them bear final maturity dates falling within the next eleven years.

Accentances, engagements and forward

exchange commitments entered into on behalf of customers all show very considerable increases. Altogether, then, the balance sheet gives evidence of the maintenance of a healthy condition combined with sustained progress in the service of the country's day-to-day business. Last year's turnover on current accounts with this bank was over 18 per cent larger than for 1953. Our affiliated companies have maintained their gratifying record of progress, and both the Belfast Banking Company and the Clydesdale and North of Scotland Bank have shown a satisfactory growth of business.

The statement describes the extensive use which has been made of a great variety of mechanical aids designed to achieve greater efficiency with no less security and convenience for customers. Early in 1928 this bank took the initiative in installing machines for ledger-posting combined with the preparation of statements of accounts for customers in place of pass-books. The system has since been widely extended and eventually will completely replace hand-posted ledgers. Note-counting and coin-counting machines and high-precision scales for weighing notes in bulk are being brought into use wherever they can be advantageously employed. As long as twenty years ago this bank began to use photography in the interests of efficient operation. Departments responsible for this work are at present filming about three hundred thousand items a day on the average, though on peak days the total far exceeds twice that number, and the latest machine takes its photographs at the rate of nine thousand an hour. Another example of modern installations is the use at head office of punched card methods of recording, computing and checking, which are adapted to a variety of tasks involving large numbers of calculations and detailed recording and aggregation.

It can thus be claimed that the bank has been very much alive to the possible benefits, in saving of labour, in higher standards of accuracy and in service to the customer, of the progressive employment of many kinds of mechanical device. It will be ready to adopt quite new methods, as for example in the field of electronics, when satisfied that the prospective capital and running costs are likely to be commensurate with the foreseeable gains.

Whatever may be the scope for mechanical and scientific aids, however, a large part of the business of banking lies beyond their range. For banking is essentially a personal business, implying the maintenance of high standards of efficiency within the undertaking and of integrity, courtesy and sound judgment in relations between the bank and its customers. In this we are particularly fortunate, thanks in part to our progressive methods of recruitment, training and selection, but still more to the inherent quality of our management and staff. To all of them, from those carrying the heaviest burdens of responsibility to those who have most recently joined the service of the bank, I express, on behalf of the shareholders, cordial appreciation of their unflagging service.

INTERNATIONAL ECONOMIC POLICY

In one way at least nineteen-fifty-four may prove to have been an historic year in international trading and financial relations; for the discussions that have been taking place, with a minimum of publicity, may eventually be found to have set the course of policy for many years to come. On the monetary side, the over-confident, almost excited, expectations of an early restoration of free convertibility of the pound, at least for all non-resident holders, were dissipated by authoritative reiteration of the basic requirements for such a step, which it was plain showed little prospect of early fulfilment. At the same time, clearer recognition of what broadened convertibility was likely to mean in terms of more intense competition in overseas markets tended to modify the enthusiasm with which it had been envisaged. In the end, assessments of political risks and uncertainties at home and abroad contributed to acceptance of probable postponement of action for a period the length of which no one is now prepared to forecast.

The change of sentiment sprang in part, no doubt, from the course of international discussions, beginning with the conference of Commonwealth finance ministers early in the year. Later exchanges of information and views among member-governments of the European Payments Union, concentrated as they were upon practical problems, seem to have brought about some modification of the bold assertions by continental spokesmen of readiness to participate in a concerted venture. The annual meeting of the International Monetary Fund in the autumn provided an occasion for emphasis on the difficulties confronting members in their efforts to undertake or aid the final liberation of currencies from exchange controls and of trade from quantitative restrictions.

On another aspect of international affairs, the stage was being set for the highly significant proceedings which began in the autumn. Representatives of the powers concerned in the Colombo plan for the economic development of south-east Asia met, and took important decisions, at Ottawa in October. At about the same time, under the auspices of the United Nations Economic Commission for Europe, exploratory discussions were taking place at Geneva, among delegates of governments directly concerned, on the possibilities of an enlargement of east-west trade. Meanwhile talks were going on in London among representatives of Commonwealth governments with a view to co-ordinating as far as possible their several attitudes towards Imperial preference, the problems of most-favoured-nation tariff treatment, the appropriateness or otherwise of licensing and other quantitative import controls, various kinds of export subsidy and the operation of bilateral trade agreements. Finally came the meeting, perhaps most important of all, of representatives of the governments associated with the General Agreement on Tariffs and Trade.

We need to remind ourselves that GATT is no more than the surviving part of a far more ambitious and extensive scheme, fought over and shelved in the course of several conferences and diplomatic exchanges in the

early postwar years. The remnant that was salvaged took the form of an interim agreement mainly concerning tariffs, quantitative—often discriminatory—restrictions on imports and subsidies on exports; and in practice it has operated chiefly to guard against competitive raising of tariffs and to bring about, through bilateral negotiations extended in their effect by the system of most-favoured-nation treatment, the reduction of particular import duties and the fixing of some duties and preferences against possibility of increase. Meanwhile the various "escape clauses" have permitted the continuance or imposition of many forms of import restriction other than by customs duties, as well as of direct and indirect subsidies for expanding exports. Moreover, new anxiety has arisen about the possibly disturbing effect of measures to dispose of certain agricultural surpluses. Wide difference of opinion has been aroused also by the proposal to admit Japan into full and equal status among the contracting parties, all benefiting from most-favoured-nation treatment, to the set of "rules" embodied in GATT. Hence the comprehensive and detailed review of the entire agreement which began at Geneva in November.

The outcome of all these discussions cannot yet be foreseen; but their significance draws added strength from the fact that the agreement was entered into, in 1947, in an atmosphere of high hope of rapid liberalisation of trade. Events have largely disappointed these hopes—a fact for which political conditions in the United States and recurrent balance of payments difficulties of the sterling area have both been partly responsible. Thus GATT has tended to become perhaps more a defensive shield against single-party protectionist action than an instrument of removal of trade and payments restrictions. It follows that the whole series of discussions, as yet uncompleted, may well determine whether, over the next few years, the world is to move on towards economic unification or is to revert to the practice of narrow nationalism with no sort of action barred, be it by way of quantitative controls, monetary restrictions or direct or indirect subsidising of exports. It is well that this dividing of the ways should be clearly seen, and that the choice of direction should be made with full realisation of the kind of territory into which each is likely to lead.

ECONOMIC PROGRESS IN 1954

Turning now to conditions in our own country, in the post-war history of the United Kingdom the past year stands out for its record of an expanding volume of production, with a high level of employment and signs of greater flexibility in the economic system as a whole. It has been remarkable also for the buoyancy shown by our export trade, which has contributed to the enlargement of the surplus on the balance of payments, the strengthening of the gold and dollar reserves and the further restoration of confidence in the pound sterling as an international currency. The maintenance of Britain's exports illustrates the solidity of the persistent effort to ally vigorous salesmanship with advantages in quality, servicing and price. Among the most gratifying features of the home record are signs of some acceleration of plans for re-equipment and expansion in industry, to which impetus has been added by the rise in productivity resulting from earlier postwar capital investment and by the new investment allowances provided under the 1954 Finance Act. A parallel development which is most encouraging is the continued revival of personal savings notwithstanding the rise in expenditure on consumption and increased outlay and commitments fostered by the wide extension of hire-purchase facilities. This record demon-

strates the strength of progressive forces released by the relaxation and removal of government licensing and other controls over industry and trade.

It must be added, however, that the picture is not one for unqualified satisfaction. It is disappointing to find so little result accruing thus far, in terms of total output and costs of production, from the heavy new capital investment and extensive reorganisation in the coal industry. Then, too, there are signs of some weakening of the competitive power of particular industries, among which shipbuilding has often been mentioned. Labour unsettlement has had its part, particularly in the later months of the year, in weakening an otherwise more assured position for our export trade. More pervasive in its influence is the continuance of the slow diminution of the purchasing power of the pound in the home market. These symptoms are indicative, along with the continued upward trend of wage costs, of the persistent pressure of "cost-inflation"; and both the Chancellor of the Exchequer and the Governor of the Bank of England have expressed themselves as not yet wholly satisfied of the maintenance of healthy monetary conditions. The inference that inflationary forces have not been decisively overcome is supported by the course of affairs on the stock exchange. It is arguable that the reduction in Bank rate in the spring may have furthered an undue rise in prices of equity investments to a level at which they heavily discount the prospects of continued high activity in industry and trade, a further growth of business profits and larger distributions therefrom.

Balancing one thing with another, it may be said that 1954 was a good year for Britain. To assess its place in the long run, however, we need to look back over the period since the end of the war. Nearly ten years have passed since the guns ceased fire in the second world war, and it is instructive to compare the economic situation today with that which had been arrived at in 1928, ten years after the end of the first world war. In doing so we ought justly to recall a striking difference of approach to the task of postwar rehabilitation. After the first world war it was visualised as one of simple reconstruction—"back to 1914"—and was undertaken in terms of getting rid, often with unwise haste, of wartime restrictions. This time it was seen rather in terms of new construction and reshaping of the economy to drastically changed world conditions, and plans for achieving the task by an ordered process were laid well in advance. Despite setbacks and remaining difficulties and uncertainties, there can be little doubt of the superiority of achievement in the past few years.

TWO POSTWAR PERIODS

Allowing, then, for differences in the background of world politics and economics, how does the situation of the United Kingdom in 1954 compare with that in 1928? The most conspicuous contrast lies in the fact that in 1928 the country was carrying about one-and-a-half million unemployed, whereas there is now—and has been ever since the war—very little involuntary unemployment among a working population that has been substantially enlarged. Again, industry as a whole has proved itself this time to be more adaptable, and more steadily progressive, judged by expansion, re-equipment, technical improvement and the application of new invention to changing public demand, than it was at any time between the two wars. The magnitude and range of its output have far outstripped prewar production. Whereas in 1928 large sectors of industry were struggling, with enfeebled vitality, against what an expert committee

had described as increasing rigidity and ossification, there is now renewed confidence and vigour. In agriculture, too, the contrast is equally striking between relative prosperity, with an outlook that inspires confidence for the future, and the long depression that prevailed, between the two wars, in this vital home industry.

It is now recognised that the unhappy state of affairs in the later 'twenties was related in no small degree to the prevailing monetary conditions. Here again marked differences may be noted. On the domestic side, whereas in 1928 money was tight and dear, over the past few years no general shortage of money or credit has been experienced, while rates of interest, though latterly made more flexible, have on the whole been low. Many people will recall, moreover, the unhealthy boom in new capital issues which occurred in 1928. Since the second world war, as a result of regulation from the centre, combined with a reformed and strengthened company-law and more stringent stock exchange rules, the raising of capital has been more orderly and better related to real needs and to the national interest.

The adverse monetary conditions of 1928 were an inescapable result of the premature return to the gold standard, with a completely unregulated foreign exchange market, at the prewar parity between the pound and the dollar. Experience showed that in practice the process entailed heavy over-valuation of the pound, which continuous deflationary pressure was powerless to correct. This time no such course of action has been followed, and the new external valuation of the pound takes full account of the basically altered relations among national currencies. Progress still continues towards the removal of exchange controls, but official management of monetary reserves has been wisely maintained until the responsible authorities can feel satisfied that the national economy has been fully adapted to a radically altered balance of economic and financial resources among the various parts of an interlocking world. The second world war carried even further than the first a fundamental change in Britain's international position, for it turned Britain into a debtor nation, though still with a small net income from past overseas investments. It is no mean achievement to have reached a stage at which the current account surplus on Britain's balance of payments has surpassed—though in terms of depreciated pounds—that recorded for 1928. This result is to be attributed in large part to the much greater vigour and buoyancy displayed by our export trade. The newer industries in particular—such as motors and aircraft, plastics and man-made fibres—have risen to the opportunities presented by the creation of increased demands for an ever-widening range of products. As a result the volume of exports is more than half as big again as before the war—an expansion which had no parallel in the comparison between 1913 and 1928. By contrast, imports have hardly yet been expanded to their prewar volume. At that time export trade, while hindered by unregulated and changing tariff action in many countries, was flagging under the pressure of an over-valued pound—a disability from which it certainly does not suffer today.

The great achievements in our industry and export trade are the more gratifying when account is taken of the difficulties standing in the way of the provision of capital resources for improved efficiency and the development of new products. It is a familiar fact of both business and personal experience that the load of taxation is far more burdensome today than it was in the years after the first world war. Indirect taxes are heavier and more extensive—there was, for instance, no such thing as purchase tax in 1928. As for direct taxes, it needs only to

be mentioned that the standard rate of income tax was then four shillings in the pound, and that far more people are paying income tax now than in 1928. Further, at that time there was no profits tax for companies to pay, as now, over and above increased income tax. In part this is a result of the enlargement and ever-increasing cost of the social services; but it is due also to prevailing international conditions, which impose a burden of defence made all the heavier by the costliness and increasing complexity of novel weapons of war. In 1928 defence accounted for roughly one-seventh of the total budget expenditure; today it absorbs about one-third of the total. In general, then, the load of taxation is far heavier than it was. One result is a more even distribution of personal incomes and a narrowing of marked inequalities of wealth. However desirable this trend may be on some grounds, it does tend to restrict the flow of risk capital on which the healthy development of new business enterprise is dependent.

Lastly, a marked contrast is noticeable in the course of prices after the two world wars. The movements in 1918-28 were violent and erratic, but by 1928 the purchasing power of the pound in the hands of the consumer was gradually increasing. It had been hoped, at the end of the second world war, that better management of the national economy would succeed in avoiding a repetition of the unbridled inflation and brutal deflation of 1918-28. So it did; but avoidance has been achieved at the cost of an almost continuous whittling away of the value of the pound to the consumer.

THE OUTLOOK

Thus comparison between the condition of our country in 1928 and 1954 is mixed; but, allowing for differences of circumstance both domestic and external, it may be argued that the national economy has made a much smoother, more firmly grounded recovery after the second world war than after the first. The comparison is rendered all the more gratifying when we recall that the physical damage and economic dislocation sustained by this country from the second war were far greater than from the first. The main cause for encouragement lies in the fact that this time Britain has adapted itself far better to the altered world situation, and stands in a far stronger position today in relation thereto than it occupied in 1928. We are now better placed to ward off any threat of a second postwar decade comparable in any degree with the tragic depression of the 'thirties.

It would be wrong, however, to ascribe this favourable result wholly to wisdom guided by the lessons of practice and experience. The effort made by this country on its own account has been supported by two factors which cannot properly or reasonably be expected to last indefinitely, at any rate in the same strength as over the past few years. Chief is the generous help provided by the United States, first under the European recovery programme and secondly through its contribution to the building up of combined western defence. The other is the favourable balance that has ruled during the past two or three years between prices of primary commodities on the one hand and of manufactured goods on the other. For this country, with four-fifths of its imports consisting of food and raw materials and four-fifths of its exports made up of processed or fully manufactured goods, this relationship has set the terms of trade on a basis more favourable than can be presumed as likely to last for ever as a "natural" basis of exchange. To this extent Britain's external position must be regarded as still vulnerable.

Doubts as to the likelihood of continuance

of the prevailing terms of trade arise from consideration of recent world trends. Latterly the free world's production of agricultural commodities has been growing rather faster than its population, but the growth of output has been unevenly spread, being largely concentrated in North America. The United States Government has recently introduced a new policy for disposal of stocks which, even with the official assurances of avoidance of disturbance to world markets, may yet have effect on prices of comparable goods coming forward for sale in the ordinary way. The outlook is complicated by the fact that national price support or "equalisation" schemes having their origin in the world depression of the 'thirties, and reinforced by the needs of war and the fear of war, have become still more firmly entrenched by governmental commitments within the realm of social policy. Meanwhile, the world's mineral production has been growing fast.

How important these factors are may be seen still more clearly when a longer view is taken. The present production of agricultural commodities in the world this side of the Iron Curtain is about one-quarter bigger than it was before the war; but output of minerals is two-thirds greater; and factory output has doubled. Here again, world totals cover wide disparities among regions and countries; industrial production in Western Europe, for example, as might be expected from the damage inflicted upon its physical equipment, is less than one-half greater than before the war; but some increase is common to almost every country in the world. To a large extent the long-term growth and increased competitive efficiency of industrial capacity as compared with the output of primary commodities are the natural reflection of technical discovery and an ever-rising trend in standards of demand. There is a continuing tendency towards more and more processing of primary commodities before they are acceptable to the present-day consumer, towards increasing elaboration of final products for both consumption and capital purposes, and towards progressive refinement of methods of packing, presentation and delivery to the buyer.

It would thus be folly to assume that the satisfactory balance of payments achieved by Great Britain during the past three years can be maintained without the continuance of unabated effort to keep our export capacity in good order. I say "export capacity" because to say "export industries" is to take much too narrow a view of the requirements. The export industries cannot do their job properly unless they are backed up by high standards of efficiency in basic services and production for the home market. For this we need a full flow of resources in new capital and increasing skill in technical improvement and in the adaptation of products to changing demand in overseas markets. We need to put every encouragement behind inventive and managerial skill and resourceful salesmanship. We need incentives for the progressive use of manpower and for the fullest contribution from skilled workmanship. Finally, the unequal development of the world's productive capacity, to which I have referred, calls for a powerful direction of capital and imaginative planning into the opening up of the productive resources of underdeveloped territories, particularly the enlargement of their output of agricultural commodities. Not only is this needed for a steadier balance in world production as a whole; the capital development itself, and the secondary expansion of consumption that will flow therefrom, will sustain and expand the demand for manufactured goods against the time when, as all must hope, international relations will allow some relief from the heavy requirements of defence.

THE NEWCASTLE BREWERIES LIMITED

RECORD OUTPUT

The sixty-sixth annual general meeting of The Newcastle Breweries Limited was held on January 27th at the registered offices, Haymarket, Newcastle upon Tyne.

Lieutenant-Colonel J. H. Porter, DSO, chairman of directors, presided, and in the course of his speech said: It has been decided to terminate the company's financial year on September 30th. Therefore, the accounts cover a period of eleven months only. Despite the exceptionally bad summer, the output of the brewery in both draught and bottled beers, again constitutes a record, the percentage increase in bottled beer being higher than that in draught beer.

The wine and spirit department has again had a good year, despite the continuing high level of duty: the eleven months' trade compares favourably with the previous twelve months. The mineral water department had a satisfactory year. The managed houses results continue to reflect the higher wage rates and general costs, both of which are likely to increase still further.

In addition to improving the licensed houses of our subsidiary companies, we have also improved the gravity of their draught beers without increasing the price, and I am glad to say that these improvements have already begun to manifest themselves in increased sales.

TRADING RESULTS

The trading profit of £920,999 for the eleven months shows a considerable increase, but it must be remembered that a large part of this is, of course, due to the acquisition during the period of a subsidiary company—Robert Deuchar Limited. For the first three months of the current year sales show a further rise, against which must be placed the cost of increased wage rates. The charge for taxation is £417,610. After depreciation, debenture interest and taxation, the net group profit is £278,121. From the above figures it will be observed that nearly 50 per cent of the trading profit is absorbed by income tax and profits tax, which leaves lamentably little to meet the expanding needs of this company, let alone a fair return on stockholders' capital.

The final dividend of 6 7/12 per cent on the ordinary stock of £1,500,000, together with the interim dividend of 2½ per cent on the £1 million ordinary stock, makes a total rate on the increased capital equivalent to 8½ per cent for eleven months or 9 per cent for a full year.

An analysis of the disposal of the total revenue of the company works out as follows: Duties, taxes, etc., 56.1 per cent; materials and services, salaries, wages, etc., 28.3 per cent; pensions (gross), 9.6 per cent; debenture and shareholders, 3.5 per cent; reserves, 2.5 per cent.

The future success of our industry depends upon the quality of the services which it gives, the quality of the goods it produces, and the ability of the public to afford to purchase our heavily taxed commodities. I am very much perturbed about the falling output of beer. It is my firm belief that we have reached a stage when the public, after having carefully weighed up values, are beginning to be increasingly aware of the present high rate of beer duty which they are called upon to contribute at the rate of 7½d. out of every 1s. 2d. which they pay for a pint of beer. I believe that if the Chancellor could see his way to reduce the duty to a figure which would enable the present 1s. 2d. beer to sell at one shilling a pint, he would reap the benefit in revenue.

The report and accounts were adopted.

LLOYDS BANK LIMITED

HIGHER PROFIT FOR PAST YEAR

GREAT EXTENSION OF ACTIVITIES SINCE 1938

CONSTRUCTIVE LENDING POLICIES

IMPORTANCE OF STRONG RESERVES

SIR OLIVER FRANKS'S STATEMENT

The annual general meeting of Lloyds Bank Limited will be held on February 18th at the Head Office, 71 Lombard Street, London, E.C.

The following is the statement by the chairman, The Right Honourable Sir Oliver Franks, GCMG, KCB, CBE, accompanying the report of the directors and balance sheet for the year ended December 31, 1954:

My Lords, Ladies and Gentlemen,

Lord Balfour of Burleigh relinquished the chair of the bank at the end of October. He was chairman for nearly nine years, and during this period gave the bank wise and courageous leadership. He also contributed greatly to its prestige and advancement during these years of postwar reconstruction and expansion. His annual addresses have been, year by year, an important addition to contemporary economic and social thought. We are delighted that Lord Balfour of Burleigh has agreed to remain as a member of the board.

Mr A. H. Ensor, who became a chief general manager in 1946, retired in June last after a period of most distinguished service during which he was chairman of the Chief Executive Officers Committee of the Clearing Banks. He was president of the Institute of Bankers from May, 1952, to May, 1954. We are glad that Mr Ensor stays with us as a member of the board.

Major-General Sir Robert E. Laycock, KCMG, CB, DSO, resigned from the board upon his appointment as Governor and Commander-in-Chief, Malta. We are sorry to lose him but congratulate him on his appointment.

During the year Sir Ernest Lever was appointed a director. He brings to our counsels great knowledge of the steel industry and its problems.

There have been a number of changes on the local committees. I record with deep regret the loss suffered by the Salisbury committee through the death of Lord Lyle of Westbourne, who was a director of the bank for some years. There is also the resignation of General Laycock from the Newcastle-upon-Tyne committee and the Pall Mall committee; his place on the Pall Mall committee has been taken by Air Chief Marshal Sir James Robb, GCB, KBE, DSO. The Right Honourable Viscount Cobham, TD, DL, has been appointed a member of the Birmingham committee, and Lieutenant-General Sir Charles J. S. King, KBE, CB, to the Eastern Counties committee. At Newcastle-upon-Tyne, Lieutenant-Colonel T. Eustace Smith, TD, has become a member, and at Salisbury Mr. Walter Reeve, who was formerly district manager there. Sir Frederick Burrows, GCSI, GCIE, DL, a director of the bank, has been appointed to the South Wales committee.

Mr G. Y. Hinwood has been appointed a chief general manager with Mr E. J. Hill; and Mr H. B. Lawson, MC, chief legal adviser, has been appointed assistant chief general manager. Mr P. T. D. Guyer has

been appointed an additional joint general manager.

PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

Turning to the accounts, you will see that the profit for the year, at £2,186,072, is £102,291 higher than last year.

The down-turn in advances to which reference was made a year ago has been replaced by a gradual increase throughout the year which, together with the increase in our holdings of British Government securities, has offset to some extent the effect of the fall in interest rates following the reduction in bank rate. Business activity has remained at a very high level during the past twelve months and this has improved our earnings in other directions; on the other hand, staff and other expenses continue to increase, a factor which must make for caution in any estimate of future profits.

A year ago we were able to increase the dividend on the "A" shares by 2 per cent; we propose for 1954 a further increase of 1 per cent, making 15 per cent for the year. We also propose the capitalisation of reserves to the extent of £3,593,239 for the purpose of paying up 5s. per share on the "A" shares of £5 each £1 paid, making the shares £1 5s. paid up. The elimination of that part of the liability on the shares which could be called up at any time at the option of the bank is in line with modern practice and will, I am sure, be acceptable to shareholders.

In order to dispel any uncertainty in the minds of shareholders, we have already announced our intention to recommend in due course that the dividend on the "A" shares for the current year, subject to maintenance of the bank's profits, should be at the rate of 12 per cent per annum on the shares in their new form, being the equivalent of 15 per cent on these shares in their present form.

As you will see from the balance sheet, current, deposit and other accounts show an increase of £41 million and on the assets side loans and advances are up by £12 million and investments by £14 million.

LLOYDS BANK (FOREIGN) LIMITED

During the year, we agreed to acquire as from January 1, 1955, the one-half share in Lloyds and National Provincial Foreign Bank Limited held by the National Provincial Bank Limited. The directors of both the shareholding banks feel there are advantages to be derived from the substitution of sole ownership for the former joint proprietorship.

The name of the foreign bank has been changed to Lloyds Bank (Foreign) Limited and that of its Belgian subsidiary company to Lloyds Bank (Belgium) Société Anonyme.

CHANGES SINCE 1938

To the outside world it may seem that the great clearing banks such as our own carry out certain useful but stereotyped functions with little change from one year to another.

It has been a valuable experience for me to learn how far-reaching are some of the changes that have been going on beneath the surface of our banking life during these past years, how extensive the process of adaptation to changing conditions. I feel sure that it will interest you as shareholders if I devote my first annual statement to discussing some of the ways in which the Lloyds Bank of today differs from the Lloyds Bank of prewar days, and say something about the problems the bank has been having to face.

The sixteen-year period from 1938 to 1954 has been one of monetary upheaval. In this as in other countries, the deficit finance of the war and early postwar years started a fall in the purchasing power of our currency which even today has not been completely arrested. The clearing banks are the chief instruments of government borrowing through the banking system. From the annual balance sheets you will be familiar with the resulting expansion in our deposits: they are more than three times as large as before the war.

In this process the clearing banks have, of course, been largely passive agents. It is decisions on the part of the monetary authorities which regulate the volume of bank deposits, since deposits cannot expand unless the authorities provide the necessary scaffolding of additional cash reserves and other liquid assets.

When official policies bring about a general expansion of bank credit an individual bank will share in it only so far as it can hold its own in competition with others. I am glad to be able to point out that our share of the total deposits of the eleven London clearing banks, or of the five larger banks, is slightly higher today than just before the war. But a large expansion in our resources, when it reflects a general inflationary movement, is by no means the unmixed blessing it is often assumed to be: it can create real problems in our internal finances. I shall come back to this later.

EXPANSION IN ACTIVITIES

Let me tell you something of what has been happening to the scale and nature of our operations. Our first duty as bankers is to ensure that a supply of cash is always there at each of our 1,750 offices to meet our customers' requirements. This cash supply must be not only adequate in total but correctly distributed between the various denominations of notes and coin. That does not arrange itself automatically. A considerable feat of organisation is involved, in which head office and our score or so of "cash centres" are assisted by intelligent anticipation on the part of all our branch managers. Last year, movements of cash between our various offices totalled no less than £500 million, apart from movements of cash between our own and other banks. In silver alone we handle over our counters about £100 million (or over 11,000 tons) a year.

These are small figures compared with

those involved in the transfer of funds by means of cheques and other book-keeping entries. While our deposits have about trebled since 1938, the monetary turnover passing through our books has quadrupled; cheques drawn by customers on their current accounts now amount to some £34,000 million a year.

In our day-to-day work what matters is not only the size of the figures written on the face of a cheque but also the number of cheques and other entries to be dealt with. This in turn depends, among other things, on the number of accounts entrusted to our care. Before the war we had rather more than a million current accounts and about an equal number of deposit and saving accounts. The number of current accounts has since risen by considerably more than half. Indeed, since before the 1914 war there has not been a single year in which the number of our current accounts has failed to expand. On the other hand, the number of deposit and savings accounts has declined since 1938. The result is that we are today conducting about 2½ million accounts of all kinds, of which two-thirds are current accounts. The transactions passing through our branches have risen in slightly greater proportion than the number of current accounts, to a present figure of some 400 million a year.

STAFF TRENDS

It may surprise some to learn that in spite of this great expansion in what has been called our "ledger-keeping" activities, and the larger number employed in the specialised offices, our male staff is smaller than before the war. On the other hand, there are many more managerial posts to be filled.

At least one in three of those joining our ranks henceforth will be required for management, and many more than in previous generations will step on to the ladder of promotion at an early age. We have managers in their early thirties and members of the general management in their forties. About as many young men join us after National Service as before it; in either case they have entered their twenties before settling down seriously to a banking career. Coupled with the earlier age of promotion, this has ended the disheartening fifteen-year or twenty-year apprenticeship before the ablest newcomer could begin to acquire that experience in taking decisions which is the basis of sound banking judgment.

For our officials, these trends hold out the prospect of wider opportunity and accelerated promotion. For the bank, they emphasise the need to attract men of the right calibre and develop their technical qualifications. In this our pre-entry training college at Hindhead and the staff college at Kingswood have a great part to play. Since it was opened in 1948, about a thousand officials have passed through the Staff College, either on junior or senior courses, and getting on for half this number, having completed the senior course, have received managerial appointments. They have not only received intensive instruction in the practical art of banking but have enjoyed the invaluable experience of living side by side with a number of their colleagues from other offices of the bank. A considerable proportion of our responsible officials now possess this common background. It is of very great benefit to the bank.

We have been able to handle a substantial growth of turnover without adding to the male staff because of two closely related developments which enable us to provide first-class banking facilities in the most efficient way. The first of these is the greatly increased use of machinery. Some 500 of our branches are now fully mechanised, nearly 300 of them since 1938, and we are constantly

exploring new methods and devices. While there is a lower limit to the size of branch in which mechanical aids can be applied to full advantage, our intention is to carry this process much further.

The second trend is the expansion in our female staff, which has almost trebled over the period. In 1938 we had about four men to every woman; today the numbers are moving towards equality. I do not imply that our women staff are engaged solely on routine work. But there are comparatively few who remain in business as a career: most stay only a few years with us. To those who choose to stay with the bank and are suitably qualified we can offer a permanent career, with pension, as secretaries, cashiers or in the more specialised departments of banking, such as income-tax or securities work, or on the foreign or Executor and Trustee side.

Since joining the bank I have had the pleasure of meeting a large number of our officials: I have been deeply impressed by their loyalty, keenness and efficiency.

EXECUTOR AND TRUSTEE DEPARTMENT

The period has also seen a great expansion in the operations of our Executor and Trustee Department. In 1938 this had only ten offices, or one-third the present number. The policy of taking the service to every customer has resulted in a threefold increase in the volume of business. More than 100,000 customers have appointed the bank as executor.

BRANCHES IN INDIA, PAKISTAN AND BURMA

In spite of the far-reaching political changes in their part of the world, the Eastern branches can show a similar record of growth. Before the war a large part of their business was concerned with the accounts of British personnel in government offices and the armed forces. Most of those accounts have been closed, but a new business has been built up to take their place. The present number of accounts is almost three times as large, and deposits are more than five times as large, as in 1938. Basically, the business we conduct is that of an exchange bank, and is concerned with financing the movement of commodities in world trade. We have nevertheless taken our share in providing finance required for the industrial development of all three countries in which we operate, and have done this not only by making advances directly to private enterprise, but also by participating in government-sponsored ventures.

CREDIT EXPANSION AND COSTS

I pointed out earlier that the threefold expansion in our deposits since 1938 is not an unmixed cause for self-congratulation. An expansion of credit on that heroic scale is bound to be associated with a rise in the general price level, and this affects the bank in more than one way. It will be convenient to consider separately the implications for current earnings and for our capital account.

For the revenue account the important point is that the level of our outgoings—three-quarters of which represent staff costs—is necessarily related to the general level of prices. If prices rise, our expenses are bound to rise too, though not necessarily in exactly the same ratio. Whether an expansion in deposits will or will not benefit our earning capacity thus depends on a simple comparison: whether the earnings on the additional resources exceed or fall short of the accompanying addition to our costs.

The sixteen-year period falls into two contrasted stages. Almost the whole of the

expansion in deposits occurred during the first ten years—from 1938 to 1948. Then the rise in prices was kept down by rationing and physical controls. A great deal of additional money had been created but it could not be spent freely; so prices in 1948 were less than double those of 1938.

This combination of rapidly expanding deposits with lagging prices and costs might have been expected to bring a great increase in our earnings. But strong forces were operating in the other direction. If costs were lagging, so were the earnings on the additional deposits. One major factor was the fall in the ratio of advances—our main earning asset—from over two-fifths to little more than one-fifth of deposits. The additional deposits had their counterpart largely in Treasury deposit receipts or money market assets earning a fraction of 1 per cent.

Throughout these years, therefore, the rate of return on our assets was falling steeply, so much so that an increase in commission charges eventually became necessary. None the less, the proportion of our total earnings derived from commission charges is very much the same today as in 1938, despite the great increase in work done.

MORE RECENT TRENDS

In the second stage, our experience has been in important ways the exact opposite. There has been relatively little further expansion of credit; over the past six years the rise in our deposits has been no more than 11 per cent. Unfortunately, this brake upon credit expansion has not sufficed to ensure monetary stability, for in 1948 the volume of bank deposits was abnormally high in relation to the then current level of incomes and prices. All that was needed to permit a further rise in incomes and prices was for the bank deposits already in existence to turn over more rapidly; and that has been happening.

Since 1948 retail prices have risen by some 33 per cent, a percentage increase three times as great as that in our deposits. The combination of more or less stationary deposits with steeply rising costs was calculated to reduce our earnings. But as things have turned out, the downward pressure on earnings was mitigated by the rise in short-term interest rates which followed the return to more flexible monetary policies in 1951. This has restored the yield on our money market assets to rather more remunerative levels. Overdraft rates also moved up in sympathy with Bank rate, though there has subsequently been a marked decline from the levels touched during the period of national crisis. Throughout the latter half of 1954, Bank rate was standing at 3 per cent. Yet it is a remarkable fact that the average rate on our advances during those six months was less than ½ per cent higher than in the second half of the cheap money year 1938, when Bank rate stood at only 2 per cent.

PROBLEM OF PENSION FUNDS

With interest rates around their present levels, a more normal balance has been restored between current earnings and current outgoings. But it is not through its incidence on operating expenses alone that a rising price level affects our finances.

For example, there is the problem of pensions. The size of pensions has risen with the level of retiring salaries and in addition the bank has gone some way towards alleviating for pensioners the effect of the increases in the cost of living subsequent to retirement. But the real problem relates to the position of the pension funds. The effect of a sweeping rise in prices and incomes is to render all old-established pension funds insufficient for the purpose they were intended to perform, namely to provide a

reasonable standard of living for those who have completed a lifetime of service. Provisions based upon the lower salary levels of earlier years need to be heavily supplemented in order to meet the full cost of pensions related to the much higher retiring salaries of today.

This is just one illustration of the way in which inflation destroys a large part of the real value of past savings. It is a problem we share with most other large business undertakings in the country, but it is particularly acute in banking because staff costs form so large a proportion of our total expenditure. It is obviously desirable that the pension funds should be progressively strengthened so that they can take care of our future pensions liabilities. The bank has taken action to this end and it is an expensive matter.

CAPITAL RESOURCES

Similar problems arise in connection with the bank's capital and reserves, and for the same basic reason: that sums accumulated in earlier years have needed reinforcement because of the shrinkage in their real value, which finds its reflection in their diminishing proportion to our expanded balance sheet totals. In 1938 our paid-up capital was £15.8 million and the reserve fund £9.5 million, to give total published resources of rather more than £25 million, in addition to which we possessed adequate internal reserves. Including this year's allocation, sums totalling £7.5 million have been transferred to the reserve fund over the period, and if the capitalisation proposal is approved our total published resources will be raised to £34 million.

It is true that there is no rule-of-thumb method of deciding the size of the capital funds which a bank needs in order to carry on its business. The guiding principles are that the resources as a whole must be sufficient to provide absolute security for our depositors and the reserves sufficient to meet fluctuations in our trading from year to year.

Obviously, the great growth in our deposits since before the war does not call for a commensurate increase in our capital resources, since for the most part the additional deposits have had their counterpart in Government obligations. Upon these, the question of ultimate loss does not arise, though provision must none-the-less be made against the difficulties associated with fluctuations in the market price of gilt-edged securities.

CHANGED COMPOSITION OF ADVANCES

It is different with our lending to the public, easily the most interesting, as it is the most difficult, of our several functions. The bank has a vital role to play in the national economy and in fulfilling that role we take, as is proper, normal commercial risks.

If we compare the analysis of our advances in 1954 with that of 1938, we find some significant changes. Expressed as a percentage of our total lending, the iron and steel and engineering industries show a threefold growth, while agriculture is two-thirds more; on the other hand, the share of personal and professional advances has fallen by nearly a half. When I recall that our advances as a whole are double the 1938 total and almost three times the low point reached towards the end of the war, it is obvious that many millions of pounds are involved in these changes. Further, the swing from personal changes, where readily realisable security is lending, where readily realisable security is generally taken, to the greater hazards of lending to commerce, industry and agricul-

ture—frequently with nothing more tangible than an assessment of a balance sheet position—of necessity involves a greater measure of risk.

It is true that our bad debts in recent years have been small, an experience due at least as much to the effect of rising price levels as to any deliberate avoidance of calculated risk by the bank. Indeed, until the recent recovery in personal savings and the revival of the capital market for equity risks, the bank had willy-nilly to support industry with very large individual lines of overdraft which could not be funded through the market in the usual way and to that extent violated the banking principle that advances should be repayable on demand.

The farming community remain our largest single class of borrower and I feel we can justifiably claim some credit for the increase in their production, which has been made possible by modern equipment and mechanisation installed with our help.

In recent years, the reopening of the commodity markets and the deterioration of foodstuffs have brought fresh demands for our money. The resumption of private building, too, means a return to our traditional function of financing the builder and, if need be, the owner-occupier of the house when built. This financing is of course done on a short-term basis; we do not compete with the institutions whose place it is to provide longer-term finance.

The removal of borrowing restrictions upon hire-purchase companies in 1954 led to an increase in our lending in that field. This is our proper function as bankers; we finance the well-established companies in this very specialised business and do not directly participate in hire purchase ourselves.

It is often said that a banker helps when times are good, but withdraws that help when they are bad. In fact, nothing could be further from the truth. Unless the position is clearly beyond redemption when trouble comes, the bank will nurse the patient, and many businesses which are prosperous today might not be so but for the forbearance and constructive imagination exercised by the bank in times of difficulty.

I am satisfied, in short, that our advances make a more valuable contribution to the national economy than ever before, especially in the sphere of productive industry. But the administration of these vast sums—and the banking system as a whole is lending almost £2,000 million—calls for a high degree of knowledge and skill on the part of our officials, if undue losses are to be avoided.

NEED FOR STRONG RESERVES

The need for strong reserves to meet contingencies is thus as great as ever. Given the growth in our figures, something more has been needed than the additions to our published reserves, and throughout the period the increase of the internal reserves has continued to be a priority for us.

I hope I have shown that the bank recognises its obligations to the various sections of the community with which it has dealings and does its best to meet them. For our customers we provide a first-class banking service at a reasonable cost. In the last two years we have been able to raise the payment to our shareholders, many of whom are themselves among the worst sufferers from rising prices. Within the limits set by our earning capacity in competition with our rivals we have been able to give both to the active and to the retired staff some relief against successive increases in the cost of living. But our overriding duty is and must always be to maintain the strength and the stability of our great organisation.

THE MIDLAND BRIGHT DRAWN STEEL AND ENGINEERING COMPANY

The eighth annual general meeting of the Midland Bright Drawn Steel and Engineering Company, Limited, was held on January 27th, in Birmingham, Mr H. Hipkiss, MInstBE (chairman and managing director), presiding. The following is an extract from his circulated statement: The group trading profits have decreased by £8,658 from £224,837 to £216,179, although profits available for distribution and reserves have increased by £11,091 from £63,457 to £74,548, the sole reason being the smaller charge for taxation. After provision for a similar rate of dividend as in 1953 the reserves of the group have been increased by the addition of £47,017, bringing the total reserves to £200,792 as compared with £153,775 a year ago.

Rising costs in material, production and services without a compensating increase in selling prices have resulted in reduced profit margins, particularly in the bright drawn steel trade where there was a general decline in orders at one period of the year. We have, however, experienced a gradual but noticeable recovery in the last three months of our financial year, and this rate of recovery has been maintained in the current year. The companies' order books show cause for considerable satisfaction but for obvious reasons it would be difficult to forecast accurately trading prospects in the months that lie ahead. The improvement to which I have referred earlier, came too late to make its full impact on the past year's results, but will ensure at least a promising start to a year in which we can look forward with confidence.

The report was adopted.

KILLINGHALL (RUBBER) DEVELOPMENT SYNDICATE, LIMITED DISTRIBUTION OF 35 PER CENT

The forty-fifth annual general meeting of Killinghall (Rubber) Development Syndicate, Limited, was held on January 24th in London, Mr Jack Addinsell, chairman, presiding.

The following are extracts from his circulated statement:

The company derived very little profit from its interest in rubber, but tribute from tin mining continued at a satisfactory level, revenue from this source amounting to £19,749 compared to £21,944 from the previous year. Profit before taxation worked out at £22,772, a reduction of £5,419 on the previous year. After providing £10,477 for taxation, transferring £8,000 to replanting reserve, paying an interim dividend of 7½ per cent and adding War Damage grants received, there remains £13,398 for disposal. Your directors recommend a final dividend of 27½ per cent.

With regard to the tin company, I should warn stockholders that our income from tribute may be affected by the restriction scheme which it now appears probable will shortly be introduced.

During the year the company continued its policy of replanting its old seedling rubber, and 84 acres were completed, while a further 50 acres has been dealt with since the close of the financial year. It is intended to replant a further 100 acres during 1955-56. The first of our postwar replantings comprising 153 acres of 1947-48 rubber has reached maturity.

The report and accounts were adopted.

WESTMINSTER BANK LIMITED

CONTINUED UPWARD TREND OF BUSINESS

CONSIDERABLE INCREASE IN ADVANCES

EXPANSION OF ACTIVITIES AT HOME AND ABROAD

GREAT BRITAIN'S SATISFACTORY PROGRESS

LORD ALDENHAM ON FACTORS IN THE OUTLOOK

The annual general meeting of Westminster Bank Limited will be held on February 16th at the head office, 41 Lothbury, London, E.C.

The following is the statement by the chairman, The Right Honourable Lord Aldenham, which has been circulated with the report and accounts for the year ended December 31, 1954:—

I much regret that the board is losing the services of two most useful directors next month: Mr C. A. Campbell has served us faithfully and well for nearly 50 years, but he has decided not to allow his name to be put forward for re-election next month; Mr R. W. M. Arbuthnot has been with us for nearly 20 years and has added to his normal bank duties the special care of the bank's rowing club, but acting on medical advice he too has decided to retire. I can only say how much the whole board will miss them both.

CAPITAL STRUCTURE

I want to thank shareholders and stockholders for the support which they gave to the proposals of the board last July for alterations in our capital structure. It is clearly desirable that the way should be made open for a gradual strengthening of our published capital, and a simultaneous reduction in the amount of the uncalled liability on our shares; and this has now been begun. The plan involved some alteration in the respective rights of shareholders and stockholders, and the fact that over 99 per cent of the votes cast by both classes were in favour of our proposals seemed to show that we had held the balance true.

The figures before you in the profit and loss account and balance sheet will themselves indicate to you that our business continues its upward trend, but I am sure you would wish me to comment upon some of the features underlying the satisfactory results achieved.

During the year we have opened 28 new banking offices. The result of this further expansion has been encouraging and well justifies the careful thought and thorough investigation which precedes each project of this nature. One result of this further increase of representation, coupled with a growing volume of business generally, has been that our staff numbers have shown a modest increase.

RISING COSTS

The cost of running our business continues to rise, and whilst one might wish to see a halt in the growth of our general expenses, it has given your board satisfaction to know that our staff have had some share during 1954 in the increased prosperity of our institution, and that despite this fact we were able to show an expansion of £148,461 in our net profit compared with the previous year. This has enabled us to declare the final dividend of 2s. per share on our £4 shares,

which, as a result of our capital reorganisation, are now £1 5s. paid.

The increase in the cost of our dividend, after providing income and profits tax, has taken nearly £78,000 of our additional profits, and bearing in mind our past experience of the way in which British Government securities can so suddenly depreciate in value, we have deemed it advisable in the best interests of our shareholders to make substantial allocations towards the further strengthening of our published and inner reserves.

You, and the board, have only too clear a recollection of such happenings about three years ago; what may not be so widely realised is the not inconsiderable decline in the value of British Government securities over the last two months. This decline in value is in the main the result of the belief that if a definitely inflationary trend appears, the instrument of bank rate will be used to check it.

BALANCE SHEET FIGURES

The balance sheet total of current, deposit and other accounts has grown by over £60 million during 1954 and at the figure of £907.9 million constitutes a record for our bank.

Of our main earning assets, advances have risen by £47 million; in a period of greater industrial activity and production this was to be expected and is a most welcome outlet for our increased deposits. It has suited us also to add to our short-dated investments at the expense of our money in the market and in bills, our least remunerative assets, the yield upon which tended to become uneconomic after the reduction in Bank rate in May.

The increase of £14 million in endorsements and other engagements is evidence of the growth in our foreign business, which has again been fostered by visits abroad by senior officers of our bank; during the year our representatives have been to the United States, Central America, the West Indies, the Middle East, Austria and Germany. One of our joint general managers and a member of our foreign branch management are in the Far East at the present time.

Thus I am able to assure you, and you will in fact have gathered it from reading these remarks and our figures, that this bank is very active in the extension of its business at home and abroad. The general managers, with whom I am in daily contact, never spare themselves in furthering the interests of our bank—proprietors, customers and staff alike.

Although our auxiliary, Westminster Foreign Bank Limited, has benefited from increased business activity in France and Belgium, this has been offset by heavier staff and other expenses, so that the net profit for the year remains approximately the same as for 1953.

Our affiliate in Ireland, Ulster Bank Limited, had a successful year and has been able to declare an increased profit.

PROGRESS TOWARDS PEACE

In considering the events of the year 1954, the first thought in all our minds must of course be: What progress has been made towards achieving a lasting peace? We may well feel that a great step forward has been taken in the creation of a stronger and more united Western Europe; but it is difficult to believe that the Communist nations have yet come nearer to the idea of peaceful co-existence.

At home, our farmers will long remember 1954 as one of the worst years that they have had to endure. Some areas were lucky, but over much of the country the weather has caused woeful havoc to hay and grain crops. There is also no little anxiety about the future policy of the government in regard to agriculture.

Industrially it has been a year of good progress: the total of industrial production has again risen notably, even though not so fast as in 1953; and it is evident that we have all begun to accept again what was lately an old-fashioned idea—that in order to enjoy we must produce, whether that production is of goods for our own use or for exchange with other nations.

Two years of increased production have shown us that we can thereby export more, invest more, and spend more on ourselves; though as a result of the removal of most of the restrictions on hire-purchase finance, some part of the extra goods bought in 1954 will have to be paid for out of future income.

WAGES AND SAVINGS

Wage rates have increased by some 3 or 4 per cent on the average, and earnings have increased by more than that as, on the whole, rather longer hours have been worked. But 48.2 hours a week, the figure given for April, 1954, by the Ministry of Labour, for men employed in manufacturing industry, is too high an average. It should be possible in some industries at least—and it would certainly be most desirable—to search again for methods which would enable the wage earner to produce as much in shorter hours as he does at present and yet draw the same wage packet. Dividends have also increased, and most certainly the man who saves to provide the tools of industry or the housing of the nation is worthy of his hire.

According to the figures issued by the National Savings Committee there has been a good increase in small savings, and the total of personal savings of all kinds, including such items as life insurance premiums, again increased during 1954. During the year also the index of retail prices remained relatively stable. These two facts must surely be inter-related. It is certain that people are more inclined to save when it looks as if savings will retain their purchasing-power. At the same time savings are themselves a means by which prices may be kept steady, since they reduce the amount of money chasing such

goods as are available. But saving is only one side of the picture; the other is costs of production. After twenty years of rising prices the greatest boon which savings, combined with improved efficiency throughout industry, could bestow on us all would be a stable cost of living.

"GENTLE INFLATION"

The idea of a "gently inflationary" economy for Britain is not without its supporters. There are some people who think we ought to reconcile ourselves to a permanent condition of gradually rising prices. What this seems to me to amount to is that wage earners and profit earners would constantly be increasing their slice of the cake at the expense of pensioners, of other persons with fixed incomes, and of future savers. And the size of that cake would most likely become smaller and smaller as high costs led to the loss of overseas markets and ultimately to the depreciation of the pound sterling. A rise in bank rate would seem to me much less undesirable than inflation.

During 1954, the excess of unfilled vacancies in the labour market over the number of registered unemployed rose to 100,000 although at the same time the total number in civil employment in November was well over a quarter of a million more than a year earlier. These figures suggest that we cannot rely on much further increase in the number of workers to raise industrial production, and point clearly to the need to improve machinery and technique to enable the same labour force to produce more goods. It is therefore most cheering to read not only of the vast new development projects of the motor industry, but also of the great increase in the number of applications to the Board of Trade by many other industries for location permits for new factories.

A BUDGET HOPE

Increased industrial investment will need new saving, and it is greatly to be hoped that the next Budget may give more encouragement to those companies and individuals who do make the effort to save. The recent increase in the limit for holdings of National Savings Certificates, the interest on which is tax-free, was followed by a marked increase in purchases by the public; the Chancellor might well take note of the encouraging effect on individual savers of even so slight a concession as this.

In spite of the abolition of many wartime controls, it is not possible to record any great drop in the number engaged in national and local government service. In October, 1954, the number so employed (excluding the armed forces and the police) was 1,231,429, only 11,168 fewer than a year before. This still represents over 5 per cent of the total in civil employment. It is natural and proper that there should be much reluctance to reduce numbers when other employment is not readily available; but with productive industry clamouring for more men and women it is to be hoped that this reluctance may be partially overcome and at least a check put on recruitment for government and local government services. It is difficult to make a fair comparison between the number of public servants now and before the war, but if we consider only the non-industrial civil service, which in October last numbered 638,200, we find an increase of 70 per cent compared with 1938. Is this increase really necessary or desirable in the best interests of our productive effort?

INDUSTRIAL DISPUTES

Industrial disputes have unfortunately wasted even more of the nation's working

time than in 1953. When a dispute interrupts the flow of exports, as any important stoppage nearly always does, the harm done extends far beyond what is obvious to those concerned. It is not merely a question of an accumulation of goods to be cleared by working overtime. The dislocation of trade may last for several months, and if our overseas competitors take the opportunity to step in, some of the damage may be permanent. It can easily be understood how even the threat of an industrial dispute hampers the efforts of those who are trying to sell goods abroad.

The mounting figures of capital investment in the coal industry, together with the assurances of increased output which the National Coal Board and the miners' leaders gave in January, 1954, led the nation to hope for a substantial increase in coal production, a hope that has not been fulfilled by the extra 1,730,300 tons of deep-mined coal produced in 1954. Whilst the particular difficulties of this industry are well known, and whilst it is realised that a good deal of investment is needed even to maintain production, the results are disappointing. We are still obliged to import coal from America—a most regrettable position.

EXTERNAL AFFAIRS

Taking the year 1954 as a whole we fared well in our external affairs. In view of our experiences since the war we naturally look at the figures critically to see whether the progress they show is real or only apparent. In the first half of the year we had a surplus on our current transactions with other countries amounting to £154 million, not counting defence aid. We shall not know the result for the second half of the year for a month or two yet; but we should show a substantial surplus for the year, though it may not reach £300 million—the figure which the Chancellor has said we should aim at as an annual average in order to build up our reserves and play our part in supplying capital for development to countries badly in need of it. A surplus would not be a great cause for satisfaction if it had been obtained by a serious running-down of stocks of goods, or if it were the result of a lucky and temporary fall in the prices of our imports compared with those of our exports; but neither of these things happened in 1954.

The gold and dollar reserve, which stood at just below £900 million at the end of 1953, had increased to £986 million by the end of 1954; and this was after making three big gold payments during the year: £35 million in July in repayment of past indebtedness to the European Payments Union, £40 million in August to the International Monetary Fund in respect of dollars lent to us against sterling in 1947-48, £65 million at the end of December for service of the American and Canadian loans. The payment of £65 million has been made in each of the last four years, but that the other two payments should also have been made with a loss of reserves on the year does show that we are beginning to stand on our own feet. Direct dollar aid, which amounted to £54 million in 1954, and off-shore purchases, that is, purchases of British armaments by the United States to supply to other free nations, have helped us; without this help our reserves would hardly have been maintained.

UNITED STATES AND CANADA

For the last six months of 1953 there was a considerable decline in industrial production in the United States and Canada, and this was reflected by a drop of some 12 per cent in our exports of merchandise to these two markets during the first half of 1954. At the same time our imports from them were

reduced by 9 per cent. The fact that this most unwelcome contraction of our trade with North America has been made good by expansion in other directions during the year has been a hopeful sign.

It must be remembered however, that the fall in industrial production in the United States never brought the index figure down to the level of 1952, partly, I think, owing to the well-founded confidence of her citizens that the United States can never fail to make progress in the long run; and in fact industrial production is now well on the way up again. It is to be hoped that our ability to weather this comparatively slight American recession will not lead us into easy optimism as to the consequences for us of any future recession there. We should not be wise to count on a repetition of the fortunate combination of circumstances which this time spared the sterling area the full effects of a shrinkage of demand in America.

EUROPEAN TRADE

The activity of trade in Europe has been a great advantage to the United Kingdom and the sterling area. The continuance of the European Payments Union was in jeopardy last July because some members were too much in debt, and we were one of the worst offenders in this way. It is therefore satisfactory to note that we have started to pay off our old indebtedness, and that since July we have shown a small net surplus in the monthly settlements. The Union has served its purpose well. It has enabled its members to make the most of their scarce reserves, and the credit it has granted has helped to tide some of them over difficult times.

The hope of convertibility of the pound sterling received a set-back during 1954 when the United States Government decided to defer consideration of the recommendations of the Randall Commission for some liberalisation of trade; but the President's recent message to Congress makes it probable that the question will be reconsidered at an early date. Even if the very moderate recommendations of the Randall Commission were adopted in full, we should still be a long way from earning all the dollars we should like to use in buying American goods.

PROSPECTS FOR 1955

In considering our prospects for 1955, we should be unwise to ignore some warning signs that have recently appeared. The level of production at home depends very much on the overseas demand for our goods, and that is often a question of price levels. Whilst the up-turn of business activity in the United States offers the hope of a re-expansion of our trade with North America, we cannot feel the same confidence about our trade with some sterling countries. Some of our best customers—Australia, India and New Zealand—are showing signs of anxiety at the present trend of their overseas payments and may wish to curtail their imports during the coming year. When the detailed figures of our total exports in 1954 are available it will probably be seen that the increase in those total exports is just about equal to the increase in our exports to Australia alone. Our exporters are doubtless taking note of this position and know that they may have to redouble their efforts to expand trade in other directions.

If, then, we can look back at our progress in 1954 with a feeling of considerable satisfaction, we ought to recall that it is not long since the economic situation of our country was rightly described as precarious. It would be less than honest to suggest that we can yet afford to forget that word.

ALEXANDERS DISCOUNT COMPANY

AN EVENTFUL YEAR

SIR ERIC GORE BROWNE'S STATEMENT

The eighty-seventh annual general meeting of Alexanders Discount Company, Limited, will be held on February 17th in London.

The following is the circulated statement of the chairman, Sir Eric Gore Browne, DSO, OBE, TD:

The year 1954 was an eventful year for the London Discount Market, in which your company is privileged to play a leading part.

You will remember that on September 17, 1953, the Bank rate was reduced from 4 per cent to 3½ per cent, the commercial bill was allowed to go free, and the discount market was allowed to obtain advances from the Bank of England at the rate of 3½ per cent against all eligible securities. The result was that market competition brought the commercial bill rate down to 2½ per cent, compared with a Treasury bill rate of about 2½ per cent. In May of last year, 1954, the Bank rate was again reduced, this time to 3 per cent, and the difference between the two rates narrowed to ½ per cent, and was at times even smaller. The clearing banks continued their practice of charging different rates for loans against Treasury bills (1½ per cent), commercial bills (1½ per cent), and bonds (1½ per cent).

THREE CONVERSION OPERATIONS

During the year there have been three important conversion operations by the Government, which, in view of the company's large holding in short-dated bonds, have had a considerable influence on its affairs.

Firstly, in June, 1954, £292 million of 3 per cent Defence Bonds 1954-8 were converted into 2 per cent Conversion Loan 1958-9; in addition, £300 million of the same stock were issued for cash. Then in July an offer was made to holders of 1½ Serial Funding Stock 1954; as a result £274 million were converted into 2½ Exchequer Stock 1963-4 and £139 million into 3½ Funding Stock 1959-2004. Finally, at the end of November, the holders of 2½ Exchequer Stock 1955 were invited to convert their holdings into 2 per cent Exchequer Stock 1960 or into 3 per cent Funding Stock 1966-8; £448 million were converted to the former and £202 million to the latter. It is noteworthy that in all these three operations, involving £1590 million, only £235 million remained unconverted.

In our domestic sphere you will recall that in October, 1954, with the sanction of the High Court of Justice and with your approval, your board decided to eliminate the uncalled liability on all the ordinary shares; and, after completing the necessary legal formalities, to create 1,200,000 new ordinary shares of £1 each ranking *pari passu* with the existing ordinary shares, and to issue these new shares credited as fully paid up (by way of capitalisation of £1,200,000 of the share premium account) to holders of the existing ordinary shares in the proportion of one new share for each existing share held. The issued capital of your company is now all fully paid.

AN ELEMENT OF UNCERTAINTY

As the year approached its end, sterling showed an increasing tendency to weaken in terms of dollars; and the discount market progressively reduced the price of their tender for Treasury bills. In this action, while we hope that we made some contribution to the solution of a national problem, no doubt the

market had in mind the possibility of a rise in the Bank rate and the danger of end-of-the-year credit stringency with its resulting necessary recourse for loans from the Bank of England for at least seven days at Bank rate. This recourse did in fact prove to be necessary. In the result, an element of uncertainty was introduced into the whole structure of money rates on the London market. Time alone will show whether this technique is in fact effective either in curbing inflation or in dealing with the national problem of external balances.

I have dwelt at some length on the principal events which took place in the vicinity of Lombard Street last year because I want you to realise that each and all of them affected your company in varying degrees. The London Discount Market, as it exists today, is a sensitive instrument and subject to influences over which it has no control and which may at any moment considerably influence its current position. Strength, liquidity and vigilance are more than ever of paramount importance to a discount house in an era of a controlled economy.

DIVIDEND DECISION

My colleagues and I have given anxious thought, not only to the rate of dividend which we should ask you to approve on this occasion, but also to the amount which we should restore to our published reserves after last year's issue of capital. In regard to the dividend, we have decided to recommend to you a final dividend of 8½ per cent on the ordinary shares as they now stand. In recommending this course to you—which in effect incorporates in the dividend the bonus of 5 per cent which we paid last year—I must emphasise to you that, while we have every hope of maintaining this dividend, it must depend on the results of future years.

In regard to the published reserves, we propose to transfer £200,000 from the profit and loss account and £500,000 from the contingency reserve. The result of this action on our part is that, including the share premium account of £533,750, the published reserves as shown in the balance sheet now amount to £2 million and with the carry forward to £2,267,000.

BALANCE SHEET FEATURES

Now, if you will turn to the balance sheet you will see that our capital appears in its new form—100,000 £2 6 per cent cumulative preference shares fully paid and 2,400,000 £1 ordinary shares also fully paid, while the total published reserves now stand at £2,267,000, made up of £533,750 on share premium account, £1,466,250 on general reserve account and £267,000 in the carry forward. You will also see that the deposits are £150 million, compared with £141 million the previous year, while bills discounted are very slightly larger at £75 million and British Government securities £77 million, compared with £68 million. Our balance sheet total is £154 million, compared with £145 million. Our turnover in Treasury bills was slightly less and in commercial bills slightly more than in the previous year.

The profit and loss account shows a balance of profit of £305,100, an increase of £23,500.

You will note that we propose to transfer £18,500 to the pension fund. This is on the recommendation of the fund's actuary, who considers the fund will then be strong enough

THE ECONOMIST, JANUARY 29, 1955

to bear the increased pensions payable in the future.

It remains for me to express to Mr Macnaghten, our manager, Mr Dawkins, his deputy, to the assistant managers, and to the whole staff our sincere thanks for all they have done for your company in the year 1954. We have a happy team at 24 Lombard Street. Board, management, and staff work closely together for the continued prosperity and success of a great discount house, operating in an uncertain world.

TANGANYIKA CONCESSIONS LIMITED

SIR ULICK ALEXANDER'S REVIEW

The annual general meeting of Tanganyika Concessions Limited was held on January 20, 1955, at the head office of the company, 1, New Africa House, Union Avenue, Salisbury, Southern Rhodesia, the Right Honourable Sir Ulick Alexander, GCB, GCMG, OBE, the chairman, presiding.

The following is an extract from his circulated review:

From the accounts you will observe that the profit after taxation amounted to £2,519,282. This profit is higher than last year, which, at £2,057,914, was a record, and your directors have been pleased to propose the payment of a final dividend of 45 per cent on the ordinary stock which, if approved, will make a total dividend of 55 per cent for the year.

The increased profit is again due to the prosperity of the Union Minière du Haut-Katanga, which increased its total net dividend from Belgian francs 1,250 for the year 1952, to Belgian francs 1,450 for the year 1953.

Addressing the meeting, the chairman said that in dealing with the Benguela Railway in his review published with the annual report and accounts, he referred to the continued necessity to finance expansion of the railway to meet increasing demands for traffic, and he expressed the hope that he would be in a position to announce at the annual general meeting new arrangements for dealing with this problem. He was now glad to state that arrangements were being made for the Benguela Railway to raise an additional £2,025,000 of capital by the issue of the remaining £2,250,000 of the £4 million 5 per cent debentures already authorised. This would provide the railway company with funds to complete the remainder of the 1954-55 programme and a new programme of capital expenditure to be incurred during the years 1955-57. The board considered that this capital expenditure was required to ensure the maximum efficiency from the existing assets, and at the same time to meet the rapid and encouragingly steady development of traffic, both internal and external, on the railway. It was expected that the capacity of the line for export through traffic would thus be substantially increased.

The debentures would be subscribed by their company at a discount of 10 per cent, and the funds for the purchase would be provided by the issue by their company of £2 million of 4½ per cent unsecured loan stock, 1965-75. He said he was happy to inform stockholders that Hambros Bank Limited and Morgan Grenfell and Company Limited, through Messrs Rowe and Pitman, and the company's brokers, Messrs Greener Dreyfus and Company, had placed this loan stock at 99 per cent privately with various institutions in the United Kingdom, with whom they were in the habit of doing business. The stock was redeemable by 20 annual redemption instalments of £100,000 each, starting in 1955 with the right to re-

THE ECONOMIST, JANUARY 29, 1955

deem the whole, but not part, of the outstanding stock after ten years at varying premiums.

This increase of the traffic capacity was necessary so that the railway company, while meeting, as it had always done, all traffic demands from the Belgian Congo, might be in a position to meet the increasing demands, both inward and outward, which were arising as a result of the progressive development of Central Africa. Stockholders would be aware that the traffic at present carried by the Benguela Railway Company consisted principally of minerals from the Belgian Congo to the coast. During 1954 a considerable tonnage of coal was carried from Lobito to the Belgian Congo and to Northern Rhodesia, and he thought it was fair to say that the assistance so afforded to the copper producers in the latter area had been of very considerable importance. When this improvement of the line was completed the Lobito route should be in a position to play a full part in the future development of the Central African territories.

The chairman expressed thanks to the company's staff for their untiring services during the year.

The report and accounts were adopted, the payment of the final dividend was approved, and the retiring directors were re-elected.

FLOWERS BREWERIES LIMITED

A SATISFACTORY TRADING RESULT

The fifty-seventh annual general meeting of Flowers Breweries Limited was held at Luton on January 24, 1955, Mr Bernard Dixon, chairman, presiding.

The following are points from his statement:

The weather conditions during the summer affected the trade of practically all our attractive country properties. Sales have been good in the more thickly populated areas.

The policy of widening our range of bottled beers has made further progress. A new stout, known as "Sable Stout", has met with marked success.

The policy of amalgamating breweries, which this company has so vigorously pursued in recent years, has been effective. The widespread interests of the group have enabled us to produce a satisfactory trading result in a year when climatic conditions have been unfavourable.

AN IMPORTANT DEVELOPMENT

The most important development that took place during the year was the amalgamation between J. W. Green Limited and Flower & Sons Limited of Stratford-upon-Avon, an important aspect of which has been the change made in the name of the parent company. The profits of the Stratford-upon-Avon brewery for the last nine months only of our trading year were attributable to the parent company.

The sub-division of the ordinary shares of the company into 5s. units has been in every way successful, and has achieved its objective in making these shares a more marketable security.

The board's recommendation in regard to dividend on the ordinary shares is in accordance with that predicted by the directors at the time of the amalgamation and is, of course, after payment of the dividend on the bonus issue of preference shares.

The report and accounts were adopted.

ILLINGWORTH, MORRIS & COMPANY (Worsted Spinners)

AN EXCELLENT TRADING ACHIEVEMENT

LORD WILMOT'S REVIEW OF THE INDUSTRY

The thirty-fifth ordinary general meeting of Illingworth, Morris & Company Limited was held on January 26th in Bradford, The Right Hon Lord Wilmot of Selmeiston, PC, JP (the chairman), presiding.

The following are extracts from his circulated statement:

The profit and loss account shows a net profit before taxation of £687,500 compared with £567,500 for the previous year. After providing £377,500 for taxation there remains £310,000, which compares with £248,500 for the previous year. The directors recommend an appropriation of £162,638 to general reserve. Current assets exceed current liabilities by £4,474,000.

The past year was the first reasonably normal trading period since the war. Prices moved only within moderately narrow limits and business came along in sufficient quantities to keep us fully employed and with sufficient work ahead.

As a result of this return to more normal trading, the long delivery dates, amounting to six or seven months for spinners, have gone. Orders are now placed because the goods are wanted and not just as a speculation or to keep in the ordering queue. Manufacturers and merchants, therefore, are in the fortunate position that they no longer need to make such long or heavy commitments for their requirements; but we, as spinners who buy our wool in the primary markets, do not share in these benefits since we must buy our raw materials when available.

The high level of wool prices last season was a matter of some concern and I am sure that, in general, lower prices, which would encourage an expansion of markets, would be welcomed by the industry. So far this season we have seen lower values and let us hope that stability at these lower levels has now been reached and, the difficulties of adjustment having been overcome, there will be more capital released for necessary development.

The question of synthetic fibres continues to be of interest to every worsted spinner. While we are convinced that these synthetic fibres have come to stay, the highest class end of the trade still prefers wool and pure wool. This is particularly true in the United States where eventually a substantial proportion of the yarns we spin find their way in the form of the highest quality cloth.

In the export market the demand for our yarns continues to expand and all steps are being taken to increase our overseas sales.

Our order book continues to be healthy, and, although I am glad to say our delivery dates have greatly shortened, all our works are on full time and evening shift work is still being undertaken.

The changing conditions of trade, however welcome, may produce increased competition and perhaps lower margins of profit. Nevertheless we face the future with confidence.

We have recently acquired the controlling interest in the old-established firm of John Smith (Field Head) Limited, which is now a subsidiary. The report was adopted and the total ordinary dividend distribution of 7½ per cent for the year was approved.

THE AVON INDIA RUBBER COMPANY

PREVIOUS SALES RECORDS SURPASSED

The sixty-fifth ordinary general meeting of The Avon India Rubber Company, Limited, was held on January 26th at Melksham, Wilts, Mr C. M. Floyd, OBE (vice-chairman), presiding. The following are extracts from the circulated statement of the chairman, Major R. F. Fuller, DL:

The group profit for the year, after providing for taxation of £119,260, amounted to £95,273, compared with last year's figure of £63,395 to which was added £80,000 brought from raw materials reserve.

During the year under review there has been an increase in the price of raw materials, but the rise has not been steady and the fluctuating nature of the market has caused manufacturers in the industry to show some hesitation in increasing their selling prices. Therefore the full impact of increased costs of raw materials was not passed on to our customers during the course of the year.

Our sales beat all previous records, both in volume and value, and this is a matter for satisfaction in the light of competition now being experienced. The current year has, so far, opened with encouraging prospects.

Our factory at Bridgend has passed through the inevitable difficulties associated with a new venture; it is now at the point of consolidation into a satisfactory concern.

Our business overseas has expanded and every effort is being made to continue this development.

The report was adopted and a total distribution of 8 per cent on the increased ordinary capital was approved.

MICHAEL NAIRN AND GREENWICH, LIMITED

INCREASED PROFIT

The thirty-third annual general meeting of Michael Nairn and Greenwich, Limited, was held on January 27th at Kirkcaldy, Sir Robert Spencer-Nairn, Bt, chairman, presiding. The following are extracts from his circulated statement for the year ended September 30, 1954:

The net group profit amounts to £432,632 and shows a satisfactory increase of £105,477. The subsidiary companies have retained £237,837, leaving a balance of profit accruing to the holding company amounting to £194,795. The gratifying improvement in the results justifies the board in recommending the payment of a final dividend of 6½ per cent on the ordinary stock, as increased by the new issue of shares made to stockholders in July. Together with the interim dividend of 2½ per cent, less tax, paid prior to the issue, the total dividends paid and recommended for the year are the equivalent of 8 per cent on the capital as increased.

I referred last year to the improved trading conditions which had operated in the latter part of our financial year. These favourable conditions have continued.

Shortage of raw materials is no longer a handicap to our industry. Linseed oil can now be purchased at world prices, and during the year we have been able to make substantial purchases on favourable terms, but there are now indications that prices are hardening.

The future prospects of an organisation like ours with world-wide interests are always difficult to assess. Unless disturbing situations arise, the future outlook is encouraging. The report was adopted.

ASSOCIATED BRITISH MALTSTERS

BOARD'S FORESIGHT REWARDED

MR H. N. HUME'S NOTE OF WARNING

The thirty-third annual general meeting of Associated British Maltsters Limited will be held on February 14th in London.

The following are extracts from the statement by the chairman, Mr H. N. Hume, CBE, MC, which has been circulated with the report and accounts:

Your directors are very pleased to present accounts which show larger profits and a marked improvement in the group's financial position. When I wrote my remarks at this time last year it could not have been possible to foresee all the favourable circumstances which have led to such a pleasing increase in profits, and it is my unfortunate duty to warn you that they are unlikely to recur this year. You do not need anyone to tell you that the weather during this last harvest season has been appalling and it is an historical fact that the profits of both farmers and maltsters suffer severely in such circumstances. If we had not provided our-

selves with first-class modern drying and storage facilities this harvest would have meant disaster for us. As it is these facilities will enable us to maintain the quality of our products in this difficult year.

The 1953 harvest, which largely affects the year covered by our accounts, took place in good weather and was easily handled. As a consequence our drying and storage facilities became available for handling on profitable terms large quantities of Government owned barley—a proportion of which we subsequently bought as dried barley at prices which enabled our export company to compete in world markets. Moreover our stocks fell in both volume and value and our interest charges benefited accordingly. Our subsidiary activities in the animal food trade also turned out more profitable than we expected. The conjunction of all these favourable happenings is the explanation of the increase in our trading profits from £297,316 to £364,280.

DIVIDEND POLICY

We have held our dividend at 10 per cent for many years and been severely criticised for doing so by stockholders, who do not appear to understand our problem, despite my attempts in these annual remarks to explain it. This year, however, we are

effectively raising the distribution to 12 per cent by paying our customary dividend on the ordinary capital increased by a distribution of one share in five from the free reserves. Your board believe that this method of giving a greater reward to stockholders is more acceptable than that of increasing the rate of dividend on a static amount of capital; and we intend to repeat it as and when opportunity offers.

Although the group's liquid position and the ratio of current assets to current liabilities is much better than it was we did not succeed during last year in repaying our bank overdraft, and until we can see our way to doing so your board feel they must continue to conserve the group's resources.

We are now in the midst of a very testing year for maltsters, and I hesitate to forecast the outcome from a profit point of view. As already stated, our foresight in providing at great expense storage and drying facilities has proved a godsend, but the consumption of beer in this country is falling and under the present weight of taxation will probably continue to do so: and the English brewing trade is the backbone of our business. On the other hand, our export trade continues to grow, our ancillary activities are doing well, and overall I can only express the hope that the year's results will prove reasonably satisfactory.

UNIVERSITY OF CAMBRIDGE

DEPARTMENT OF APPLIED ECONOMICS

Applications are invited for a research appointment in connection with an inquiry into the long-term economic growth of the United Kingdom. Applicants should have a first- or good second-class honours degree in economics or history and some experience of research in modern economic history. The appointment will be research in modern economic history. The appointment will be made for a period of two years in the first instance, on a salary scale starting at £500 per annum, and will qualify for membership of F.R.S.E.—Applications, which should state academic qualifications and experience, together with the names of two referees, should be addressed to the Director, University of Cambridge Department of Applied Economics, Downing Street, Cambridge, to arrive not later than February 21, 1955.

UNIVERSITY OF CAMBRIDGE

Applications are invited for one post of Agricultural Economist and two posts of Assistant Agricultural Economist. Qualifications should include an honours degree in Economics or a degree in Agriculture. Duties may include investigations (for the senior post) into the operation of agricultural policy and (for the junior posts) into either livestock production or advisory work. Salary scales (at present under consideration) in the range: Agricultural Economist, £676 to £949; Assistant Agricultural Economist, £396 to £676. Further details can be obtained from the Secretary, School of Agriculture, Cambridge. Closing date for applications, March 4, 1955.

UNIVERSITY OF EDINBURGH

RESIDENT COURSE FOR BUSINESS MANAGERS

A short Resident Course for Business Managers will be held in the University from July 16 to August 6, 1955. The aim is to provide the executive with a broader understanding of business problems and of the context in which business operates, and thus to assist in the transition from specialised to general management.

PROGRAMME OF STUDY

There will be three principal fields of study:—(i) Business in a Changing World (ii) Determination of Business Policy; (iii) Aspects of Internal Administration. Actual case problems will be studied and seminars will be led by practising business and professional men as well as University teachers drawn from several departments, including Commerce, Political Economy, Accounting, Psychology and Law.

ADMISSION

To encourage the exchange of knowledge and experience among members of the course, the number admitted will be strictly limited. There are no formal educational requirements. The fee for the course, including residence, is 75 guineas.—Further particulars and nomination forms may be obtained from Professor N. C. Hunt, University of Edinburgh. Early application should be made. The closing date is March 31, 1955.

CHARLES H. STEWART,
Secretary to the University.

WHITE FISH AUTHORITY

The White Fish Authority (which was set up under the Sea Fish Industry Act, 1951, to reorganise, develop and regulate the white fish industry) requires a professional economist with statistical qualifications for work on economic research, preferably with experience in marketing surveys. First- or good second-class honours degree essential. Minimum age limit 26. Starting salary according to qualifications and experience, but not less than £800 with regular increments. Successful candidate will be required to enter a Staff Superannuation Scheme and to work at the Authority's Headquarters which will shortly be moving to London. Applications from men or women stating age, education, qualifications, and full details of experience, should be sent to reach the Secretary, Conyngham Hall, Knarborough, not later than fourteen days from the date of this advertisement.

INVESTMENT MANAGER required for London group of Trusts. Knowledge of French an asset. Should be available to travel abroad when required. Would be eligible for pension.—Box 818.

RESEARCH FELLOWSHIPS

The Council of Europe and the High Authority of the European Coal and Steel Community will award jointly a number of Fellowships in 1955 for research into problems of European interest. Each Fellowship will carry a stipend of 300,000 French francs.

(a) Candidates for the Council of Europe Fellowships are invited to submit subjects for research in connection with:

- (1) European economic integration.
- (2) European political integration.
- (3) European history and philosophy in relation to contemporary problems.

(b) Candidates for the High Authority Fellowships are invited to submit subjects for research into economic, legal and social problems relating to the European Coal and Steel Community and its institutions.

A candidate may, if he so wishes, apply for both Fellowships. Further particulars, and forms of application, to be returned before March 15, 1955, may be obtained from The Controller, Education Division, The British Council, 65 Davies Street, London, W.1.

SENIOR EXECUTIVE

Shannon Duty Free International Airport requires a Senior Executive to control and develop its rapidly expanding retail, wholesale and mail-order activities. The position offers wide scope for a man interested in international trade, particularly with the United States. A record of successful modern management experience essential. A progressive four-figure salary will be paid and there will be an additional annual bonus based on results. The successful applicant will have an Irish background and a sound education. Applicants should write in confidence to: Office 61, Shannon Free Airport, Ireland.

THE TRAINING OF TECHNICAL TEACHERS

Applications are invited from men and women of approximately 25 years of age and over, for admission to a one-year course of training as full-time Teachers of General Commercial and Professional Subjects, and/or Office Arts (Shorthand, Typewriting and other Secretarial work), in technical colleges and similar institutions. Applicants who wish to teach general commercial and professional subjects should have a University Degree, or professional qualification, or a Higher National Certificate in Commerce. Applicants who wish to teach Office Arts should possess higher certificates of some recognised examining body in shorthand and typewriting, and should show evidence of a good general education. In all cases applicants will be expected to show evidence of good business and other clerical experience. The courses will begin in September, 1955. Recognised students will pay no fees, and they will be eligible for maintenance grants for the period of the course.

Further particulars and application forms may be obtained from the following Colleges on receipt of a stamped addressed foolscap envelope:

Bolton.—The Principal (S/1/4), Bolton Training College, Manchester Road, Bolton.
Huddersfield.—The Director (S/1/4), Huddersfield Training College, Queen Street South, Huddersfield, Yorks.
London.—The Principal (S/1/4), Garnett College, 83, New Kent Road, London, S.E.1.

OPERATIONAL RESEARCH

British European Airways require a Senior Methods Officer to apply operational research techniques to the study of a variety of managerial and operating problems throughout B.E.A. This is a managerial and progressive appointment offering wide scope for ability, new and progressive appointment offering wide scope for ability. Applicants should have a University Degree in Science or Mathematics, with a qualification in statistics, and some years in a position of responsibility, preferably in industry. Experience of conducting investigations involving statistical analysis essential. Starting salary within the range £1,075-£1,375 per annum, according to qualifications and experience. Pension scheme. Travel concessions.—Details of qualifications and experience to Chief Personnel Officer, B.E.A., Keyline House, Ruislip, Middlesex, quoting Reference B7.

THE B.Sc.ECON. DEGREE of London University is open to all without University residence. It is a valuable qualification for ambitious men and women engaged in accountancy, secretarialship, banking, finance, commerce, public services. Wolsey Hall (est. 1894) provides postal tuition of a high order for the three (in some cases two) examinations, at reasonable fees. More than 1,000 Wolsey Hall students have passed London B.Sc.Econ. (Final) exams. since 1925.—Prospectus from C. D. Parker, M.A., LL.D., Director of Studies, Dept. P17, WOLSEY HALL, OXFORD.

LEADING firm of Chartered Accountants with good experience. Chartered or Incorporated Accountants with excellent prospects and Salary not less than £1,700 per annum, with excellent prospects and local income tax at low rates. Free furnished accommodation, provident fund, car and kit allowances, medical expenses. Passages paid, including family.—Write Box R. 935, c/o Streets, 110 Old Broad Street, E.C.2

ASSISTANT STATISTICIAN, with degree in mathematics and/or statistics (or equivalent), required for work in connection with development—and production—investigations. He/she will be directly responsible to the Company's Industrial Statistician. Previous experience not essential. The post offers excellent prospects and carries senior staff status. Contributory Pension Scheme.—Applications, giving details of age, education, qualifications, etc., and quoting Reference T/AS, to Personnel Manager, Ferodo Limited, Chapel-en-le-Frith, via Stockport.

A JOINT PARTNERSHIP that is bound to please is cold lamb with A Rayner's delicious Indian Mango Chutney.

The Economist: Annual Air Subscription Rates

Anglo-Egyptian Sudan: £5.10s.	Hongkong: £7
Australia: £8.5s. (sterling)	India & Ceylon: £6
Canada: \$21.50 or £7.14s.	Iran: £6
East Africa: £5.5s.	Iraq: £6
Egypt: £5.5s.	Israel: £6
Europe (except Poland): £4.15s.	Japan: £9
Gibraltar, Malta: £3.15s.	Malaya: £6.15s.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland 2d.; Overseas 21d.—Saturday, January 29, 1955.

THE UNIVERSITY OF MANCHESTER

SIMON FELLOWSHIPS

The University offers a number of Simon Fellowships for advanced study or research in the social sciences. This term is used in a wide sense to include not only Economics, Government, etc., but equally fields such as Education, Jurisprudence and Social Medicine. Values within the range £700-£1,100 per annum (Simon Research Fellowships) or within the range of £1,150-£1,500 per annum (Simon Senior Research Fellowships) according to qualifications and experience. They are open to members of the public services as well as to persons with academic experience. Applications should be sent by March 1, 1955, to the Registrar, the University, Manchester, 13, from whom further particulars may be obtained, and who will be pleased to answer any enquiries regarding the scope of the Fellowships.

PREPARATION FOR EXAMINATIONS

UNIVERSITY CORRESPONDENCE COLLEGE

provides home study courses for General Certificate of Education (all Examining Bodies), London University Entrance, and Inter, and Degree exams. for B.A., B.Sc., B.Sc. (Econ.), B.Sc. (Sociology), LL.B., Professional Prelim., Teachers' Diplomas, Law. The College, founded 1887, is an Educational Trust. Highly qualified Tutors, low fees. —Prospectus free from Registrar, 60 Burlington House, Cambridge.

MANAGEMENT CONSULTANCY. A well-known company is prepared to train a limited number of suitable applicants for ultimate appointments as executives in management consultancy.

Applications are invited from men between the ages of 25 and 30 years who wish to take up a career in consultancy. They must be University Graduates in Economics or Engineering, preferably with some industrial or commercial experience; willing to travel home and overseas.

Salary paid during training appropriate to qualifications and experience. Please send details and indications of present salary level, in confidence, to Box No. 105, R. Anderson and Co., 14 William IV Street, London, W.C.2.

THOMAS HEDLEY & CO. LIMITED, Newcastle-upon-Tyne,

is seeking a man for its advertising department who has had some years' experience in the planning, choice and use of all kinds of media and who is looking for a post of important responsibility. He is likely to be a man of about 30. He should be of good education, preferably with a University degree. He will be working closely with advertising agencies and their media departments and would very quickly become responsible for the planning and choice of printed word media over a wide field. He would be expected to initiate and interpret research in all forms of media and to contribute to the formulation of policy in media buying. The salary is a good one and will be subject to material increases as the man demonstrates his ability. The post is permanent and pensionable and there is a non-contributory life assurance scheme. Letters of application should contain details of age, education and career, including H.M. Forces, and will be treated in complete confidence.—Please write to Personnel Department, Thomas Hedley & Co. Limited, Gosforth, Newcastle-upon-Tyne, 3, and mark envelope "M."

EXECUTIVE TRAINEE required for London Publishing House. Man aged preferably 22-25, British nationality, and either B.Com. with minimum two years' business experience or passed ACIS Final. This opening offers scope for interesting career with first-rate opportunities. Sound educational background, administrative ability and training in Accountancy, Commercial Law and presentation of statistical data essential.—Write, giving details of age, experience, qualifications and salary required, to Box 815.

CURE CHAPS with bad appetites by giving them a little of Rayner's piquant Indian Mango Chutney.

DOUGLAS GLASS

BRITAIN'S GREATEST PHOTOGRAPHER

OF MEN

43 Black Lion Lane, W.6. RIV. 7522.

DEATH DUTIES can be drastically reduced if you plan and act now.—Write, in confidence, to Robert A. Thomson, 11 Duke Street, St. James's, S.W.1.

EDITORIAL WRITER, able to deal with industrial subjects, wanted by Financial Times. Apply in first instance by letter, stating age, experience, etc., to Editor's Secretary, The Financial Times, 72 Coleman Street, E.C.2.

YOUR MONEY will make more money if you spend one shilling weekly on the Investors' Chronicle. Two free issues on request to 30 Grocers' Hall Court, London, E.C.2.

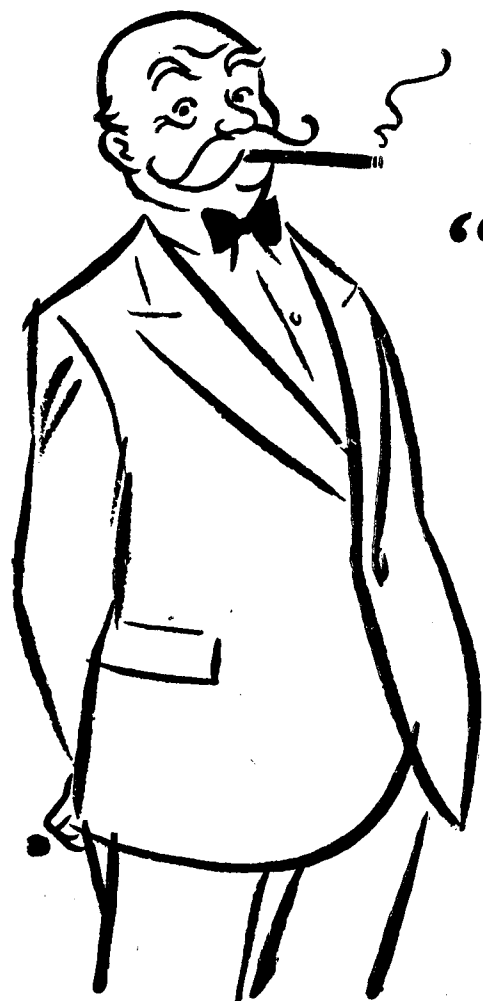
STOP THAT COLD meal from becoming unappetising by adding a little Rayner's Indian Mango Chutney.

EXPERT POSTAL TUITION

For Examinations—B.Sc.Econ., LL.B. and other external London University Degrees: Law Society; Bar; Accountancy; Banking; Secretarial; Civil Service; Commercial; General Certificate of Education, etc. Also many non-examination courses in business subjects.—Write today for free prospectus and/or advice, mentioning examination (if any) or subjects in which interested, to the Secretary (G 9/2).

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30, Queen Victoria Street, London, E.C.4.



"I like Opera but...

it's so deucedly difficult to fit in these days.

*Busy man and all that . . . , frightful bother
until my young jackanapes of a nephew badgered
me into getting a Black Box. Switch on*

any odd moment now. Don't miss a thing

. . . might just as well be in the

*Opera House. All due to something or
other called Hi Fi so they tell me."*

The Pye Black Box Record Player is the first instrument of its kind to be marketed in Great Britain. Never before has so compact a unit provided this high fidelity reproduction with such a room-filling quality of sound. It plays all speeds of records. Automatic changer or single player models are available.



BLACK BOX
RECORD REPRODUCER

AUTO CHANGERS 63 gns. Luxury Model, and 39 gns.
SINGLE PLAYERS 61 gns. Luxury Model, and 37 gns.

PYE LIMITED OF CAMBRIDGE

The Economist

FOUNDED 1843

FEBRUARY 5, 1955

ONE SHILLING

Formosa by Stages

Price Rings in the Corner

More for the Colonies

Nato's Next Five Years

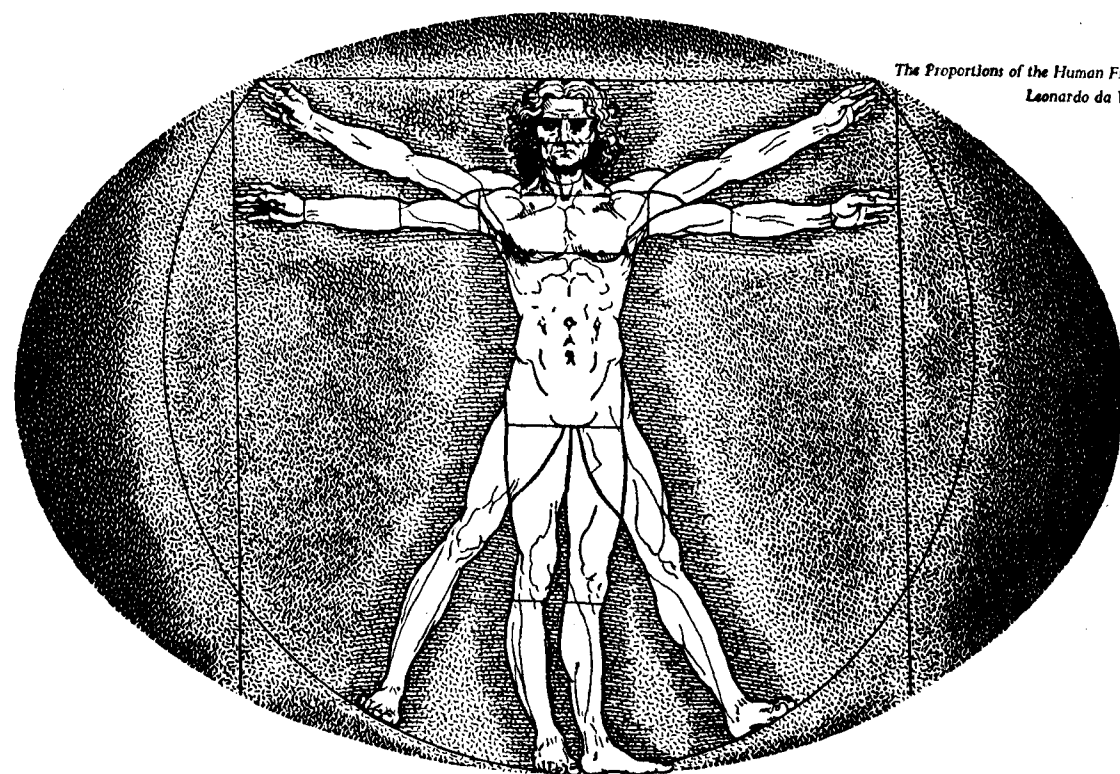
Hire Purchase Gallops On

Cottons to Lancashire

AMERICAN SURVEY: Spotlight on the Civil Service
THE WORLD OVERSEAS: Uneasy Calm in Central Africa
BOOKS: Rebirth of a Hero

Annual Postal Subscriptions: by ordinary mail £3; by air see page 499
THE ECONOMIST · 22 RYDER STREET · ST. JAMES'S · LONDON · S.W.1

VOLUME CLXXIV · NUMBER 5815



The Proportions of the Human Figure
Leonardo da Vinci

Man is the measure of all things—

PROTAGORAS (B.C. 481-411)

We live in an age of great organisations; can we also live in one of great individuals? To reconcile the technical achievement of modern society with the dignity of the men and women who compose it is the problem of our time. To reach a solution we must first be certain of the aim we set our mammoth communities and world-wide corporations; when the last superlative has been uttered, the test must be the same—how far they contribute to the happiness, understanding and liberty of the ordinary man.

The real measure of a modern industry is its power to preserve our human values while adding to our material heritage. Man is not just another factor in the productive chain—he is the reason for its existence.



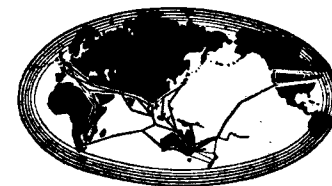
Esso Petroleum Company, Limited

Wherever in the World you're going



Qantas flies your way

on 68,000
miles of world
air routes



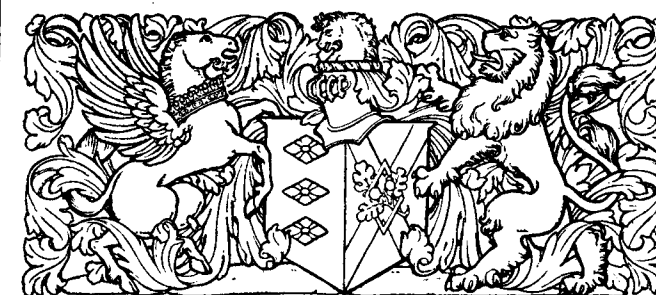
QANTAS provides impeccable service on the world's finest airliners including Super Constellations. QANTAS routes provide a wide variety of itineraries in world air travel—linking Europe, Africa, Asia, Australasia and America. De-luxe first-class and economical tourist services available on many routes. Stop-over privileges—no extra air fare. World's second oldest airline—over 34 years' flying experience.



AUSTRALIA'S OVERSEAS AIRLINE

QANTAS EMPIRE AIRWAYS LTD in association with B.O.A.C. & TEAL

Consult your usual appointed Travel Agent or any office of B.O.A.C.
—our General Sales Agent, or Qantas Empire Airways Limited,
69 Piccadilly, W.1. Phone: Mayfair 9200

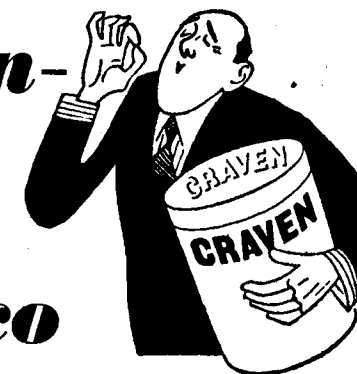


LEATHER UPHOLSTERY MAKES YOUR NEW CAR A LASTING INVESTMENT

Real leather is unique for its enduring comfort and luxurious appearance. So, even if this refinement involves a little extra cost, you will be more proud of your car and, when the time comes to re-sell, your good judgment will be more than rewarded.

"YOUR CAR AND YOUR COMFORT" is the title of a booklet on the virtues of leather upholstery and gives an up-to-date price list of cars that are available with leather upholstery. Write to: The Dressed Hide Leather Publicity Committee, Leather Trade House, Barter Street, London, W.C.1

Craven-
tobacco



to

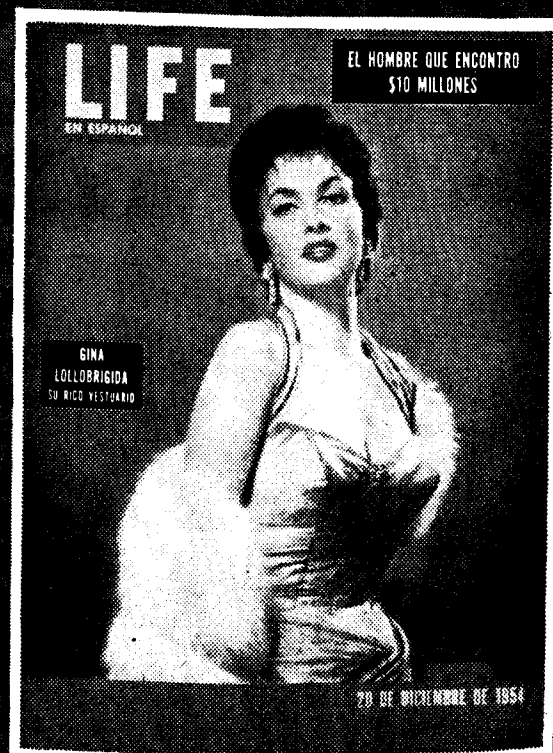
live for

IN TIMES OF STRAIN and trouble a Craven smoker turns to his tobacco for comfort and solace. And slowly, but surely, the mellow and cool burning CRAVEN casts its richly comforting spell to make life easier and brighter. "It is" said Sir James Barrie in "My Lady Nicotine" "a tobacco to live for." Every Craven man knows how right he was.

Try CRAVEN

Obtainable in 2 fragrant, slow burning, deeply satisfying blends.

Craven Mixture 4/7 oz. Craven Empire de luxe Mixture 4/3 oz.



One's in English... One's in Spanish

BOTH ARE ADVERTISING LEADERS... BECAUSE

In Latin America and around the world they speak for advertisers

- ... in the right way. They speak with unmatched effectiveness. Their pages are larger in size and finer in printing and colour reproduction than those of any other international edition(s).
- ... to the right people. They speak to upper-income groups—business, government and professional leaders.
- ... at the right price. They speak at the lowest milline rate among all international magazines.

That's why LIFE EN ESPAÑOL is first in advertising lineage and LIFE INTERNATIONAL

ranks first in advertising revenue among all international magazines.

Before finalizing your 1955 overseas advertising plans, telephone or write today to:



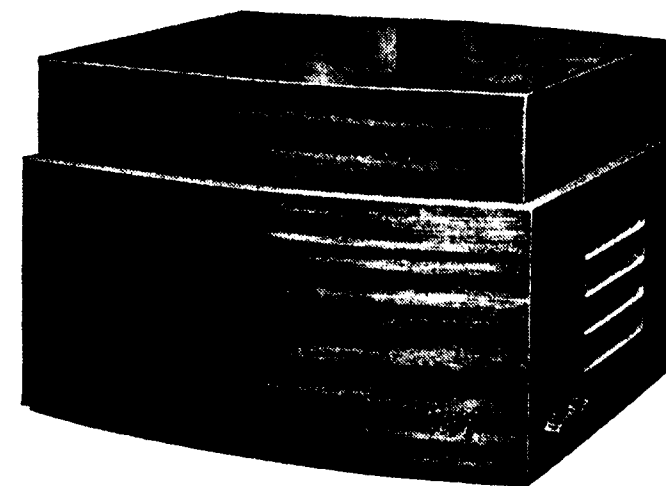
TIME & LIFE BUILDING, NEW BOND STREET, LONDON, W1



"Concertos can be costly..."

After all, it's not merely the cost of a good seat, but a trip to town and supper after the concert can soon knock holes in a budget—mine, at least. With the Black Box, I sit in the best seat in the house (my favourite chair). Listening with my eyes closed, the orchestra seems to fill the room. With my pipe going nicely, I want nothing more."

The Pye Black Box Record Player is the first instrument of its kind to be marketed in Great Britain. Never before has so compact a unit provided this high fidelity reproduction with such room-filling quality of sound. It plays all speeds of records. Automatic changer or single player models are available.

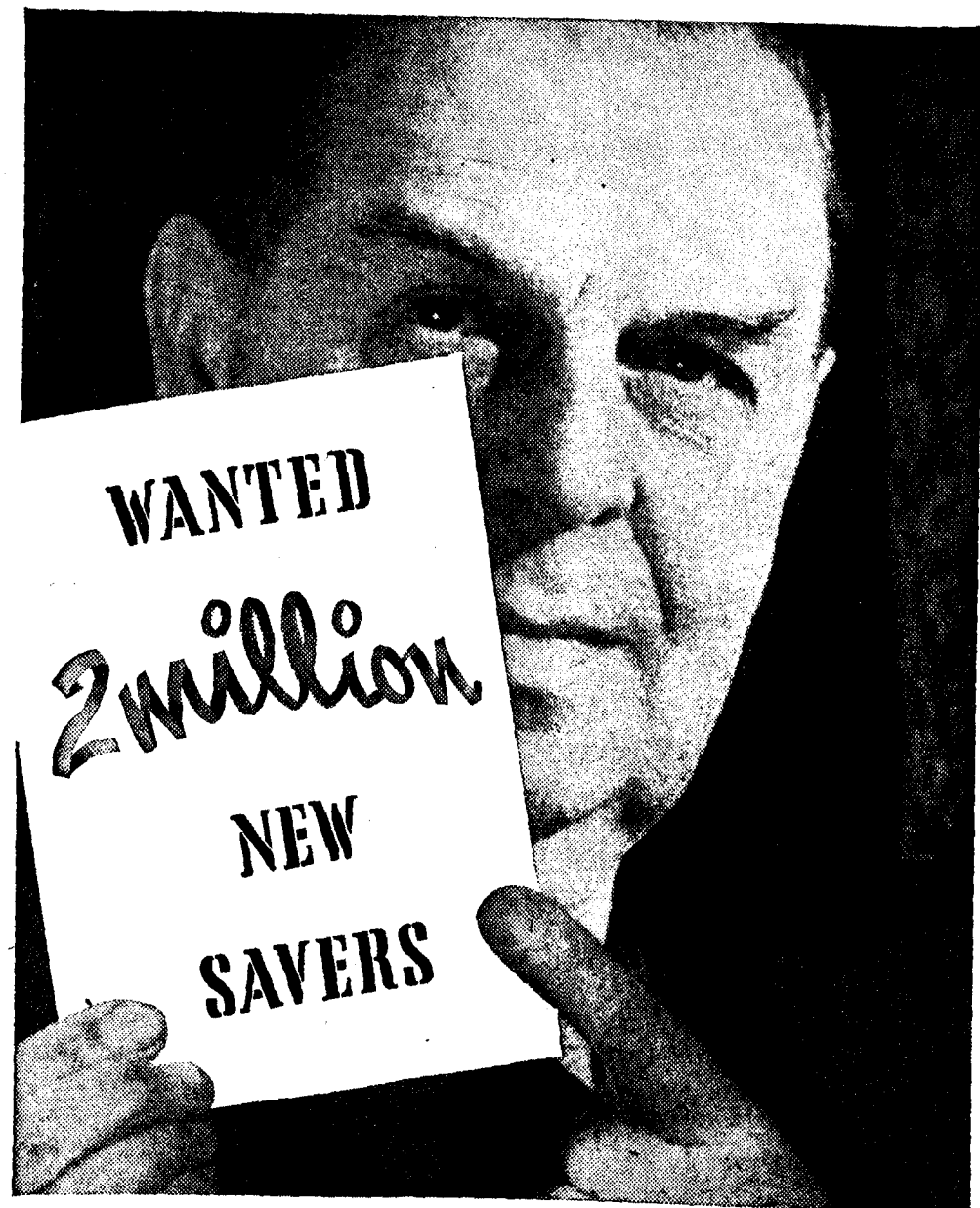


BLACK BOX RECORD REPRODUCER

AUTO CHANGERS 63 Gns. Luxury Model, and 39 gns.

SINGLE PLAYERS 61 Gns. Luxury Model, and 37 gns.

PYE LIMITED OF CAMBRIDGE



PERSONAL MESSAGE
FROM
LORD MACKINTOSH:—

“As Chairman of the National Savings Committee there’s no need to tell you I’m right behind this grand NEW SAVERS Campaign. It’s working up to something really big, but — we’re not home yet. So let’s keep at it until we reach our goal!”

ALL JOIN IN!

You can find out how to become a New Saver from your Bank, Post Office or Trustee Savings Bank, where full information will gladly be given to you.

You’ll probably find in your factory, street, school or club, a Savings Group you can join. Whether you decide to join this Group, or start saving on your own, the Voluntary Worker who runs the Group will gladly give you helpful advice about the different methods of

saving — by buying National Savings Certificates, Defence Bonds, and by opening an account in the Post Office or a Trustee Savings Bank. In any case you can start saving right away.

Another way to become a New Saver is by using some of your Savings Stamps to buy a 15/- Certificate or to open an account in the Post Office or Trustee Savings Bank with 5/-

BECOME A NEW SAVER TODAY!

“I pay people to know these things”

You may not have studied refractories. “Technical details?” you may say. “I pay people to know these things.”

Well, it is true that refractories are technically complex: their selection is a specialist’s job. It is also true that there are people who know all about them — only, they ask nothing for their advice.

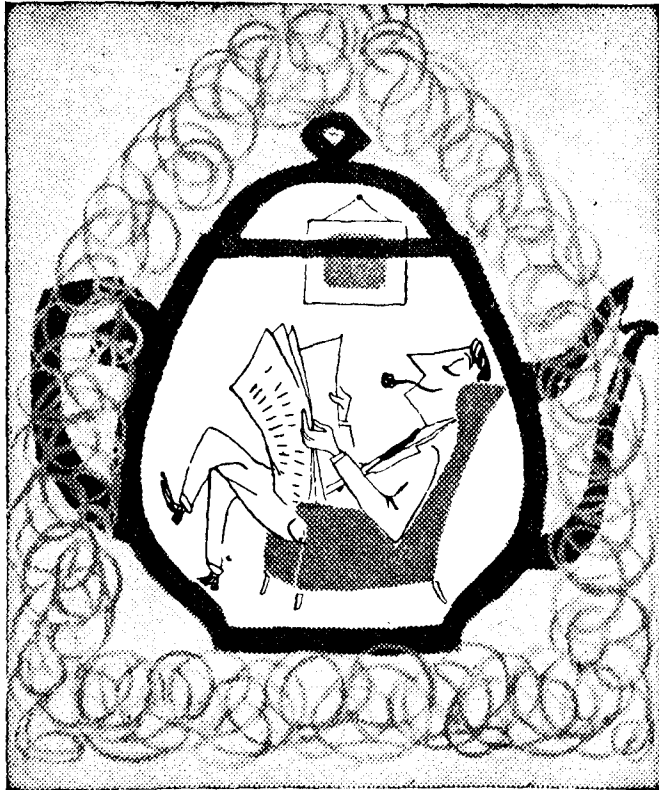
Morgans are refractory specialists: their co-operation is worth having. They manufacture a range of the finest refractories ever made. They designed and they operate the most up-to-date refractories plant in Europe. Their advice may be free, but it is completely authoritative.

You may never have seen a refractory, but refractories may be in your balance sheet, unseen. Refractories are the materials of which furnaces are built. A change in the refractories of a batch furnace can increase the output by 50%. You see?

MORGAN Refractories

ASK MORGANS ABOUT REFRACTORIES—THEY KNOW

THE MORGAN CRUCIBLE CO. LTD. (REFRACTORIES GROUP), NESTON, WIRRAL, CHESHIRE. TEL: NESTON 1404
NE89



if you
lived in a
teapot
imagine the
difference
a cosy would make!

Fibreglass bitumen-bonded insulation keeps houses cosy just like that. It costs about £6 and lasts for ever. Most builders' merchants stock it, and will give you details of easy-to-lay, fuel-saving and housewarming . . .

FIBREGLASS
TRADE MARK

Fibreglass Limited, Ravenhead, St. Helens, Lancashire

UNITED  NATIONS

Just Published

Growth and Stagnation in the European Economy

By INGVAR SVENNILSON

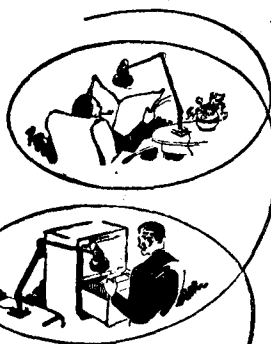
360 pages. Cloth 32s. 6d. (By Post: 33s. 9d.)

This major study, prepared under the auspices of the United Nations Economic Commission for Europe, surveys the economic growth of individual European countries and industries from the beginning of the First World War until the outbreak of the Second. The data which is included permits an appraisal of the progress of each European country in a variety of economic sectors, such as agricultural and manufacturing output, investment, trade, energy consumption, population, industrialization and urban settlement, as well as in a number of specific industries, including those of steel, coal, cotton, transport, motor, shipbuilding, cement and chemicals.

Obtainable from
H.M. STATIONERY OFFICE
P.O. Box 569, London, S.E.1
or through any bookseller

It moves in the right circles

There's a place for Anglepoise on every desk . . . by every arm-chair. It throws its beam exactly where needed at a touch—and "stays put". Needs only a 25 or 40 watt bulb. At any good electricians or stores. Send for booklet to Dept. 35



Black or Cream £4.14.8
Cream & Gold mottled £5.6.6

**TERRY
Anglepoise
LAMP**

Sole Makers: HERBERT TERRY & SONS LTD. REDDITCH. WORCESTERSHIRE



Well up in textiles, Mrs. Buchan?

In recent times many new methods have reinforced the traditional skill of the textile manufacturer and aided his search for greater efficiency and better materials. Many improvements have come from the use of phosphates manufactured by Albright & Wilson. In the dyeing and processing of textiles, Calgon and other phosphates have helped to give the bright and colourful fabrics of today.



Chemicals for Industry

ALBRIGHT & WILSON

ALBRIGHT & WILSON LIMITED • 49 PARK LANE • LONDON • W.1
TAW 170



"And the next few years?" asks the watching world

THE FORD FACTORY AT DAGENHAM, the largest in Europe, continues to make over 1400 cars, trucks and tractors a day. Yet even this record number is not enough. The growing demand for Ford could become embarrassing in the near future. What is being done about it? During the next five years Ford of Dagenham will be spending £65 million on new developments which will include factories giving a total increase of floor space equal to some fifty football fields! The object is to provide more cars for the ever-

growing number of motorists at home and abroad; more trucks for better transport; more tractors for better farming. Ford's success, which has made possible this great step forward, stems from Ford Leadership, which is correct anticipation of the needs of the many who, to a growing extent, depend upon cars, trucks and tractors for earning a living—and living. One result of the latest example of Ford Leadership will be that their famous slogan, 'The Best at Lowest Cost' will mean even more to more people.

"Here we come!" say

FORD

of Dagenham

FORD PRODUCTS—THE BEST AT LOWEST COST



The Economist

FOUNDED 1843

FEBRUARY 5, 1955

ONE SHILLING

Formosa by Stages	431
Price Rings in the Corner	433
More for the Colonies	434
Nato's Next Five Years	436

NOTES OF THE WEEK

Round Table in London; A "New Left" for France?; Transports of Planning; Seven in the Wilderness; A Jolt for Egypt; Moscow's Bristling Budget; Bidding for Japan; Fuss Over Free Travel; Battle of the Boroughs; Half Measure for the Crofts; The Neutrals' Unhappy Lot; German Labour Prospects; State of the Union; Redefining the Obscene; Partners in the North; Gardens or Farms?; Hungary Changing Course?; Children in Hospital; China's Backdoor Trade. 438

LETTERS TO THE EDITOR 448

BOOKS AND PUBLICATIONS 449

AMERICAN SURVEY

Spotlight on the Civil Service 454
Issue of Confidence; Better Health; Steel Up-to-Date; Warming Up Dixon-Yates; Panama in Hand; Guaranteed Wage in Sight?; Census of Public Enterprise; Shorter Notes.

THE WORLD OVERSEAS

Uneasy Calm in Central Africa 462
Storm Over Schoerner; Revolt in the Spice Islands; The Togliatti Line; Norwegian General Post; Crusader Against French Taxes; Transatlantic Investment; Sulphur out of Mexico.

THE BUSINESS WORLD

Hire Purchase Gallops On 471
Cottons to Lancashire 473

BUSINESS NOTES

Taking the Highroad; Four Years' Journey; Sterling Unaffected; Investors March On; The New Money Rates; The Boom in Profile; Coal In and Out; Whitehead Iron; The Unseasonal Deficit; Official Support for Gilts?; Business at the Base; Tea Prices Ease; Assam Contra Mundhra; 35 Year Mortgages; Lord Kennet Mark; Sharp Rise in Tungsten; Debenhams Debenture; Free Scrip from Ford; Olympus and Orpheus; Bancroft Doubles Up; Shorter Notes. 475

COMPANY NOTES AND SECURITY

PRICES 486
STATISTICS 489

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

Formosa by Stages

THE difficulty and the danger in the Far East is that the Americans are out on a limb. There are plenty of reasons why the fate of Formosa should be in dispute. Even the strictly legal position is open to various interpretations. The Chinese Communists are trying to enforce a claim which no one but a Communist or a fellow traveller could accept in its entirety. But—as the American Administration is beginning to realise—in standing up to Communist pressure on this particular question the United States runs an unpleasant risk of impairing the full support of its main allies. This wider issue is quite as important as the hour to hour development of events in the China Seas. To back down on Formosa at this stage could send a shock wave of defeat round the rest of Asia, including Japan; but to leave America to face the music alone would create exactly the situation at which the Russians have long been aiming, and its attendant mischief would sweep across the whole world.

The one encouraging feature in a week of bad news has been the firmness shown by the Security Council, which on Monday voted by 9 to 1—with Nationalist China opposing, and Russia abstaining—to invite Chinese Communist representatives to come to New York, and by 10 to 1—Russia opposing—to postpone the Soviet counter proposal condemning "American aggression." The risk remains that the war over Formosa may spread to the scale of that in Indo-China, or Korea, or even wider; so far it has been regarded with surprising coolness on both sides of the Atlantic.

China's determination to get Formosa has been well known since the end of the civil war in 1949. But there have been two recent developments. The drawing up of a formal defence pact covering America's relations with the Chiang Kai-shek regime was a blow to the Chinese in Peking, which they felt they could not ignore. The news last summer that such a pact was in the offing stirred them to action and marked the beginning of the present crisis. There is no reason to doubt that the Chinese Communist government meant exactly what it said in the Peking *People's Daily* when the pact was signed in Washington: the Chinese people "will never stop till Taiwan (Formosa) is liberated and will never forget the date of December 2nd."

The other development was for the Chinese to obtain firmer Russian backing. Until Mr Khrushchev, Marshal Bulganin and Mr Mikoyan visited Peking last October, the Russians had never committed themselves unequivocally in support of Chinese claims to Formosa. But in the communique after the October visit, the Russians declared jointly with the Chinese: "the direct acts of aggression committed by the USA towards the Chinese People's Republic (CPR) and the continued occupation by the USA of a part of the CPR's territory, in particular the island of Taiwan . . . all the above is incompatible with the task of maintaining peace in the Far East." This was followed on December 15th by a downright and unilateral statement from the Soviet Foreign Ministry denouncing the American Formosa treaty. In

it, the Soviet government "shares" the Chinese view that the treaty "is an interference in the internal affairs of China"; "fully supports the demands" of the Chinese "for the withdrawal of American troops"; and "declares that the responsibility for the consequences . . . is entirely placed upon" the United States. With this support the Chinese have now turned on the heat.

Apart from the danger of a wider war, the present complex and confusing situation gives rise to anxiety on four main points. The first is the military position on the spot. Without prejudice to the form of any ultimate settlement, could the existing Chinese Nationalist and American forces hold their present ground? On the whole the answer seems reassuring. If Peking could have readily driven the Nationalists from their outlying strongholds off the coast of the mainland, it would probably have done so before now. As matters stand, the Communists have taken only one of the Tachen group, Yi Kiang-shan; and although an orderly evacuation of the rest has been planned, it has not yet been fully carried out. Meanwhile, the political decks in Washington have been cleared for action by the vote in both houses of Congress, empowering President Eisenhower to deploy such American forces as may be necessary to defend Formosa. Provided he uses this power with the discretion that has come to be associated with him, at least a breathing space will be gained in which negotiations for a cease-fire can start.

★

The second cause for anxiety may soon be resolved: will the Chinese Communists accept the Security Council's invitation to come to New York to negotiate? The fact that Russia did not actively oppose the invitation is mildly encouraging, though the Communists will hardly take kindly to dealing with a tribunal on which the Nationalists have a seat. If, thirdly, the Chinese do come to New York but subsequently refuse to accept any UN terms for a cease-fire, there could be no escaping an invidious dilemma. So far no clearly defined aggression has yet taken place in the China Seas, despite all the bubble and froth. But it should be a constant anxiety in both Washington and London to avoid unnecessarily putting the United Nations in a position where much of the good done by the stand in Korea might be undone by an embarrassed weakness over Formosa.

There remains the puzzle of finding a permanent solution for Formosa that could be made to look even remotely consistent with present political realities in both the United States and China. When Mr Attlee and others get up and say that the Chiang Kai-shek regime must go, they are talking irresponsibly and in terms that they must know are unacceptable. It would have been far wiser to refrain from public statement about final solutions. The best that can be hoped for is to move in stages from a very dangerous position of explosive deadlock to one in which two utterly incompatible points of view can at least be discussed out of

the shadow of the guns. That move must now be the main object of the United Nations and of America's allies. The present concern should be the pace at which it is made rather than the final point it is going to reach.

Three possible stages in arriving at a solution are now becoming clearer and there is some chance that they may in time prove acceptable. The first must be a cease-fire. That is the prime task of the Security Council. If the Council fails to stop the present shooting, then attempts must be made to do so outside it. The second stage is to deal with the coastal islands—that is, with the Nationalist possessions, other than Formosa itself and the nearby Pescadores. The Communist claim to these islands cannot be refuted and in the long run there is no realistic alternative to evacuation by the Nationalists of all these islands, including the Tachens, the Matsus and Quemoy. The difficulty, however, is not only to get this recognised by the Nationalists and by those in America who urge a tough policy; it is also to persuade the Chinese Communist forces not to interfere while evacuation is taking place. Such an operation cannot be undertaken without the extensive use of American ships and covering forces. And perhaps the greatest danger to peace at present comes from the Communists' possible interference with a movement that, in the case of the Tachens, is already proceeding in their favour. For an attack would mean bombing American ships and putting Washington in an impossible situation with its own public.

★

Only at a third and much later stage can there be any question of trying to reach a solution for Formosa itself. When that time comes, several vital points will be relevant. The only road to Nationalist acquiescence will lie through Washington. And the Americans will have to have made up their minds how important Formosa really is strategically. Moreover, even to discuss the future of the island on its own merits involves acceptance by both the Chinese Communists and the Americans of the idea that there can be both a China and an entity called Formosa. At present the essence of both cases is that China and Formosa are one. If the Far East is not to dissolve into war, the task of the Russians on the one side and of America's allies on the other is to insist that this fundamental shift of ground takes place. Without it nothing else is possible. There are already signs that the Russians, whose own prestige is not directly involved, may be urging caution. For the allies the vital need is to make their feelings clear not only to Washington but to the American public as well. They have full sympathy for the extremely difficult position that the Americans are in; but they could also wish that the terms on which the United States has chosen to stand appealed more clearly to their sense of purpose and right.

Price Rings in the Corner

THE Opposition has found one of its better issues in the current campaign against restrictive practices in British industry, and not merely because this rubs some of the Tories' businessmen backbenchers on the raw. Some time before midsummer the Monopolies Commission will publish what will be by far the most important of its reports to date, a report on such general restrictive practices as "collective boycotts" and "exclusive dealings." It will be very useful to heat up public opinion on this matter; so that whatever government is in power next autumn will come to believe that there is a clear cut demand for action on this front.

What form should the action take? Labour's proposals have already been laid down. Mr Gaitskell reiterated the four things that it would like to do to weaken monopolies in a speech at Battersea last weekend. First, Labour wants to increase the staff and membership of the Monopolies Commission, so that it could proceed with more inquiries more rapidly. Secondly, it wants to take new steps to ensure that the recommendations of the commission should be more effectively carried out, and that details of its negotiations with individual industries should be made public. Thirdly, it wants to ban "the really vicious restrictive practices" like stop lists and boycotts. Fourthly, it wants agreements of all trade associations and cartels to be published. Any comment on these points will have to be broad, and it is also bound to be controversial. Very broadly, however, in his first two points, Mr Gaitskell seems to be barking up the wrong tree; in his second two, he seems to be barking right.

Labour's first point—that the commission could be made better by becoming bigger—seems to be based on a common misconception. It is true that it usually takes about two years for the commission to produce any report, and that this seems—at first sight—to be an inordinately long time to those who think that a Court of Inquiry can produce a document in a fortnight; but the closer one gets to any particular investigation, the greater seems to be the evidence that present procedure—by which each case is considered individually and judicially, but without the aid of a general body of case law—demands a time interval of this sort. If the staff of the commission were further extended, that would enable more investigations to be set afoot concurrently, but it would not enable those that are set afoot to be more speedily carried through. Moreover, the collective judgment of the commission has already been cut up into separate "panels"; to sub-divide the members even further might mean that in practice decisions came from not one Monopoly Commission, but several. Any increase in the number of inquiries, too, might tend to clog the Ministerial bottleneck at the top.

Nor is there very much profit to be gained from flogging the Government for the way in which it has

operated the present system, from saying that the investigations should be tougher and brought into daylight. The only case where the Government clearly has been dilatory is that Mr Thorneycroft has sat for the last nine months on the Calico Printers' report. This report threw a lurid light on the tangle of restrictive practices in Lancashire's declining cotton industry; it is a very hot political potato in that part of the world. In view of the attitude of the trade unions, it is a fair guess that Labour politicians themselves would have been just as dilatory as Mr Thorneycroft. Most of the other reports from the commission—to both postwar Governments—have resulted in effective, if not always dramatic, action; indeed, some of the trade associations investigated have hastened to clean out their cupboards before the reports upon their activities could see the light of day. If the proceedings at these investigations were made public, there would be an even greater tendency for those under scrutiny to waste time and to strike propagandist attitudes than now; and it would be much more difficult for monopolies quietly to throw away their most obnoxious teeth without also losing face. It would be a pity to introduce "reforms" which were designed to make the present system tougher and rougher—but, in fact, would merely make it less efficient and sleek.

★

The fairest conclusion about the work of the commission so far, in short, is that it is doing the limited task it has set out to do remarkably well. It has begun to clear away the worst examples of groups of manufacturers combining to stifle competition between themselves, by means of quotas or other artificial practices agreed upon for the common ill. If anti-monopoly legislation is to be tightened further, it must advance beyond this primary problem—to tackle one out of two others. One possible line of advance would be to extend the attack to those trade associations that stifle competition between manufacturers by means of gentlemen's agreements rather than by artificial sanctions; the difficulty about this, as American experience has shown, is that gentlemen's agreements are extraordinarily difficult to batten down. The second possible line of attack is against those trade associations that do not—or normally do not—stifle competition between manufacturers, but do not combine to prevent it altogether among retailers; these are the associations in which each manufacturer is allowed to decide his retail selling price—without reference to his competitors—and then joins with those competitors to block all supplies to the retailer who sells to the public below that stated price.

The Lloyd Jacobs Committee, which enquired into this practice of collective resale price maintenance

nearly six years ago, found that it was extraordinarily widespread; it stretches across a great part of the trade in toilet preparations, groceries, tobacco and sweets, books and stationery, hardware, motor accessories, and electrical goods. The main arguments in favour of these practices are that they enable small retailers to keep alive, to hold sufficient stocks and to provide additional services after sale. The main argument against them is not that sanctions are enforced by snooping and secret trade courts—although these exist, and can be made to look very shocking—but that they lead towards ossification of Britain's retail trade.

At the moment, there are several reasons why so many manufacturers do not cut their prices, even when a cut would clearly be as advantageous to their own profits as it would be to their customers. The first is that sales research, the estimation of how far a cut in price would lead to an increase in demand, is an extraordinarily neglected art in this country. The second is that when a British manufacturer contemplates undercutting his competitors he too often feels slightly hangdog, instead of evincing holy glee. The third—and the evidence before the Lloyd Jacobs Committee suggested that it is probably very important—is that retailers often work to a fixed percentage margin, and may act as a pressure group against any reduction in price which would cause the return from that fixed percentage margin to be cut; and it is becoming increasingly dangerous for any manufacturer to annoy his distributors in a semi-cartellised state. The fourth—or maybe the first—is that the British consumer has forgotten how to consume; if an article is cheaper he thinks there is something wrong with it. A ban on the sanctions used by groups of manufacturers to please their distributors at the moment would almost certainly be a boon to the consumer, and to the manufacturers themselves it might be a blessing in disguise.

It was at least partly for these reasons that the

Lloyd Jacobs Committee recommended legislation against collective resale price maintenance. In practice, the easiest way to effect this would be to ban the collective boycotts and other restrictions that are now being investigated by the Monopolies Commission—the “really vicious practices” of which Mr Gaitskell spoke. The Government is justified in saying that it cannot do this until the commission has reported. Once it has reported, however—and if certain practices are banned as a result—it will be important to watch that new and equally undesirable forms of sanction do not spring up in their place. The best weapon would seem to be publicity. Labour's argument that agreements of trade associations and cartels should be published—as they have to be in Scandinavia, Holland and some other European countries—deserves the strongest backing. If it is right that the names of shareholders in any concern should be open to inspection at Bush House, it is no less right that the agreements by which manufacturers may rig the market should be open to inspection by consumers' interests in the same way.

These suggested reforms—that certain collective restrictive practices should be banned and that all restrictive agreements should be published—constitute a very moderate programme. There are many people who would like to go further, to ban resale price maintenance by individual manufacturers as well as by collective groups and to launch some attack on price rigging by means of gentlemen's agreements as well as by artificial sanctions. But—especially as any reforms might affect trade unions more than they realise at the moment—“hurry slowly” is probably the only practical rule. But not too slowly; if the coming report of the Monopolies Commission is an effective one, and if it is not to be allowed to moulder on the shelf like so many reports on resale price maintenance before, it will be wise to keep up the flow of propaganda against these practices and their secret courts.

More for the Colonies

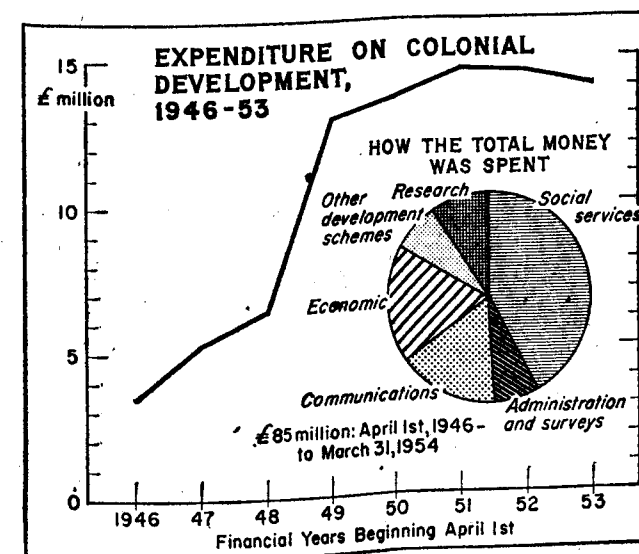
UNDER the new Colonial Development and Welfare Act the rate of colonial development, at least so far as government plans are concerned, is being stepped up fast. It took ten years to spend about £100 million of the £140 million provided under the original Acts. In the next five years both the unspent balance of £40 million and an additional £80 million now to be approved by Parliament are to be spent. This will be an increase of £10 million a year in the rate of outlay of British taxpayers' money. Colonial capital expenditure as a whole is fully keeping up. When all the original £140 million had been allocated, the colonies were asked to prepare new development plans for 1955-60; the total of these is in the region of £600 million, compared with an actual expenditure of about

£527 million in the past ten years. It is thus fair to say that government-financed capital expenditure in the colonies is to be doubled to a rate of around £120 million a year, the development and welfare proportion being kept constant at between a fifth and a sixth.

These figures should be impressive testimony of Britain's goodwill and desire that colonial economic progress should not lag behind the smart pace of political advance. But is this money effectively expanding colonial economies and introducing a dynamic element into the many large areas of purely subsistence economy which still surround the active areas where export crops are produced or where industrial activity is growing? And how far are production and local consumption keeping ahead of the increase

in populations, which in some colonies are doubling every twenty-five or thirty years?

Such deductions as can be drawn from the figures given in this week's White Paper (Cmd 9375) on the use of Development and Welfare funds under the previous Acts are encouraging. Colonial trade statistics return a plain tale of rising living standards, in terms of imports of cloth or bicycles per head of population and of everything else. Nor is this simply the result of high commodity prices in recent years. Thanks to private investment, as well as to investment under the official development plans, capital formation is accelerating; the White Paper estimates that it rose from some £190 million (for all the colonies) in 1948 to well over £400 million in 1953. These figures are necessarily very rough, and they include consumers' durables; but the probability is that they are conservative since they make almost no allowance for extensions



of cultivated areas under non-plantation crops, or for capital improvements in indigenous subsistence farming. What these are, if they could be assessed, is anybody's guess; but they are certainly far from negligible, and they are growing rapidly under the impulse of agricultural development, especially in training and research. If the aggregate of the national incomes of the colonies is put at £2,500 million (among the big colonies that have fair—but conservative—estimates, Malaya's is calculated to be £750 million, Nigeria's £590 million, Hong Kong's £250 million, Kenya's £107 million, and Uganda's £100 million), it seems that the proportion devoted to investment may be as high as 12 to 15 per cent; for some territories it is known to be higher. This would not be far below the proportion in Britain itself; it would be above that in India and in most other undeveloped countries down the course of history.

This is a picture of a startling—and so far barely recognised—boom. It would be entirely wrong to

assume that colonial development was insupportably slow before the war—the transformation wrought in African territories that were jungles interspersed with patches of shifting cultivation barely 50 years ago will not fit any such politically-coloured estimation—but undoubtedly development planning since the war has been a shot in the arm. Money has been spent at critical points; the system whereby development and welfare funds are for many colonies a very important part of their development expenditure, and are settled in London, helps to ensure that it shall be productively spent in setting local resources to work. The contrast between this approach and that of the Colonial Development Corporation is marked. Since 1945 the CDC has spent nearly half as much as the total outlay of development and welfare funds; and has almost nothing to show for it. The permanent achievements of development and welfare spending are too many to catalogue (the White Paper summarises them) but outstanding among them are, for example, three universities and four university colleges with 4,000 students in 1955—compared with two universities, both badly damaged, in 1945.

On the whole, economic development has been given priority in the plans. This principle has not always been pushed as far as some economists would like; the relative allocation to social and welfare objects, compared with such directly productive ends as agriculture or roads, has sometimes drawn adverse comment. It is possible that the £9.2 million spent on medical services between 1945 and 1954 may have increased the number of mouths to be fed more than the £8.9 million spent on agriculture and veterinary services increased the output of food. The results of aerial spraying against malarial mosquitoes in British Guiana or Cyprus suggest that a very modest investment in bringing medical science to bear can be balanced only by a far heavier outlay in raising agricultural productivity by modern technology. Science may have temporarily given greater power to curb tropical diseases than to raise the fertility of tropical soils (though the elimination of a single pest may raise the yield of a tropical crop by 20 per cent in a few seasons). But though population presses on resources in Malta, Mauritius or Barbados, the general picture does not suggest that a population crisis impends—or that investment in colonial agriculture is grossly inadequate.

Many colonies, moreover, prefer to concentrate development and welfare funds on social and educational objects and develop revenue-earning projects from local funds or loans; and, in any event, it is impossible to achieve economic progress and higher technical standards from an uneducated community. Nor is it possible to get useful results from the efforts of imported technicians and specialists—in whatever field—unless they are supported by an adequate local cadre

of trained assistants and unless their ideas can be interpreted to and understood by a still wider cadre of farmers, officials, clerks and industrial workers. The energies supposedly released by health expenditure must be set to work, through training, by educational expenditure in the broadest sense.

The allocation of development and welfare funds as between territories rather than between purposes perhaps needs reconsideration. Many small colonies depend for development entirely upon these funds (Seychelles, Somaliland, St. Helena) or very heavily upon them (Gambia, the Leewards, British Honduras). These territories will have to be subsidised indefinitely. Indeed, they might with advantage receive more, were it not for the difficulty that some of them face in preparing development plans at all. But a number of territories have received a great deal of money in the past ten years, which is, nevertheless, a small part of their capital expenditure—and a part that might easily be covered by drawing on their large London balances. Thus the Gold Coast has had £3 million from development and welfare funds, against a ten-year expenditure of £81 million, and Uganda £2.5 million against £28.5 million. Meanwhile, colonial balances in London have continued to rise. They now aggregate £1,400 million, of which a high proportion is attributable to the marketing and currency board reserves of the richer territories. Development and welfare funds have been allocated for many reasons, and politics has no doubt played a part. But a glance at the allocation of money since 1945 strongly suggests that, while the decision is one for themselves, some colonies would find it advantageous to finance more development out of their own resources. It is often said that the pace of development is slowed by

the impossibility of getting enough expatriate specialists; the short answer to this is that these colonies could spend their balances on paying them more to come.

There are the widest variations both in capital expenditure and development and welfare allocations per head as between colonies; this is, presumably, an expression of differences in need, though the contrast between British Guiana which got £10 a head (and even then Dr Jagan won the election), Jamaica which got £4 and Nigeria with about 15s. seem to call for some realignment. Economic considerations should certainly be overriding, and the objective should always be to generate enterprise rather than supply it in packaged lots. Beyond that, there seem to be two other criteria in bringing these funds to bear: the neediness of very poor countries, and the need of money for the solution of urgent colonial problems. Development and welfare funds can here have all the effectiveness of a mobile reserve, whether to deal with pests, with mineral surveys, with experimental crops or even with the lack of statistical information.

It may be doubted whether all the colonies will find it possible to spend up to their new plans in five years. Their difficulties will mainly lie in provision of specialist services—which the new Act, on its more generous scale, should help to overcome; and beyond that, in the expansion of their economies as a whole, which partly depends on such factors as world prices and internal economic policies. But the fact that development plans on such a scale can be worked out realistically, and that so far such plans have been perhaps no more than a quarter of the colonies' total capital expansion, is a hopeful sign. Britain does well to stimulate the energies of these 80 million friends and customers.

Nato's Next Five Years

THE high mortality rate of military alliances is a historical truism that has led to much anxiety about the ability of the North Atlantic Treaty Organisation to hold together once international tension is relaxed, or apparently relaxed. Both to governments and to private persons the answer has sometimes seemed to lie in what is called, according to the degree of expertise on hand, either "building up the non-military side of Nato" or "implementing Article Two." Article Two is an unexceptionable but somewhat woolly passage in the North Atlantic Treaty encouraging economic collaboration and the development of friendly international relations by strengthening free institutions and by promoting conditions of stability and well-being. As it stands it reflects the intention of the drafters that the alliance should be more than military; it also reflects the difficulty they had in defining what they meant. It is a peg on which almost anything could be hung. But

does the way to an enduring alliance lie in hanging things on this peg? Is Nato, after all the developments of the past five years, still simply a military alliance—and if not, what is it?

These are questions which every so often should be thought about afresh, both by those who instinctively believe that Nato must become something more than a military alliance and by those who wish it could, but fear it cannot. Until now, however, the tools for thought have been largely missing. It has not been easy for the intelligent layman and the would-be supporter of Nato to find out the facts about the organisation—the way it operates, how it reaches decisions, the problems that make up the Atlantic Council's daily grist. These mysteries have now been set forth clearly and comprehensively in a book * which gives anyone

* "Nato: The First Five Years, 1949-1954." By Lord Ismay. Obtainable from HM Stationery Office. 280 pages. 9s. 6d.

who is prepared to make the effort to read it some real sense of how the alliance works. What emerges most strongly from the Secretary-General's account is that Nato is indeed something different from military alliances as they have been known in the past. In these differences may lie the real hope for its survival.

During the last five years Nato has been steadily evolving new patterns of common action. The Nato "shield" today is a highly integrated fourteen-country defence system, not simply a linked chain of fourteen separate defence plans. Unlike more conventional alliances, Nato's strength no longer rests on the kind of national decisions that can be easily reversed under strong domestic pressures or after changes of government. Today, the eggs of the member countries are not merely all in the same basket; they are in the same omelette. For any member now to break away would be a formidable task of disentanglement, and extremely costly for it in terms of alternative defence arrangements, unless it chose to run the risks of lonely neutrality.

★

This has not always been the case. In its early days, Nato relied on sporadic consultations among its members rather than on a continuous combined planning operation. There was no unified command structure. As late as May, 1950, the Nato countries had only 14 divisions of uneven quality and strength on the continent, and the chances of holding Western Europe against any kind of an attack were remote. The alliance was shocked into action by Korea. General Eisenhower's supreme headquarters (Shape) began to function in the spring of 1951, and by the autumn, with the naming of the "Three Wise Men" as a temporary committee of the Atlantic Council to see how much defence national budgets could be stretched to buy, and what to do about the gap, Nato was well on its way to becoming more than an old-style military alliance.

Nato today, through the fourteen-country Military Committee, the three-country Standing Group, and in co-operation with the allied headquarters, plans the defence of the North Atlantic area on the assumption that all forces earmarked for Nato would form part of a fully integrated command. Frequent combined manoeuvres are already conducted by Nato commanders, and a start is being made on Nato training of reserves. In addition, even in time of peace, Shape is directly responsible for the maintenance, training and location of certain troops, among whom will be the West German troops once the Paris agreements are in effect. The Nato forces are supported by a network of "common infra-structure," the unlovely term which Nato uses to describe fixed installations such as headquarters, airfields, pipelines, and port facilities. Infra-structure is constructed at Nato's request, according to its specifications, on contracts for which any firm in the

Nato area can bid, and paid for by the member countries according to an agreed formula. Today a pilot of one country may fly a plane built by a second country, financed by a third, using as his base an airfield constructed on the territory of a fourth by a firm from a fifth, drawing his fuel from a Nato pipeline. By the end of 1955 as many as 165 such airfields should be ready for use, and by the end of 1956 there should be 3,800 miles of common pipeline.

Although this degree of combined military planning and common use of resources is unprecedented in time of peace, it is not as new in conception, nor in some ways as far reaching in its effect on the normal conduct of the business of government, as the "annual review." The annual review is a continuous process and the core of the work of the Council. It is the means by which the Nato programme, within which the commanders must plan and operate, is evolved. It is a year-long process by which the fourteen governments first assess the nature of the external threat; then, on purely military grounds, agree on what is required in terms of forces and equipment; then analyse together how these requirements can best be met, or how far they must be scaled down owing to other economic and political pressures on national budgets; and calculate the contribution of each country in terms of men, money and material. Although only the "force goals" become the subject of binding council decisions, from the time a pound, franc or guilder is first tentatively budgeted for the defence of the Nato area it becomes the concern not of one country but of fourteen. By the time an annual review is completed and the Council is setting the goals for the next year, inefficiencies and inadequacies in national planning, production, and training, if not cured, have at least been thoroughly exposed.

★

There is still much room for improvement. Nato is in some respects cumbersome and in others still reluctant to step on national toes. More could be done to standardise equipment, to rationalise production and to bring up to a common standard the training of reserves. But enough joint effort is under way to give Nato a cohesion that other military alliances have lacked. The combined effect of the habit of co-operation, the logic of strategy, and the heavy investment already made in a joint operation, itself provides a powerful adhesive. But there seemed to be something more that made Mr Dulles speak of an "agonising" reappraisal and that led M. Mendès-France to use the need to maintain the Atlantic Alliance as his compelling argument in favour of the Paris agreements. This "something more" is the same elusive "community of interest" that led the drafters of the treaty to compose Article Two. It is something that is clearly worth strengthening; but can anything so ill-defined be made more solid?

The solution certainly does not lie in the economic clause of Article Two or in trying to substitute Nato for the other organisations that already work in the economic field. Nato can make no contribution to the world's economic problems that cannot be made equally well by OEEC, Gatt, the World Bank and the International Monetary Fund. The North Atlantic area is not a natural economic unit. What, then, is the Atlantic community? It is a group of countries that share certain ideas of what is important in western civilisation, and are prepared to organise themselves to see that these ideas survive. It is an organisation which, although based on the concept that Luxemburg and Iceland have as much right to be heard in its councils as the United States, has gone a long way towards recognising the economic and military facts of life. It is a partnership in which each country pulls its own weight and in which each carries the weight to which it is entitled.

In the next five years, the most important long-term task for Nato will be to build up, mainly through day-

to-day contact, a sense of confidence in the member countries' conduct of foreign policy. This means confidence both in the decisions which must be made in the light of discussions in Nato—for example, decisions about negotiating with Russia—and decisions like those relating to Formosa, which lie outside the Nato framework. The fear of "blundering" or "backing" into war has to be overcome; and both the fear and the necessity for overcoming it become more important as the new atomic weapons take their place in the world's arsenals.

The greatest disintegrating influence in Nato today does not arise from the fact that Article Two has no clothes, but from the fact that the problems of mutual understanding between member countries have not been examined as searchingly as their defence budgets. This does not mean that the United States and Britain must give Portugal or Greece a power of veto over their foreign policy. But it does mean taking the time and making the effort to create a new degree of common understanding.

Notes of the Week

Round Table in London

FORMOSA hung, Damocles fashion, over the heads of the Commonwealth prime ministers throughout this week. If China rejects the Security Council's invitation to take part in its debates, an obvious duty to attempt some less formal approach to a cease-fire will devolve on the Commonwealth leaders, who jointly constitute a unique task force for such purposes. The Indians at least have an *entrée* in Peking, and their words ought to carry more weight there if they present a united Commonwealth opinion. Meanwhile, however, the Security Council's prompt action and China's hesitation before replying to it provided the prime ministers with time for a *tour d'horizon* of remarkable scope. They look like fitting into one crowded week, topics as various as the peaceful use of atomic energy, the Middle East, the Antarctic, Australian anxieties about trade, Pakistani republicanism and the defence of Malaya. The discussion on atomic energy was in itself impressive enough; with the talk ranging from Canada's Chalk River plant to Australia's uranium at Rum Jungle, there were indications that the peaceful atom may be becoming a new and strong bond of Commonwealth.

In the meetings devoted to regional defence there was evidently both more urgency and more doubt. The trans-

formation of the Middle East defence picture by the British withdrawal from the Suez Canal zone and by Pakistan's new link with Turkey affect not only that area itself but also South-East Asia. Australia and New Zealand, in particular, are now alive to their own close interest in the defence of Malaya to a degree that must mean a reinvigoration of the existing "Anzam" machinery, in which they are working partners with Britain. The two South Pacific nations can be expected to react to any threat to Malaya quite as sharply as they have reacted to dangers in the Middle East on some past occasions; but their difficulties when it comes to stationing any sizeable forces permanently overseas are well known, and any decisions taken at the present conference are bound to remain conditional on future developments in the whole Far Eastern scene.

A "New Left" for France?

FOR a French government which came into office by a near miracle, seven months is already quite a long life-span. Logic and arithmetic would both seem to point to disaster for M. Mendès-France in the present debate on North Africa in the French Assembly. His forensic

skill may win over some expected support, or some of his opponents may hold back at the last moment, anxious as ever that the prime minister should survive long enough to see the Paris agreements on Western Union finally ratified; but the hunters are clearly closing in for the kill. The government's two defeats earlier in the week, while unimportant in themselves, were symptoms that all could read.

It has always been plain that the present government had no coherent majority behind it. It lives on the skill, the prestige and the popularity of its leader. These are not cards that can be played endlessly in the parliamentary game, and some supporters of M. Mendès-France, looking to the future, have launched the idea of a "new left." This idea has been set out in rather vague terms in the weekly *L'Express* by two famous writers, the Catholic Mauriac and the Gaullist Malraux. It at once drew from the neutralist *L'Observateur* the retort that many left-wing groups would not back a man who had accepted German rearmament, and the Communists, headed by M. Thorez in person, poured scorn over the new intruders into their favourite field. But France is fond of verbal radicalism—it is an old tradition, honoured under the name of *sinistrisme*, that political parties adopt titles well to the left of their programmes—and the slogan of "*la nouvelle gauche*" has already become fashionable.

Yet it is far too early to speak of any real rebirth of the left. Politicians of many colours have linked their fortunes with that of the prime minister. Last week the motley character of his backing was symbolised by the threat of a duel between his new foreign minister and his most ardent supporter, the youthful editor of *L'Express*. On the other hand, a more conservative government might well encourage a regrouping of the forces of the left, including the Communists. That of M. Laniel nearly did so; eight months ago France seemed on the eve of a revival of the "*front populaire*." How long will there be a Mendès-France to prevent the Communists from exploiting such a mood?

Transports of Planning

FOR a party which was once so allergic to planning, the Tories are showing remarkable faith in it as the answer to their transport problems. Having acquiesced and even encouraged the railway wage settlement, which settled nothing, the Government is now busy trying to pretend that all the short-term problems that remain will vanish with the smoke of the condemned steam engines and at the first flutter of its plans for the roads. As *The Economist* goes to press, MPs are debating last month's rail crisis, but the broad lines of their discussion were obvious in advance. The Government put down a motion welcoming last month's settlement and looking to the steps proposed by the Transport Commission to establish "a modern and economic railway system." On what is to happen in the fifteen to twenty years before that happy stage is reached the motion says nothing. Nor, to judge by its amendments, has Labour found any constructive answer. It harks back to "the constructive policy of transport co-ordination and integration

pursued by the Labour Government," and laments that denationalisation of road haulage has robbed the Transport Commission of "a profitable source of revenue." So Labour's solution to the railway problem is to hide it under the cloak of a monopoly, and the Government's is to divert all eyes from it towards the horizon of 1974.

Labour's official reaction to the new road programme is still to be formulated; but there has been an immediate unofficial jibbing at the idea of tolls (why must Socialists always demand that public enterprises should be shackled by inability to use the price system?), and there will be delighted expressions of pained surprise at the more obvious omissions like the Severn Bridge. This may provide Labour with some election points in the areas omitted, but the Tories will clearly derive the greater part of the electoral advantage from these plans. Preparations for both rail and road development are so lengthy that the two new programmes will not start elbowing other investors and consumers out of the queue until some time in the next Parliament, and the Government can step forward at election time to receive applause for a performance which it has promised that future Governments will carry out. There are already signs that Labour's retort will be "anything they can plan we can plan bigger." Since investment in transport has for long needed a shot in the arm, this new atmosphere is mostly to the good; the same cannot be said for the factors that have caused this atmosphere to come about.

Seven in the Wilderness

THE seven MPs expelled from the Parliamentary Labour Party before Christmas are developing into a problem group. The peculiarity of their position was shown this week, when they put in a claim for a place on the all-party Select Committee on Estimates. They pointed out, quite fairly, that one of their number, Mr Yates, had served on the committee for a number of years, and would undoubtedly have been on it again but for his vote against "German rearmament" and consequent tiff with the party Whips. At first sight, their claim might seem strong. If the Liberal Party, with only six MPs, is entitled to a place, why not the Independent Socialists, with seven? Nor was the Government's answer—that all nominations must be made through the party Whips—necessarily convincing. It could well be argued that the party machines are quite powerful enough, without their having a monopoly on the right of appointment to select committees.

In practice the Whips usually see that all sections of opinion within their parties are fairly represented on the committees; but the issue could still become a serious one if either the Whips ignored minorities within their parties or a genuine body of Independents re-emerged outside the party system. In the case of the expelled seven, however, their independence is considerably qualified. When they were ejected from the Parliamentary Party before Christmas, it was widely assumed that they would be allowed back into the fold early in the New Year. No action was taken, therefore, to expel them from the Labour Party outside

Parliament, and they remain under the jurisdiction of Transport House.

The rebels themselves, having begun by rather flaunting their independence, are now showing a little more circumspection. No doubt they are beginning to realise the perils of their position. If they cannot work themselves back into the Parliamentary Party before the election, it is probable that Transport House will refuse to recognise them as official Labour candidates. Judging by past experience, that would involve them in almost certain extinction at the polls. The Parliamentary Party is still inclined to take most of the seven back, but the temptation not to do so grows on every occasion that Mr Silverman jumps up to put a point of order. And he is jumping up a lot.

A Jolt for Egypt

THE quarrel between Egypt and Iraq over the Turco-Iraqi pact has lapsed into temporary stalemate. When the Cairo meeting of Arab premiers found Iraq's envoys immovable as regards Nuri Pasha's intention to sign the pact, it agreed that Mahometans would have to go to the mountain, and despatched a delegation to Baghdad. Here its emissaries were courteously informed that Iraq's vulnerability was such that it must stick to its guns, and as courteously shown that Egypt's (and Moscow's) tales about Nuri Pasha's isolation from the Royal House and from all other Iraqi political parties were untrue. They were confronted with a statement issued after a meeting of Nuri and six leading politicians with the King and Crown Prince, and were enabled to see for themselves that he has the support of political adversaries who possess large followings, notably the ex-prime ministers Salih Jabr and Tewfik Es-Suwaidi. Certainly there exists in Iraq a very large bloc of neutralist opinion, but its mouthpieces are not men who have ever yet held office or national responsibility.

So what is Egypt to do? Junta members talk of expelling Iraq from the Arab security pact, or of Egyptian secession from it. But it is doubtful whether either process would gain Egypt ground in the long run; other Arab states, and notably Syria, may not be keen on cleaving to some smaller group formed merely in order that Cairo may be its unquestioned boss.

The whole tactful handling of the matter by the Iraqis, set against the petulant propaganda of the Egyptians, suggests some interesting differences between the two states. Besides the difference that Nuri Pasha is 67 and rich in diplomatic experience, whereas Colonel Nasser and Major Salem are relatively inexperienced and both under forty, there is a marked difference of temperament between the two nations. The Iraqis are by Arab standards phlegmatic, the Egyptians proverbially excitable and volatile. This weakness in his countrymen could stampede Colonel Nasser into some hasty act; but he would be more statesmanlike if he postponed action on impulse, and made the quarrel an occasion for some new thinking about Arab alignments. The Arab League has grown to be like the garden fence that is taken for granted until it blows down. When that happens, a wise landlord thinks about wholesale reconstruction.

Moscow's Bristling Budget

ALMOST as soon as the hastily convened Supreme Soviet had met in Moscow on Thursday, it was confronted with a budget whose principal feature was a sharp increase in military expenditure. The finance minister, Mr Zverev, introduced this with the somewhat restrained explanation that "the international situation has not changed for the better." It seemed safe to assume that later speeches to the Supreme Soviet would develop this theme in stronger language; and equally predictable that the docile deputies would accept the new burden of armaments without a murmur.

In all this there was nothing unexpected for the West. The convening of the Supreme Soviet and the presentation of a bristling budget so early in the year were always likely moves in the Russian campaign to scare western parliaments away from the Paris agreements on European defence. Indeed, the timing of the whole operation emphasised its propaganda aspect. If the Soviet rulers were solely concerned to reinforce their armed strength they need hardly have acted so precipitately.

Yet the internal effects of an increase in admitted military expenditure from 100 to 112 billion roubles, in a total budget that remains virtually unchanged at just under 563 billion, must also be treated as significant. On the eve of the Supreme Soviet meeting, the Communist party's central committee had held a week-long session in which Mr Khrushchev once again played the star role. He presented a new five-year plan for agriculture, with much more modest targets than its precursor, and with a strong emphasis on livestock and dairy products. Taken together with the current insistence on heavy industry's priority over consumer goods, this suggests that the Russian public can now expect more guns, a little more butter, and a good deal of disappointment on everything else.

Bidding for Japan

THE Communist propaganda offensive in Japan goes on apace. In the middle of January the caretaker Japanese Foreign Minister, Mr Shigemitsu, gave the Soviet Union the cue by saying that the initiative for ending the state of war must come from the Russians. Although Mr Shigemitsu re-emphasised that, in any peace treaty with the Communist bloc, Japan would lay strong claim to the return of the Kurile islands "and other former Japanese territories," no one in Tokyo expects to hold out for more than a partial restoration, notably Habomai and Shikotan; other Japanese conditions are reported to be the release of all so-called war criminals, Russian support for Japan's entry into Uno, and unrestricted trade. In reply, it has just been revealed, Moscow sent a message to Tokyo on January 25th declaring that "normalisation" of relations "would not be out of place."

Mr Shigemitsu has again repeated that alliance with the United States remains the basis of Japanese policy; and there seems little likelihood that any immediate recognition of Communist China is contemplated. Nor has Tokyo apparently yet decided what line it will take

at the Afro-Asian conference, to which Japan has been invited and at which it could act as a counterweight to Communist China. But the growing Japanese desire to run with the hare and hunt with the hounds is already being exploited to the full by both Peking and Moscow. There has been a spate of new suggestions for cultural and other kindred exchanges in 1955. The Chinese in particular are sending writers, painters, musicians, actors, playwrights, a circus, teams for basket ball, swimming and table tennis, films on land reform and on the emancipation of women, a fine arts exhibition, and even an exchange zoological troupe which would swap Siberian wolves and Bactrian camels for Japanese monkeys and long-tailed cocks.

The Communists are playing a dangerously promising game with Japan's two Socialist parties. Split into left and right factions after the war, these are now to fight the elections this spring in alliance, and the Communist radio station "Free Japan" is urging a merger after the elections are over. The basis of it would be a common policy of friendship with the Soviet Union and China. Some blame for these developments certainly lies on the leadership of the British Labour party. The party is widely respected in Japan and Mr Attlee should never have let Mr Bevan steal the show with his anti-American talk in Tokyo last year.

Fuss Over Free Travel

BIRMINGHAM CORPORATION has run into more trouble in its scheme, first decided on two years ago, to allow old age pensioners to travel free on its buses between 10 a.m. and 4 p.m. That decision, which would have been financed by transferring £90,000 from the general rate fund to the transport undertaking, was first challenged by a ratepayer, Mr G. V. Prescott, and was declared illegal by the Chancery Court. The Court of Appeal confirmed the ruling, on the ground that the council's general power to charge differential fares did not allow it to make what amounted to money gifts to one section of the community at the expense of the general body of ratepayers: the undertaking, according to existing legislation, was to be run as a business venture and should not go out of its way to make losses.

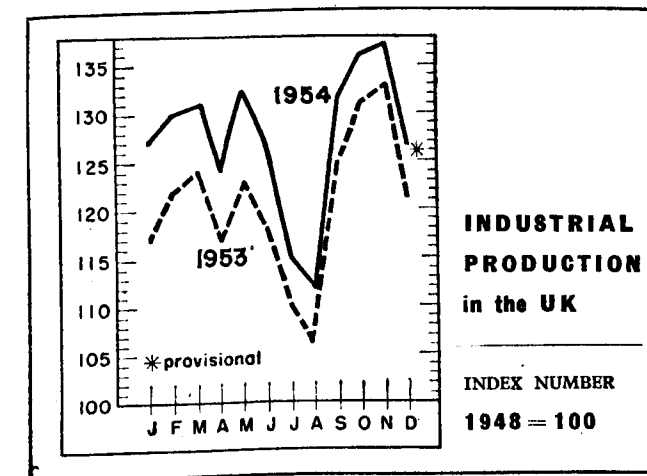
Following this judgment Birmingham Corporation decided to try to relegalise its scheme by introducing a private Bill into Parliament. It had to go to the expense of a town poll, and gained the approval by three to one of the (as usual, exiguous) number of electors who bothered to vote. Almost simultaneously, Mr Short, a Labour backbencher, announced that he would introduce a private member's Bill, which would allow this practice—which had been adopted by several other corporations besides Birmingham, in the blissful belief that it was legal—to be followed generally, without such fusses as town polls. Now that these two Bills are due to come before Parliament, however, the British Transport Commission has lodged an objection. It argues that these schemes might put an impossible burden on ordinary travellers, and will create unfair competition for the railways—which will lose the custom of the old people.

There are two principles at stake here. First, although the argument about the railways is rather silly, the practice of discriminatory and piecemeal subsidies for special groups is economically pernicious, as the history of the tobacco concession to old age pensioners has shown; it would be much better to give the £14 million a year which that concession now costs to all old age pensioners—or, still better, to all recipients of national assistance—indiscriminately, instead of only to those who say they smoke. Secondly, however, as the Birmingham ratepayers have been so economically foolish and so personally generous as to vote at a town poll that they want to give their old people free travel, they should surely be allowed to take the legal power to do so. The proper course for Parliament is to allow the Birmingham Bill to go through, but to oppose Mr Short's to the end.

Battle of the Boroughs

THREE towns—Ilford, Luton and Poole—have submitted Bills to Parliament which would give them county borough status. Their aspirations are very natural and, within the framework of the present system, logically irrefutable. Of the present 83 county boroughs, 66 have a smaller population than Ilford, 41 are smaller than Luton, and 26 are smaller than Poole. All three are tolerably wealthy. It is obviously unfair that they (and others similarly placed) should possess only a fraction of the powers enjoyed by the many smaller authorities who do have county borough status. Ilford and Luton in particular, who are now petitioning Parliament for the fifth time, cannot (as the Government has recognised) be fobbed off again with talk of general reform.

Yet the effect on other local authorities of giving these towns their way would be to open the gates to a flood. At present there are only three county boroughs in Greater London (East Ham, West Ham, and Croydon); they got that status before the metropolis sprawled outwards to its present dimensions. If Ilford is added to this select list, many other populous suburbs will have a logical case for inclusion in it too; and while Essex, which is Ilford's county authority, is large and populous enough to endure



this process, the final effect on the metropolitan structure of local government would be both curious and unsatisfactory. Again, the elevation of Luton and Poole would reduce their respective counties (Bedford and Dorset) to mainly rural rumps, of only 200,000 population each.

Mr Sandys has promised to make his long-awaited statement on local government reform very shortly. The half-loaf which is all that he can be expected to produce under present circumstances will have to be very carefully baked if it is to reduce—rather than add to—the glaring inconsistencies of the present system. However, as an interim measure, an amalgamation of some of the smaller counties would both improve the efficiency of the system and enable one or two worthy towns to be created county boroughs. At the same time, the Minister should institute an inquiry into the special and pressing problems of local government in Greater London and the other big conurbations, which have never been properly investigated. These steps would represent the best comfort that can reasonably be offered to Ilford, Luton, and Poole.

Half Measure for the Crofts

THE Crofters (Scotland) Bill, which had its second reading in the Commons last week, closely follows the majority recommendations of the Taylor report. The Bill re-establishes a Crofters Commission, which will be empowered to make loans and grants to Scottish crofters, to control the letting of vacant crofts, to remove absentee crofters, and to prepare schemes of reorganisation so long as these do not injure existing rights. When the Taylor report was published last May, *The Economist* suggested that, although there is a good case for aid to the Highlands and Islands, it will be a mistake if “doles and special privileges are dribbled out to these people, without giving them any incentive to grasp the commercial possibilities open to them”; and sided with those who believed that if the state is to provide the capital and credit for any energetic new schemes of reorganisation, there seems to be no real alternative to an extension of public ownership of the land concerned, which already operates in a large part of Skye. Those criticisms stand.

The Neutrals' Unhappy Lot

AN almost unnoticed event last week ought to give pause to those who assume that any problem like that of Formosa can be solved in a flash by merely bringing in neutral supervisors or controllers. The Swiss Ministers in Washington and Peking delivered diplomatic Notes asking the United States and China to agree to drastic cuts in the size of the four missions that are still kept in Korea to supervise the armistice of July, 1953. For Switzerland, which alone has a mission about a hundred strong in Korea, the proposed cuts are only a second best. The Swiss would prefer to abolish the supervision machinery altogether; they

expressed their wish to do so as long ago as last April. In brief, they regard the whole thing as a tragic farce.

The Swiss public were recently given an authoritative account of their mission's experiences in Korea by its former head, Colonel Wacker. He confirmed and enlarged on earlier reports that in North Korea the Communists systematically frustrated even the most elementary attempts to check the scale and direction of their troop movements. At the few railway stations where they were allowed to operate, they had to give several hours' advance notice before making a check. If, by mismanagement, a train entered the station while they were there, the Polish and Czech “supervisors” usually refused to agree to its being inspected; and almost as soon as the missions were back in their quarters, they would hear in the distance the sound of new trains moving through. Whenever it was proposed to send out a roving team to investigate alleged violations of the armistice in North Korea, the Poles and Czechs vetoed the idea. No pretence was made of permitting any control over movement by sea or air in and out of North Korea. And, while the Swiss and Swedes did their best to behave as genuine neutrals, the Poles and Czechs hardly bothered to disguise the obvious fact that they were dogmatically partisan. This lesson from Korea needs to be learnt. In Communist eyes, no non-Communist is neutral; and if a “neutral commission” is made up by balancing equal numbers of Communist and non-Communist representatives, it can and will easily be paralysed by the former. The quiet, regretful verdict passed by the Swiss should not go unnoticed.

German Labour Prospects

LABOUR troubles have been so rare in Germany that they tend to be exaggerated when they do occur. This year, however, there may be more labour unrest than in 1954. The trade union federation, bound by the decisions of last year's congress, has announced that 1955 will be a year of struggle for its various demands. These are for a larger share in the national income, an extension of “co-determination” and a new social welfare scheme. Some unions, but not the union executive as a body, are also demanding political action against the Paris treaties.

The German unions are campaigning for a five-day week, but it was admitted at the 1954 congress that progress towards it must be gradual. Direct wage increases are also on the programme. The first individual union to stake its claim this year is the mineworkers' organisation, which is asking for a 12½ per cent increase. The cost of living is not made the basis of wage demands. The federation flatly declares that it demands more of the national cake; and it is justified by the fact that productivity has increased more than wages.

The heads of both the employers' and the unions' organisations agreed last autumn to submit future disputes to arbitration; compromises will probably be reached in most cases. The effect of wage increases is hard to forecast. Only a few months ago, German economists were pointing out that there should be a moderate increase in wages in order to offset a deflationary tendency. Now, however, the pros-

pect of rearmament has made everyone concerned to avoid inflation. Germans in all spheres are determined that nothing shall upset their unbroken march to prosperity, and all the signs indicate that they will adjust their defence programme in order that there shall be no serious setback. If the union claims are met in part, there should be some increase in Germany's imports, in order to meet the greater demand for consumer goods. But this result should not be over-estimated. The average German is inclined to spend his bigger pay-packet on better housing and to put more by in the savings banks. Moreover, exports may also expand further. As the *Handelsblatt* has pointed out, the need to combine a defence programme with a continued rise in the standard of living presupposes that Germany continues to increase its sales abroad.

State of the Union

ULSTER members argued in the House of Commons last week that they ought to be discussing Ulster's unemployment rate (now 7 per cent) and its relations with England, not the Governor's salary and allowances, and proceeded, with no little dexterity, to discuss the larger matter. Scottish members in another debate argued that the Royal Commission, briefed to make proposals for improving Scottish administration, ought to have made them about a separate Scottish Parliament in a federal union, and proceeded to discuss the larger question also—though with less opposition from the Chair. There are forces in Ulster working for the abolition of the Ulster parliament, and there are forces in Scotland working for the creation of a Scottish parliament—but the arguments in either case were fatally attracted, as usual, to the fact that English standards of living are slightly higher than those of the other two countries (or of Wales). Nobody indicated how the suppression of the one, or the creation of the other, parliament would rectify the hard facts of economic life. Nor did any member make reference to at least one colony in which a school of thought is convinced that it can raise its standards to British levels if only it can send members to Westminster.

Despite these gestures towards nationalist constituents, most Scottish and Ulster members clearly believe that, on the whole, things are best as they are, intolerably complacent as the conclusion must be. The recommendations of the Scottish commission will be accepted, and the changes in ministerial responsibility will probably be made; Scottish local affairs will continue to be discussed mainly in Westminster, and Northern Irish affairs mainly in Belfast. Scots and Ulstermen will continue to be driven by hardship to England for opportunities, there to compete with talented men from the richer countries of Australia and Canada, driven to England by a sense that money is not, after all, everything. A case can be made for a Royal Commission on the advisability of a federal constitution for Great Britain. There are many attractive arguments for it, one of which is that Britain ought to taste the medicine she prescribes so freely for others, and which Nigerians, Pakistanis and even Indians do not always find easy to swallow or followed by a markedly increased sense of wellbeing.

Another is that the Celtic fringes of Britain should be allowed devolution if a majority of their populations want it—but nobody has yet found that out. But if any such body is to discuss the argument that constitutions raise national incomes, it will do useful service by exploding it.

Redefining the Obscene

RECENT prosecutions having spread alarm and despondency among authors and publishers, a committee appointed on the initiative of the Society of Authors—and originally under the chairmanship of Sir Alan Herbert—set to work last autumn to examine the law relating to obscenity. It has produced results quickly, in the shape of a draft Bill to amend and consolidate the existing law, and has submitted this to the Home Secretary.

Under the proposed Bill, the courts would be required to consider the intention (and even the general character)

Ministerial Crisis

There are few men who have any solicitude for the honour of their country who would not be glad that the transactions of the past week should be obliterated from its annals. A Ministerial crisis at any time is an inconvenient affair; but at such a moment as this it may prove a national calamity. But even the serious character of this danger has occupied a second-rate place in the public mind compared with the grave questions of personal character which have arisen out of the resignation of Lord John Russell. . . . First, there was Mr Gladstone's speech on Monday night, by which it appeared that not only had Lord John relinquished his proposal regarding the substitution of Lord Palmerston for the Duke of Newcastle on the 3rd of December, but that when the subject was again referred to on the 16th by Lord Aberdeen, with the view of ascertaining Lord John's wishes, he distinctly stated that . . . he had changed his . . . views. . . . Then on Thursday evening came the speech of the Duke of Newcastle, distinguished by a degree of manly frankness, and containing a vindication of himself so complete, that it told upon his audience with extraordinary effect. . . . Before the Duke concluded there was not a person present who had not an instinctive feeling that an able and valuable public servant was being sacrificed to passion or intrigue, or both. . . . It is impossible not to observe that already the tide of opinion is turning in his favour, as the efforts which he has made for the public service, amid the extraordinary difficulties of a wretched system for which he is no way responsible, become better known. So far as the Ministerial arrangements are concerned, they remain nearly in the same position as they did on Tuesday, when Lord Aberdeen's resignation was accepted. . . . There appears to be but one possible solution to the matter—but one arrangement which will secure the services of men who are absolutely essential at the present moment to the formation of a strong Government:—that Lord Palmerston should form a Government, with Lord Grey as War Minister; Lord Clarendon, Sir James Graham, and Mr Gladstone remaining in their respective offices.

The Economist

February 3, 1855

of persons accused of publishing an obscene libel, and the "dominant effect" of the publication, as opposed to isolated passages. They would have to consider, as they do now, the type of people among whom the publication will circulate, and—as they cannot do now—expert evidence, if any, about its literary, artistic or technical merits. The common law misdemeanour, with an undefined penalty, would be replaced by a new statutory offence, with penalties on summary conviction of a fine not exceeding £50 or four months' imprisonment (and on indictment of a fine of up to £100 or imprisonment for a maximum of six months). More controversially, the words "obscene" and "corrupt" would be extended to cover "matter . . . which unduly exploits horror, cruelty and violence, whether pictorially or otherwise." Something of the sort no doubt had to go into the Bill, since public opinion is obviously more worked up about horror comics than about the plight of authors and publishers; and the danger that such a clause will catch literature which merely reflects a cruel and violent world is admittedly lessened by the court's obligation to consider the intention of the accused. Even so, however, action aimed at the horror comics will have to be in narrower and more specific terms than that vague "unduly exploits."

The Home Secretary, as long ago as October, promised to look into the problem of the law relating to obscenity, and his experts are now considering the committee's draft Bill. If this is not precisely the answer, it is to be hoped that he will shortly produce one of his own. A Bill on these lines would have the merit, from his point of view, not only of being useful but also of being popular. The law should not be left much longer looking for the wrong sort of dirt.

Partners in the North

THIS week's quiet deliberations between the Scandinavian countries were overshadowed by two events, one sadly unexpected and the other safely predictable. It was predictable that the Soviet press should herald the third session of the Nordic Council with a refurbished edition of the old charge that the council is an instrument of Atlantic aggression. This is one of Moscow's routine operations. It is presumably a Pavlov reaction to the periodic suggestion by right-wing politicians in Finland that their country ought to join its Scandinavian friends in innocuous debate on topics which do not include defence.

The sudden death of Hr Hedtoft, the Danish prime minister, at the Stockholm hotel where he was staying during the council's session was a distressing shock for all the assembled ministers and parliamentarians. Hr Hedtoft was only 51, and although lately in indifferent health he had not been seriously ill. His warm humanity had endeared him even to opponents of his Social Democratic government, and he leaves an obvious gap in the ranks of his own party. His successor, Hr H. C. Hansen, has decided to remain foreign minister while assuming the premiership, at least until the Danish parliament has debated the Paris agreements; some difficulty is anticipated here, not only owing to dissatisfaction with the present position

of the Danish minority in German Schleswig, but also because the government has hitherto been kept in office only thanks to the support of the neutralist Radical party. There has, indeed, been some speculation about a formal coalition with the Radicals; but as Hr Hansen is as firm a supporter of Nato as Hr Hedtoft, who brought Denmark into it, these rumours can probably be discounted.

Gardens or Farms?

IN recent years the Government has urged local authorities to build at higher densities in order to conserve agricultural land. The effect is to reduce or eliminate private gardens. And the effect of that—according to two research studies, sponsored by the Ministries concerned but still not published—may be actually to cut down the total value of the country's food production; the studies show that in public housing schemes, at any rate, the average family, if allowed to do so, digs its little plot most industriously. The first study shows that an acre of land containing 12 houses with gardens (the prewar standard) produced foodstuffs of a higher retail value (about £67 10s.) than the yield of an average agricultural acre in the same year. The second survey, covering 2,000 gardens in five cities, shows that back-garden production is a great deal higher still where houses are built at eight to the acre. If, however, the Ministry of Housing's present prescription of about 18 dwellings to the acre for "open development" is followed, the back garden dwindles to mainly ornamental proportions.

The reply of conservationists to these figures is that the retail value of most garden crops is misleadingly high, and that amateur gardeners do not put land to its optimum agricultural use. But in an acute national emergency—the only contingency to which this argument could apply—it would be much better to have a supply of fresh produce on the doorstep than to depend on its transport from some "optimum" place of production. Whatever other arguments there may be for higher housing densities, there is none at all on agricultural or nutritional grounds. To deprive 3,000 families of their kitchen-gardens in order to save one medium-sized farm, and to do it in the name of food production, is a strange procedure under any circumstances. In a country where the desire to garden is close to a national passion, and where thousands of agricultural acres still lie beneath thistles, the policy surely verges as closely on madness as any other the Ministries of Agriculture and Housing between them have yet contrived.

Hungary Changing Course?

HUNGARY seems to be something of a guinea pig for Communist planners. Eighteen months ago it was the first Soviet satellite to be treated, with a flourish of trumpets, to the "new course" economic policy; now it

Does Life Assurance serve the Community?

Here are the facts to help you form a judgment:—

British Life Assurance compares well with any in the World: its integrity is taken for granted.

Life Assurance safeguards millions of families, and ensures a comfortable retirement for many people. It encourages thrift, discourages inflation.

Bonuses worth tens of millions of pounds are added every year to with-profits policies.

Life Assurance Offices could not offer favourable rates and favourable bonuses if the money received as premiums were not skilfully invested. The money is well spread over a wide field of investments; nearly a third in industry and commerce, building up Britain's economy and the national prosperity. The rest goes into British Government Stocks, Commonwealth and other Government Stocks, mortgages and investments in properties . . .

The guiding principle behind Life Assurance investment is the security and benefit of the policyholder.

Keen competition between the Life Offices keeps them on their toes: ensures that premium rates are kept at their minimum—bonuses at their maximum.

LIFE ASSURANCE

is in tried and trusted hands.

Let's leave it there!

ISSUED BY THE LIFE OFFICES' ASSOCIATION, LONDON

SPOTLIGHT OF REASON
ON CURRENT EVENTS



Daily Mail Comment

COMMENT, the Daily

Mail's pungent 'leader', with its candid and sincere summing-up of the day's trends and happenings, provides a sane and balanced survey of contemporary history. In response to popular demand, these illuminating articles will now be available in book form, published monthly as a permanent record of what has been said, thought and done.

MADE AVAILABLE IN

BOOK FORM

The first issue of the collated 'Comment' will be on sale on February 8th and will contain all 'Comment' columns from the Daily Mail, beginning with the issue of January 1st. A subscription of 25/6d. will ensure your receiving free postal delivery of the whole of each month's 'Comments' for 12 months—12/9d. for 6 months. You can place your order through your newsagent or send it direct to: Daily Mail Publications, Dept. E., New Carmelite House, London, E.C.4.

PUBLISHED MONTHLY

All the answers

With this most modern and versatile accounting machine

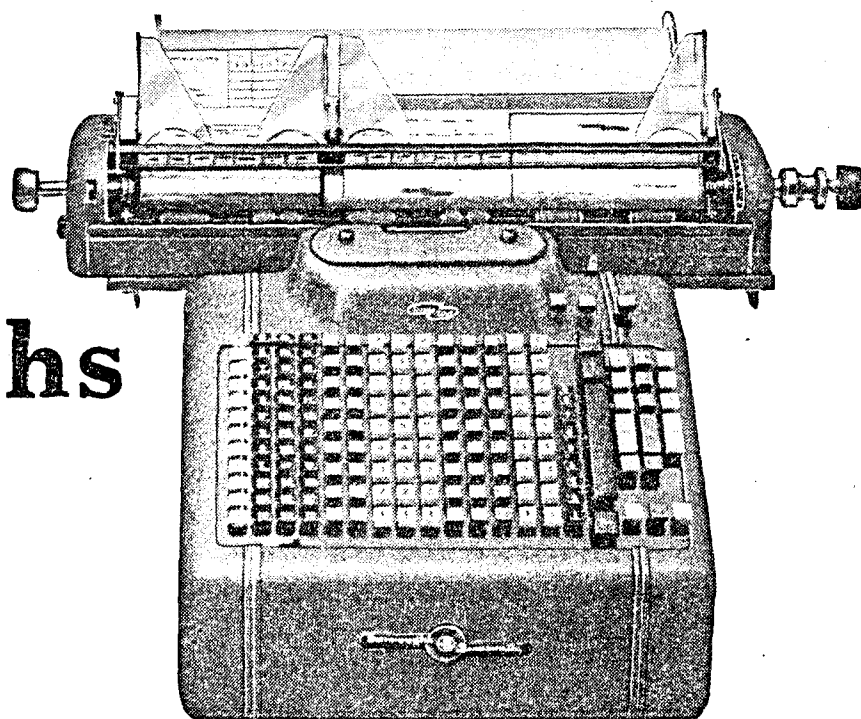


NO OTHER single accounting machine gives you the various answers you need quite so efficiently, quite so economically as the Burroughs Sensimatic. At each quick flick of the selector knob, the Sensimatic is ready for a different accounting job, and it does each one as automatically and accurately as a specialized machine.

It's today's finest, most versatile accounting machine. The exclusive Burroughs sensing panel is tailored to any combination of accounting procedures you wish... guides the Sensimatic faultlessly through any posting routine.

It's tomorrow's accounting machine, too. To alter an accounting procedure, you change the panel, not the machine. Any Burroughs branch will arrange a demonstration of the Sensimatic model that best suits your needs. Burroughs Adding Machine Limited, Avon House, 356-366 Oxford Street, London, W.1.

Burroughs
Sensimatic



is the first to be moving ostentatiously away from it. In the intervening period it seems to have embraced the new policy more wholeheartedly than any of its fellow satellites, and, as a result, has probably got itself into a more chaotic muddle.

It is a sign of the times that Mr Rakosi, who has never taken kindly to a policy of more bread and circuses and has for some time been lurking in the background, is coming to the fore again. Last week, at a meeting of miners, he announced that "considerations of defence policy compel us powerfully to develop heavy industry and to force its development." This is the bluntest and most categorical statement so far that a switch of policy is contemplated. For some time the importance of heavy industry has been carefully stressed—but so has the need for more consumer goods and a higher standard of living.

It is too soon to say whether Mr Rakosi is finally going to be allowed to have his way. The present year is, in any case, a period of marking time between the completion of one five-year plan and the beginning of a new one in 1956 in company with the rest of the Communist bloc. What is clear is that the Hungarian economy is in poor shape to step up the production of either heavy industry or of consumer goods. *Szabad Nep* has bluntly referred to the stagnation of industry and with a welcome dose of realism has pointed out that "we can consume only what we produce." Costs continue to go up and productivity to go down. According to the report of the 1954 plan results, production in heavy industry actually declined by 3.1 per cent. And on top of everything else, industry is being asked to accept much heavier export commitments this year, in order to obtain vital imports, not only of industrial raw materials, but also—because of last year's bad harvest—of foodstuffs as well. Whether the Hungarian people are wooed with promises of better times ahead or frightened with the "war threat from the West," their immediate future is hard work and short commons.

Children in Hospital

IT is a happy omen that lack of demand for its present services is persuading the board of governors to convert to adult use the Princess Louise Hospital for Children in West London. For a variety of reasons, fewer children are admitted to hospital now than used to be. Chief among them is the outstanding improvement in children's health since before the war. Then comes the virtual elimination of diphtheria, which before the immunisation campaign started in 1940 used to be a frequent cause of a child's removal to hospital; and scarlet fever is now much more often treated at home by the general practitioner. Indeed, a free general practitioner service since 1948, coupled with the growth of home care and nursing services by local authorities, has bolstered up the modern policy of keeping children out of hospital except where it is strictly necessary.

Writing in the *Lancet* last year, the late Sir James Spence estimated the number of children's beds needed in New-

castle, which has a high standard of child care and of co-operation between all branches of the health services, at 50 per 100,000 of the population. In London, there are ten children's hospitals with a total of rather more than 1,000 beds, and about 1,500 children's beds scattered among the general hospitals. This gives a proportion of about 75 per 100,000. On the face of it, therefore, London as a whole has too many children's beds. At the same time there is extreme pressure of demand on its beds for adults. While the occupancy rate for beds at the Princess Louise is 76 per cent, that at St. Mary's—its parent teaching hospital—is 92 per cent. It is because of this, and because it has another children's hospital associated with it, that the board of governors of St. Mary's wants to close the Princess Louise.

Before a final decision is made, however, one would like to feel satisfied that the question has been studied from a wider aspect than that of a single hospital group. Are there any special needs of children that are still not provided for? Is there not, for instance, a shortage of beds for children suffering from mental illness? In any case, if a total reduction in children's beds is to be made, there are strong arguments for concentrating those that remain in special children's hospitals, where all the staff are experienced in treating and nursing children. The extra beds needed for adults could be met—and much less drastically—by converting those reserved for children in general hospitals.

China's Backdoor Trade

A MONTH ago a delegation of British businessmen organised by the Sino-British Trade Committee, returned from Peking well satisfied. They had been able to reopen trade contacts, clear up questions of credit terms, and arrange a second visit later in the year. Most important of all, they managed to steer completely clear of propaganda. Now, however, comes the news that these promising achievements might be undone by the arrival in Peking of another party of businessmen from this country.

The question of trade channels with Communist China has had an unfortunate history. The Communists soon made clear their intention of cutting out the old established British firms. They welcomed, however, an unofficial trade mission which went to Peking under the wing of the British Council for the Promotion of International Trade, a body set up after a conference in Moscow. It was to break this monopoly that the Sino-British Trade Committee was brought into being. The party now in Peking, though not sponsored by the BCPIT, has links with it; and the Chinese cannot but profit by playing one group off against the other.

Communist monopolies are at an obvious advantage in dealing with individual businessmen, and there is no sense in having two competing groups in making successive visits to Peking. The reputable firms on the present mission may hope for privileged treatment owing to their connection with the BCPIT; but clearly British interests are better served by a straightforward approach through the front door.

Books & Publications

Even the reader who agrees with some of Mr Aldington's points is forced into defending Lawrence by the sourness and immoderation of his language. If Lawrence is destroying enemy lines of communication: "one does not altogether visualise Sir Sagramors le Desirous and Sir Gawain upsetting an enemy market cart in a ditch and leaving the wreck of humanity and goods to the tender mercy of local villains"; if he displays knowledge of military history: "Unfortunately in spite of this unique fund of military learning, Lawrence in 1914 could not apply for the only appropriate post of Field Marshal with any hopes of success." Even his talent as a writer is written off as "no creative

The aim of the book derives from its place in "The New American Nation

Series": it is to give a picture of the England from which the first North American settlers came—its society, religion and government. Thus its limitations in time are fairly precisely drawn; it confines itself to the generation that immediately precedes the Massachusetts migration of 1629-30, the generation which at least to some degree established the American tradition. Here however it is studied, mercifully, without benefit of hindsight, as a period of English history that possesses its own interest and whose study is its own justification. This gives the book an objectivity and freshness rarely to be encountered in studies of "origins" and "backgrounds." Mr Notestein's gentry and churchwardens, physicians and yeomen exist in their own right, as real as characters in the contemporary drama from which he so often quotes or as the matter-of-fact diarists from whose daily jottings he has reconstructed the relationships of a whole social or economic group.

Objectivity and affection do not always co-exist in a historian. But Wallace Notestein's partiality for his century, a partiality which suffuses every page of his book with a warming glow, is not incompatible with a strict realism in his depiction of it. Thus he can admit, at the end of all his intimacy with the John Smiths of Nibley or the Lord Herberts of Cherbury, that "about all these Seventeenth Century figures there is a kind of greyness." They were less in-

dividualised and less interested in the individual than the men of a later day. They were more serious too; these denizens of a legendary Merrie England appear in his pages as "sober and serious-minded even in their good fellowship." At the same time Mr Notestein cautions us against the fashionable disparagement of the Puritans—"it is the fate of causes which become unpopular with posterity that they are judged by their extreme protagonists"—and in keeping with his own warning he seeks always to find the broadest possible basis for his own generalisations.

In less practised hands a picture so cautiously drawn might appear formless and hesitant, a patchwork of "maybes" and "on the wholes." But so sure is the historical imagination that guides Wallace Notestein's pen that even in the dark places of his story we feel that our ignorance is, so to speak, an ignorance from within. And when we lay down this fascinating book we are left, not with the illusion that we know all about this England of 1603 to 1630, but with the infinitely more reassuring conviction that we know how to take the next steps towards finding out.

Barrie the Enigma

PORTRAIT OF BARRIE.

By Cynthia Asquith.

James Barrie. 237 pages. 15s.

FEW people can have had such opportunity for observing Barrie in all his moods as Cynthia Asquith, who was his secretary for twenty years. Few people so placed are wise enough to resist a display of omniscience, but this biographer disarms us with her first sentence: "What was Barrie really like?"

It is this curiosity about her complex subject that gives to her book an astringent persuasiveness that inveigles a carper at Barrie the whimsical into a sympathiser with Barrie the man. And how easy it is to be beguiled into fellow feeling for one caught in the web of his own affability and later reproaching himself for having raised false hopes of intimacy in casually met strangers; or speeding the reluctantly parting guest with a surge of gratitude that is mistaken for interest; wriggling out of mortgaging his time on long distant social engagements, but delighting in the unexpected appearance of a friend; curdled by Margot Asquith's confidences, or appalled at the necessity of laughing at yet another joke about "McConnachie."

It would be unrealistic to expect that a man who attained to such fabulous success from such confined beginnings should not, in amazement at his own luck, make something of a cult of himself, and this, of course, Barrie did, transforming even his woeful lack of inches into something "tremendously wee." But he never deceived himself, however much his idiosyncratic charm might have swept his "fans" off their feet, and his secretary never subscribed to the cult. She regards him with a mixture of

discerning affection, admiration and pity, and maintains a middle course between blind infatuation and purblind prejudice, both of which attitudes she deplors.

Her book is an honest attempt to interpret for his admirers, and to defend loyally against his detractors, this gay, saturnine, sentimental realist; at times so bored and moody that he "couldn't conscript a smile," and at times so infectiously gay that his company was entranced. She suggests that Barrie's preoccupation with youth was due not to arrested, but precipitated, development, and that the unnaturally grave responsibilities of his own early days made him nostalgically appreciative of the gaiety of carefree childhood. But the final summing up is left for the quiet judgment of friends of many years' standing, and nothing could be more touching or convincing than the letter that Scott wrote to Barrie just before he died, which was found long afterwards in the tent with his body: "I never met a man in my life whom I admired and loved more than you, but I could never show how much your friendship meant to me; you had so much to give, and I had nothing."

The French Union

THE PUBLIC LAW OF OVERSEAS FRANCE SINCE THE WAR.

By Kenneth Robinson.

Oxford University Institute of Colonial Studies. Reprint Series No. 1a. Reprinted from the *Journal of Comparative Legislation*.

POLITIQUE ETRANGERE.

Numéro Spécial: La République Française et les Problèmes de L'Océan Mer. Paris, Centre d'Etudes de Politique Etrangère. 330 francs.

THE British student of the French Union may be pardoned for confusion of mind about its pattern. When it was first conceived in the flush of respect for the war record of former colonies, there were books and articles galore about its hierarchy of councils and assemblies, "associates" and "territories." But events have since distorted a pattern that was never simple, and writings that clarify the present confusing scene are badly needed. It is opportune, therefore, to draw attention to two publications which fill the bill.

Mr Robinson explains in 32 pages and with admirable clarity the shapes and relationships of 1939, and how far the plans put into effect since the war have worked in some territories but have been abortive in Indo China and the North African Protectorates. He lays bare the contradiction that time has exposed in a constitution that simultaneously provided, on the one hand, for assimilation to France and, on the other, for education towards "freedom of self-administration," and he reaches the conclusion that the future hangs on greater elasticity about assimilation and on "a shift towards a somewhat more federal relationship" than has hitherto prevailed between France and its dependencies.

SINCE MID-VICTORIAN TIMES



QUITE UNIMPORTANT

Thompson: (interrogatively, to Beauteous but Haughty Damsel, whom he has just helped to alight): "I BEG YOUR PARDON?"

Haughty Damsel: "I DID NOT SPEAK!"

Thompson: "OH, I THOUGHT YOU SAID 'THANKS'!"

[Thompson thereupon installed himself within the first-class compartment so lately vacated by the ill-graced Young Miss. Fortunately, the delight engendered from his Three Castles cigarette—that cigarette without peer—did much to restore a better humour toward the Fairer Sex.]



20 for 3/11d.

It's always been
THE
'THREE CASTLES'
CIGARETTES
for The Quality

W. D. & H. O. Wills, Branch of The Imperial Tobacco Co. (of Great Britain & Ireland), Ltd.

Glavya
Scotch Liqueur



Scotland's Finest Liqueur

YOU'RE AN AIRY GODMOTHER, MR. PAGET

We've just caught Mr. Paget hogging the bathroom... today in a Milan hotel; a week today it's Madrid; and the week after, Geneva and Zurich. Mr. Paget travels as far and fast as any fairy godmother. And he is one, too! Because Mr. Paget (like nearly a million others last year) flies BEA. And his fare money helps keep British Civil Aviation on top. It enables BEA, for example, to put more Viscounts and Elizabethans in the air; to lend their advice (as major operators) to the aircraft manufacturers... and to give the passenger's point of view. Though he may not realize it, Mr. Paget is doing a pretty big job. And the more there are like him the brighter the future for British flying.



fly **BEA**

fly British IN EUROPE'S FINEST AIR FLEET

BRITISH EUROPEAN AIRWAYS

NATO

THE FIRST
FIVE YEARS
1949-1954

LORD ISMAY

A book by Lord Ismay
SECRETARY GENERAL OF NATO

A complete survey of
NATO's history, its
organization, its
achievements; including
the London and
Paris Agreements
292 pages 9s. 6d.

Distributed in the United Kingdom by

HER MAJESTY'S
STATIONERY OFFICE
P.O. Box 569, London S.E.1

Suggest a need



* * * * * and * * * * *



Clinch a sale

**POSTERS COMPLETE THE CAMPAIGN
WITH REPETITION IN COLOUR**

BRITISH POSTER ADVERTISING ASSOCIATION · LONDON POSTER ADVERTISING ASSOCIATION LTD.

Many Frenchmen—with the French settlers in North Africa in their front rank—will reckon his reasoning to be reprehensibly “British.” But not all Frenchmen. Early last year, M. Laniel’s Minister for Overseas France, M. Jaquinot, proclaimed to a doubting National Assembly that old style assimilation was out of date, and several important members of M. Mendès-France’s team have long held the same view. The topic has been much debated in circles that are rated not only advanced but dangerous by French conservatives, but which are in fact making a brave attempt to keep up with the march of time in Asia and Africa. One outcome of their thinking is the periodical reviewed here—a special number of the magazine produced by Paris’s equivalent of Chatham House. This body has for more than a year been sponsoring a study group on the problems of the French Union, and has now published the result of its efforts.

An admirable introduction by M. René Sersoise sets the limits imposed by the facts of modern life on the old, centripetal assimilationist system. Metropolitan France, he argues, cannot afford it in terms either of men or of money, and French Africa will also suffer if so spoonfed, since it will never generate the kind of self-help that leads to viability. He leads logically to the group’s conclusions, which are, broadly speaking, that once Africans are educated in the image of Frenchmen, metropolitan France is bound to swim with the stream of their thought, but that, if it swims strongly enough, it can remain in touch with them within some form of twentieth century federation. By 1970, or even 1965, this reasoning will surely appear reasonable, logical and normal to a majority of Frenchmen, instead of freakish, as it does today.

The Law and Persian Oil

THE ANGLO-IRANIAN OIL DISPUTE OF 1951-1952.

By Alan W. Ford.
University of California Press. London:
Cambridge University Press. 360 pages.
30s.

MR FORD, who held a research fellowship at the University of California, has found a good subject of study in the long-drawn dispute of the Anglo-Iranian Oil Company with the Government of Iran about the nationalisation of the oil enterprise. He has produced a thorough piece of work, and gives a lucid exposition of the international law concerning the denial of justice to aliens. He examines the British attempts, after the diplomatic failure, to get a legal settlement in the International Court of Justice; their first successful effort to obtain an interim judgment of the court; and the rejection of their substantive claim on the ground of lack of jurisdiction. That is followed by the story of the ineffective diplomatic efforts of the United States to find some reconciliation. Finally, he analyses the law of expropriation in its international aspects.

He is scrupulously fair between the two parties; and he recognises that the conduct of the British Government in every way complied with the letter and the spirit of the law. The Iran Government’s reliance on the rule of law was “less impressive. It seems to have acted first, and looked for legal justification second.” He is critical, too, of the cautiousness of the International Court in declining the opportunity to formulate afresh the “international norm” about compensation for expropriated property in a manner that would provide workable solutions. The old rule that the property of aliens may only be taken against prompt, adequate and effective compensation cannot stand in present circumstances; and the court’s decline of jurisdiction appears to confirm the contention that the administration of international justice is not concerned with the position of the investor, who operates under contractual arrangements. He concludes that “faith in the Court and in International Law by the community of nations will do much to increase the stability and concord of their relations.”

The story does not take account of the settlement that has since been reached, or of the actions brought by the company against tankers exporting the oil from Iran. Both later developments give hope that international law is not altogether impotent.

Useful appendices contain the 1933 concession, the nationalisation law, a timetable of events, and nearly fifty pages of notes with many references to law books and the press.

Injuries and Damages

THE QUANTUM OF DAMAGES IN PERSONAL INJURY CLAIMS.

By David A. McL. Kemp and Margaret Sylvia Kemp.
Sweet and Maxwell. 480 pages. 35s.

AN experienced judge once said that to make up one’s mind in a criminal trial on the prisoner’s guilt or innocence is generally as easy as falling off a log; but to decide what sentence to give him is almost always difficult. In the same way, in civil actions for personal injury it is often fairly easy to decide whether somebody’s negligence caused the accident. But it is extremely difficult to know what damages should be awarded. Principles for guidance have been laid down and expressed with admirable lucidity; but most of them get one nowhere. We know that damages must be arrived at by a reasonable consideration of the plaintiff’s circumstances and by making allowance for the ordinary chances of life. But apply that rule to a small boy who has had a crack on the head and may or may not, as a result of it, develop traumatic epilepsy in ten years’ time—and see what help you get from it.

The difficulty in recent years has been increased by the fall in the value of money. The courts’ adjustment of awards to inflation has not been uniform; but it has been estimated by insurance claim settlers that damages for personal injury

are about three times as high as they were twenty years ago. Claims on employers, too, are far more common since the defence of common employment was abolished, and the premium to insure the employer’s common law liability (which used to be nominal) is now in some trades as high as 12½ per cent of the wages bill. To judge from Lloyd’s List the legal work on injury claims from docks and shipbuilding and shiprepairing yards must be maintaining an unusually large number of lawyers and lawyers’ clerks.

Mr and Mrs Kemp—he a barrister and she a solicitor—have together written this text book, designed to lighten the darkness of lawyers’ claim settlers and others whose job it is to guess at the probable damages for various types of injury. They deal with a large number of recent cases and classify them according to the part of the body on which plaintiffs’ claims were based. There are separate chapters for the brain, the spine and neck, the eye, the legs and feet, the nerves, the arms, hands and fingers, and one chapter on pain, suffering and shock. And they give some very interesting examples of how the appeal court has raised (or, less often, lowered) the awards of the first court. Lawyers and third-party claim settlers should find the book very useful. But a philosopher may speculate on how much more profitable it is (even, in a welfare state) to suffer from the negligence of man than from the act of God. Pray that you may not be injured. But if it needs must be that injury comes may the injury be tortious and sustained in the presence of witnesses.

Shorter Notice

THE UMBRELLA GARDEN: A picture of student life in Red China.

By Maria Yen.
The Macmillan Company of New York.
274 pages. 28s.

This extremely interesting autobiographical account of life in Communist China is the work of a woman who was a student at the Peking National University when the Communists captured the city at the beginning of 1949, and whose sympathies, along with those of most of her fellow-students, were at that time on the side of the “People’s Liberation Army.” Her subsequent experience with the new regime so disillusioned her that she finally, after much hesitation, decided to go into exile in Hongkong.

The book is particularly valuable as evidence because so little of it is directly political; a large part of it is concerned with living conditions from an essentially feminine point of view. It is the record of an individual who was not greatly interested in politics, but wanted to be free to think for herself and to choose her own job without being perpetually brainwashed, nagged and supervised by party zealots. Perhaps she was rather exceptional, a product of Western democratic influence, and the next generation of students will be more docile. But it is important that there is today an emigration from Communist China which is comparable to that from the Soviet Union and the European Communist countries. As this young woman writes: “We stayed to see what it was like, and we found out.”

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.

Spotlight on the Civil Service

Washington, DC.

THE hearings just opened by Senator Olin Johnston's Post Office and Civil Service Committee themselves also open a series of productions which will place the spotlight on the United States government's performance as an employer. Senator Johnston, a brusque right-wing Democrat who presides over the committee in South Carolinian accents that many of his fellow-Americans find difficult to follow, is first staging the President's proposals on the subject; they include pay rises and welfare insurance schemes on fairly orthodox lines. But the strong committee staff assembled by Mr Johnston is already preparing more explosive scripts: the promised investigation into the supposed Republican rape of the merit system and into the Administration's so-called security programme, which has done more than anything else to impair the external stature and internal morale of the civil service. At the same time, ex-President Hoover's second commission on the reorganisation of the government is polishing up a report that will go farther into some of the more fundamental questions raised by its predecessor.

The Republicans, coming into office after a long period of Democratic rule and at a time when the total number of government jobs available for distribution had to be cut down to fulfil election pledges, have been accused of laying irreverent hands on the civil service by two methods. They "stripped" civil service protection from a number of posts that had been "blanketed in" by the Democrats; the incumbents, who had been Democratic political nominees, had been given security of status and tenure while only their successors would have had to take the competitive examinations which are also an integral part of the merit system. This has, for instance, enabled the Secretary of Agriculture to instal supporters of his ideas about flexible crop subsidies as area directors of the Commodity Stabilisation Service, in place of long-standing enthusiasts for the previous system of high and rigid price supports.

Secondly, the Administration has created a special Schedule C, which is supposed to segregate jobs of a policy making and confidential nature, to which political appointments should be made, from those of a purely administrative nature, which should be filled in so far as possible from the career service. Mr Philip Young, who serves in the Cabinet as the President's adviser on matters of personnel as well as being chairman of the bipartisan Civil Service Commission which polices the merit system, claims that, so far from undermining the service, Schedule C buttresses it by drawing a clear and logical line. This obviously raises a highly important matter of principle, since the ultimate goal of the

campaign waged by civil service reformers in the last seventy-five years, with the vociferous support of large sections of the press, has been, at least by implication, a British-type system in which a politically-appointed Secretary and Under Secretary preside over a politically neutral department.

So long as this goal was a long way off it was liable to receive uncritical acceptance, together with an envious tribute to British standards of administration. Now that it is coming much nearer—even when the Republicans had done their worst, eighty-six per cent of the two-and-a-quarter million jobs in the civil service were still recruited by competitive examination—the desirability of carrying a good thing quite so far is being widely questioned.

★

On the whole it seems doubtful whether the British system either can or ought to be adopted in its entirety in American conditions. It implies an elite corps of politically neutral administrators, a political Minister willing and able to take sole responsibility for decisions of policy and great forbearance on the part of the legislature from meddling with the inner workings of the executive. Americans, on the other hand, are far too realistic to accept the fiction that only the Secretary and Under Secretary make policy. The idea of a senior civil servant completely switching sides on a highly controversial issue after an election provokes strong scepticism or distaste. It is felt either that the policy of the incoming Administration will be thwarted by the ingrained convictions of "hold-over" officials or that the kind of official who genuinely can switch sides must lack the capacity for enthusiasm that will give him administrative drive.

There is, moreover, a natural reluctance to sacrifice, for the sake of building up a closed shop of higher civil servants, the advantages that are thought to result from easy interchange between jobs in industry, university and government. In addition there is in the United States so much fragmentation of power, politically into states (only about ten per cent of American civil servants work in Washington), legislatively into committees and administratively into agencies, many of them with their own charters from Congress and only loosely grouped together within the departments, that it would be quite impractical for the Secretary to be the sole overt source and defender of policy.

Is there then a place for anything equivalent to the British higher civil service? In certain of the politically less sensitive fields there already is such a thing, but the

first Hoover commission clearly did not feel that this was enough; it complained strongly of the lack of "generalists" within the civil service from whom the government could build "a corps of administrators of the highest level of ability with an interest in the programme of the government as a whole." The famous merit system is chiefly to blame for this state of affairs, since its competitive examinations are designed more to fill jobs than to start careers, and the specialisation that begins with the test papers tends to stick with the successful candidates. However, a modest start has been made since the war with more broadly conceived competitions for "junior management assistantships" which are intended to snare some of the brighter university graduates away from a career in industry.

But here a real dilemma appears. Without something like the British administrative class, the higher positions in the government cannot be staffed through the merit system. Unless enough of the more exciting of these positions can be kept non-political and be filled by promotion, candidates of the right calibre will not be tempted into the civil service. From this viewpoint Mr Young's Schedule C does not seem an entirely happy device, with its too dogmatic distinction between policy makers and administrators, and its clear implication that civil servants can only hope to be the latter.

There is, however, one distinction which does urgently need to be made, though it can only be enforced by a combination of presidential firmness and congressional restraint. This is the distinction between officials who should be asked questions on policy by a congressional committee as opposed to those who should merely be required to supply facts. The first category, once rigorously defined, would not normally contain career civil servants. At the same time it would be exceedingly helpful to the cause of good government if eager officials at public hearings were no longer given invitations, which they are often happy to accept, to express their personal opinions of the policy that has reached them from above.

Issue of Confidence

THE Administration's confidence that the present economic revival will be sustained has taken the practical form of a new long-term bond. Holders of a \$2.6 billion 1935 issue being redeemed in March are offered in exchange a 40-year 3 per cent bond, the longest term issue since 1911. As recently as November it was felt that a long-term bond would stunt the nascent recovery and the sharp change in the economic atmosphere is shown even more clearly by the fact that the Secretary of the Treasury is now said to be smelling inflation in the air. The odour comes particularly from the expansion in easy housing credit; the new issue should do something to check this, since it will compete with the mortgage market for institutional funds.

But care has been taken to counterbalance any deflationary tendency of the new bond by offering holders of the maturing security an alternative exchange into a short-term issue, a 13-month note at 1½ per cent, while holders of over \$12 billion worth of other government securities maturing soon have a choice only of this note or

of a 2½-year 2 per cent note. The Republicans have certainly not allowed their desire to stretch out the term of the national debt, in order to give the Treasury greater freedom to manoeuvre, to wipe out the unfortunate memory of their only other substantial effort in that direction. The 30-year bond they offered so ineptly early in 1953, in the first flush of taking office, will always be blamed, however unjustifiably, for the subsequent recession. But this week's issue has been carefully tailored to the requirements of the market, which seems ready to welcome it, and it has the added safeguard that there are no cash subscriptions.

This cautious move is certainly not a squeeze on credit; at the most it is an admonitory pat, from the other agency responsible for government monetary policy, to match the warning which the Federal Reserve Board gave to the stock market when it raised margin requirements a few weeks ago. This is far from a reversal of last year's easy money policy, but it leaves no room for doubt that the Treasury is in accord with the changing attitude of the Federal Reserve System, now openly acknowledged. For some time, reacting to the improvement in the economic outlook, the system has been ceasing to pump funds into the money market, and as a result short-term interest rates have gone up. But neither the Federal Reserve nor the Treasury think there is any need as yet for active credit restriction.

Better Health

IN the President's recommendations for reducing "the impact of disease," first place is given to the reinsurance programme which would help the many Americans who cannot afford to pay for the medical care they need. This is a revival of the very moderate plan which was squeezed to death in Congress last year between the fears of the American Medical Association and some insurance companies that it would lead to "socialised medicine" and the belief of many liberals that it did not go far enough in that direction. The idea is to enable private insurance undertakings to extend their coverage in ways now considered too risky, by giving them government-backed guarantees against loss.

The President emphasised both that the essential part would still be played by private interests and also that every effort had been made this time to work out a scheme that did not suggest government interference to either insurance companies or doctors. But he has asked for a revolving fund, to finance the plan, which will eventually amount to \$100 million, four times the sum mentioned last year. The congressional future of the proposal is difficult to judge as yet, but it seems likely that, if the President gets any health insurance legislation at all this year, it will go farther than he has requested. For the Democratic leader in the House, Mr Rayburn, condemned the reinsurance scheme as inadequate last year and three Republican Senators have already introduced a Bill to provide complete voluntary health insurance at state levels backed with federal funds.

Most of the other proposals in the President's message are more novel, although less important and probably less controversial. Among them are government guarantees for loans for building more hospitals and other health facilities,

on the lines of the guarantees for housing mortgages which have proved so effective; federal grants to agencies which train nurses, and to help the states give better medical care to recipients of public assistance and to mothers and children; strengthened drives against mental illness and juvenile delinquency; increased government funds for research into air pollution and an increased American contribution to the World Health Organisation.

Steel Up-to-Date

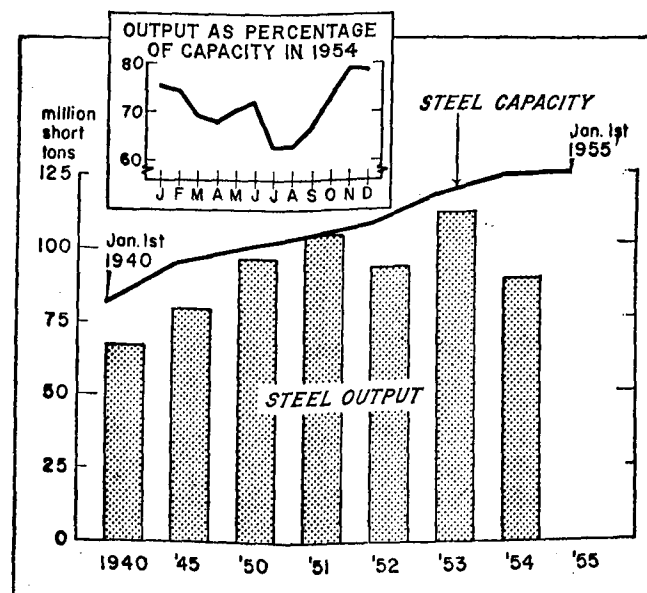
New York

THE recent speculative flutters in steel shares and the favourable dividends being declared by the big steel companies show that investors and producers alike are optimistic about the future earnings of the industry. Six months ago, when customers were feeding off their stocks, steel output was running as low as 60 per cent of capacity. But in August the automobile industry began to replenish its depleted supplies, and by the end of the year order books for most grades of steel were filling rapidly. Now the motor and construction industries, which together use nearly half of all the steel produced, are predicting that their demands will increase this year, and estimates of steel output in 1955 by the industry's own leaders range from a conservative 95 million tons, an increase of seven million tons over last year, to an optimistic 112 million tons.

American capacity for the production of steel ingots has in the meantime risen to 126 million tons, an expansion of 38 per cent since the beginning of 1945. Probably a quarter of the industry's facilities are now completely new, but the emphasis in the huge post-war investment programme, costing \$6 billion, has been on modernisation, especially since 1949. With most of the older plants now thoroughly modernised, about 80 per cent of all steel-making facilities are in first-class shape. Providing their equipment is flexible enough, most steel producers can now operate at well below last year's average of 71 per cent of capacity and still make money. The predicted output for 1955, at between 80 and 85 per cent of capacity, is in fact considered by many firms to be the most desirable operating rate; they argue that it permits them to retire their high cost equipment, gives an adequate margin for maintenance and repair and for meeting any national emergency, and is in the range of output at which unit production costs are at a minimum.

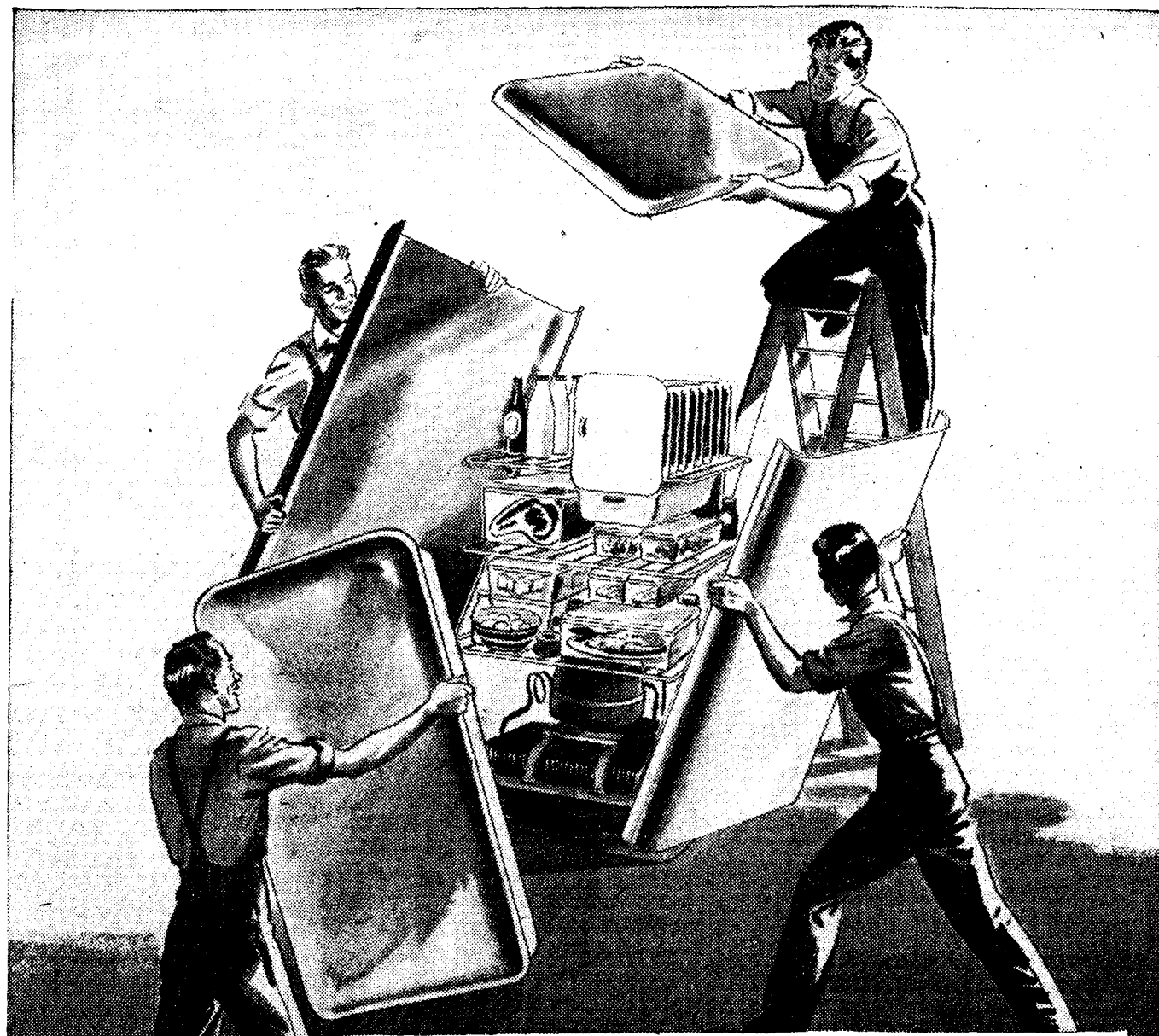
Within the steel plants, modernisation has gone farthest in the rolling mills and in other facilities for producing finished steel, where the greatest savings in labour can be achieved. Continuous finishing processes, once the exception, are now the rule, and in each of the new mills electronic "push-button" controls make the entire operation progressively automatic. Some of the most dramatic reductions in costs have been achieved by improved handling facilities and by the better lay-out of plants. Among the most recent technological developments, keenest interest has been aroused by the possibilities of continuous casting, which allows billets to be cast direct from molten metal, cutting out the whole ingot stage, and of extrusion, whereby difficult steel shapes and sections are produced by thrusting the hot steel through shaped dies as is done with plastics.

But technological innovations have by no means been confined to the finishing mills. In an early stage in the process, the conversion of iron ore to pig iron in blast furnaces, several devices have for some time been used to increase yields. The most important are the use of controls to increase the gas pressure at the top of the furnace—a device which, it is claimed, can increase the yield of pig iron by as much as 20 per cent—and the use of more air, enriched by oxygen, to speed up combustion. For the conversion of pig iron and scrap steel into molten steel, the



open hearth furnace, which permits close quality control and is much more flexible in its use of pig iron or scrap, now accounts for 88 per cent of total capacity; the Bessemer converter, a different type of furnace, is now used in very few plants. A more recent introduction is the electric furnace, an open hearth using electric current, rather than oil or gas for heat. Oxygen can be used in most methods of steel making; European ways of using it in the Bessemer converter were taken up in the United States last year. Both the electric and the oxygen-enriched Bessemer processes permit the economic production of steel in small quantities—a great attraction to small producers, or to those who wish to expand capacity by less than the addition of a new open hearth furnace.

These are only a few of the new techniques with which the steel companies are experimenting. By using them they can make more steel, and make it faster. The big question is whether, under present operating conditions, they can also make it more cheaply. For example, in periods of heavy demand, the increased use of oxygen to raise yields in blast and open hearth furnaces is easy to justify. But when the industry has surplus capacity, the use of oxygen is still very expensive. An important factor governing the economics of steel-making is flexibility—the ability to expand or cut back output by relatively small amounts, without a marked increase in costs. It is in facilitating flexibility that the new technology promises to provide the greatest economies. For instance, one company is experimenting with a "turbo-hearth," a method of heating an open hearth furnace which will permit economic operation at less than capacity.



Let's talk refrigerators...

Into a refrigerator goes food. And drink. And also steel sheet. For refrigerators are made of steel sheet. So are cookers, and cars, and prams. A surprising number of everyday necessities are made of steel sheet or by steel sheet.

Who then makes this vital product, this product with an obvious future? One firm makes a very great deal of steel sheet — the

firm of John Summers. The works at Shotton — an immense concentration of industry — have more than doubled since 1939, and grow apace. And from these works steel sheet, thick, thin, pliable, flows unceasingly; mile upon mile of it.

Little wonder that this great 100-year-old family firm looks forward to a bright and busy future.

John Summers & Sons Ltd.

THE STEEL SHEET MAKERS

SHOTTON, CHESTER

FOR HIGH OUTPUT

DROTT
beats the lot!

Drott Skid-Shovels

WITH INTERNATIONAL
TRACTORS

4 MODELS

- 6-K3 (Tractor BYD-6) $\frac{1}{2}$ yds. 3,000 lb. lift
9-K3 (Tractor TD-9) $1\frac{1}{2}$ yds. 4,000 lb. lift
14-K3 (Tractor TD-14A) 2 yds. 6,000 lb. lift
18-K3 (Tractor TD-18A) 3 yds. 9,000 lb. lift

Drott Skid-Shovels are built to do a tremendous day's work. They dig deeper into rougher materials, break out with a full bucket every time, carry without spillage, lift faster, reach farther. Only Drotts give you such bumper bonus payloads so consistently, because only Drotts have all these special features —

PRY-ACTION BREAK-OUT — produces a digging force greater, pound for pound, than the tractor's maximum drawbar pull!

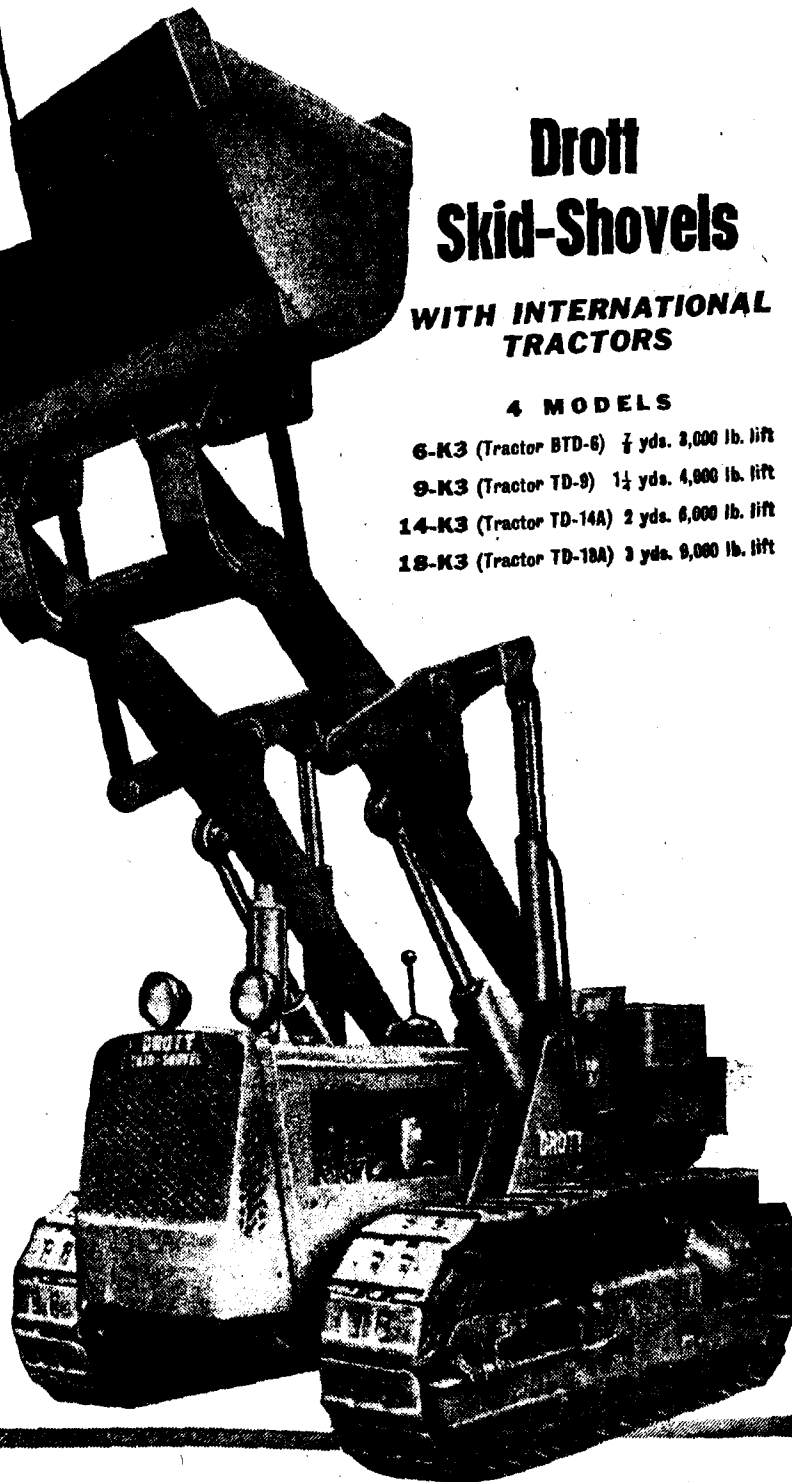
BUCKET ROLL-BACK ACTION — retains a full bucket on every load!

SKID-SHOE TRANSPORTATION — maintains balance, eliminates 'carry strain' on tractor!

REVERSE CYLINDER ACTION — gives greater power for digging, higher speed for lifting!

HYDRO-SPRING SHOCK ABSORBER — cuts hydraulic shocks to $\frac{1}{3}$ the normal force!

For full details see your
International Industrial Dealer



International INDUSTRIAL POWER



INTERNATIONAL HARVESTER COMPANY OF GREAT BRITAIN LIMITED, HARVESTER HOUSE, 255 CITY ROAD, LONDON, E.C.1

Moreover, it may eventually be possible to build a semi-integrated plant to produce steel in much smaller quantities at a competitive cost and with an initial investment of as little as a fifth of that required by an integrated mill. Such a plant, which would have no blast furnace for making its own pig iron, would use scrap steel or taconite "pellets" directly in an electric or oxygen furnace, and would be employed in combination with a continuous casting machine. One advantage of these and other new types of furnaces is their ability to use efficiently these taconite pellets, which are now being refined from the lean iron ores contained in the abundant taconite and jasper rocks of the Great Lakes region as one alternative to the diminishing supplies from the Mesabi range, the traditional American source of ore.

Because of the high cost of entry and the big economies of large-scale operation, the steel industry has always been highly concentrated, both financially and geographically. Any major reduction in the size of plant required for economic operation could permit substantial savings in transport costs by the location of small plants in market areas distant from the main steel centres. The smaller producers and fabricators alike thrive in the field of high-priced, high-quality alloys and other "speciality steels." But to their general difficulties has been added the tendency of the major companies to integrate forward into fabricating capacity, where the richest profits are to be made. Some of the smaller producers have met the consequent reduction in the market supply of semi-finished steel by integrating backwards into steel-making capacity; others have been strengthened by the financial support of large consumers, who have provided loans to enable them to expand their capacity in return for a prior call on their output. It is, indeed, with the smaller concerns that many of the latest innovations in metallurgy and production processes have originated.

The industry's growing research departments are equally concerned with expanding and diversifying sales—the quest for new properties, new products and completely new markets. New outlets are being sought, for example, in the use of steel panels to clothe skyscrapers, in soft drink and milk tinning, in the production of plastic tubing and in the growing popularity of products in which steel is used together with a variety of other materials. With its new technology, its new markets, its changing structure and, it is hoped, its greater resistance to business recessions, the stagnant heavy industry of the 1930s can justifiably claim a place among America's "growth industries."

Warming Up Dixon-Yates

THE Democrats in Congress are losing no time in trying to make the Dixon-Yates contract too hot for the Administration to hold. This is the controversial arrangement made with the encouragement of the President himself, under which a private combine will build a generator to feed electric power into the Tennessee Valley Authority's transmission system to replace power which that public agency is to supply to the Atomic Energy Commission. Democratic distrust of what they regard as an attack on the whole principle of public electricity development has

been sharpened by the very substantial cuts in the money allowed for the TVA in the new Budget and the repetition of the recommendation that the authority should finance its necessary expansion by funds from sources other than federal appropriations; last year's similar proposal led to the Dixon-Yates contract being forced on the TVA.

One of the fires under the contract, and one which is likely to be kept burning, has been lit by the Senate's anti-monopoly subcommittee. It has reported that monopolies are once more spreading over the country, that they are particularly evident in attempts to destroy public competition in the electricity business, and that the Dixon-Yates affair demonstrates the recrudescence of holding companies dominated by Wall Street which Congress thought it had suppressed long ago. Responsibility for deciding whether this last allegation is true and whether the financing of the arrangement is satisfactory rests with the Securities and Exchange Commission, which is expected to issue its ruling soon—and favourably.

Meanwhile, however, the Joint Congressional Committee on Atomic Energy has built a more immediately dangerous blaze under the contract. Its new Democratic majority has recommended that the contract be cancelled and has rescinded the waiver which the old Republican majority granted before Christmas so that the contract did not have to be held up until Congress had been in full session for thirty days. Whether this rescission is itself legal is doubtful, but it opens the way for months of court argument over the contract if the AEC goes on with it, as Mr Eisenhower insists it should. Democrats also plan to back up this delaying action by refusing to appropriate funds for connecting up the Dixon-Yates generator with the TVA's transmission lines. But, unless one side or the other drops the matter, it is the consumers of electricity in the Tennessee Valley who are likely to get burnt, in 1958, when the TVA will no longer have enough electric power available to meet its obligations to the atomic energy installations and to supply its private customers.

Panama in Hand

FIFTEEN months of negotiations with the Republic of Panama for a new treaty covering the Canal Zone have at last been successfully concluded and the pact now awaits the approval of the Panamanian Congress and the United States Senate. The new agreement has survived both the assassination last month of its chief negotiator, the late President Remón, and the dramatic political moves which followed this unexpected disaster. The original treaty, covering the 10-mile strip of land on either side of the Canal, was drafted in 1903 and its most recent revision was in 1936. The new agreement consists in the main of concessions made by the United States to meet a number of long-standing grievances which have aroused strong resentment in Panama and other Latin American countries. These concessions do not fully measure up to the original Panamanian demands, which in the view of American officials covered "both a wide range of subjects, and a wide range of reasonability," but they should prove far-reaching enough to satisfy national pride.

The new treaty abolishes what has been the greatest source of friction between the two countries—the differential rates of pay for employees from the United States and the Panamanians and West Indians who make up the local labour force. In the past, United States workers have been paid three to four times as much as other employees doing equivalent work, as well as receiving a variety of other benefits; a single basic wage is now guaranteed with equal pension rights. In the second place, Panama's claim to a larger financial stake in the Canal—its one great economic asset—has to a large extent been recognised. The annual payment to the Panama government for the use of the Canal Zone is to be more than quadrupled, from \$430,000 to \$1,930,000; compared with this, tolls on all commercial vessels passing through the Canal amount to some \$33 million a year. Among other economic concessions Panama has gained the right to tax some 17,000 non-American employees of the Canal Zone who live beyond its boundaries.



Against this, the United States has doggedly insisted—against strong protest—on a 75 per cent reduction in the Panamanian tax on alcoholic drinks sold in the Zone. Other concrete advantages to the United States include the right to build a bridge at Balboa and land concessions for military training purposes. But the main asset which the United States hopes to derive from the new treaty is the good will of this small but strategically important republic. The treaty has the support of the new President, Senor Ricardo Arias, but the lack of Colonel Remón's stabilising influence makes its future somewhat uncertain.

Guaranteed Wage in Sight?

New York

ONE of the reservations qualifying the present optimistic forecasts of sustained economic growth in 1955 is that they do not allow for strikes in the steel and automobile industries; wage negotiations are coming in both this spring, and already the demands of the automobile union are having an effect on that industry. First target of the United Automobile Workers is the General Motors Corporation, whose contract with the union expires on May 31st. Negotiations should open by the end of March and the giant corporation is already trying to improve its position at the bargaining table. Faced, in any case, with expenditures of \$500 million this year on plant improvements, and with continually increasing demands for working capital, the

corporation has taken the precaution of strengthening its cash reserves while market conditions are favourable. The company is also producing at record rates to build up stocks of new cars as an insurance against a strike, an example being followed by the rest of the industry.

The automobile union's big demand this year, which, it insists, it is not prepared to see postponed again, is for a guaranteed annual wage. Whatever form this may take, its object is to reduce seasonal unemployment by making fluctuations in output and employment costly to the employer; it is an object which has been given immediate relevance by the course of the motor business last summer and autumn. And the chances are that the union will get such a wage, without pressing matters to a strike. For to General Motors, whose size alone should enable it to maintain fairly steady production rates over the year, such an agreement would probably seem less expensive than would the certain loss of market position to the Ford and Chrysler companies, which would result from a tactical strike by the union against General Motors alone.

If General Motors settles for the guaranteed annual wage, Ford, Chrysler, and the "little three" independent motor manufacturers can hardly avoid following suit. But to the small company, which has neither the resources nor the opportunity to smooth out fluctuations in output and employment as effectively as its larger competitors, a guaranteed annual wage agreement could prove a damaging addition to production costs which are already far from competitive. Moreover, if the union's demands are granted without a strike, there will still remain the strike funds of new cars overhanging the market during the second half of the year, at a time when all companies, with newly signed guaranteed annual wage agreements to consider, will be under strong compulsion to maintain output. The prospect is therefore one of a greater drive for volume than ever before, in which the bait of larger margins to dealers to underwrite retail price cutting, and even more favourable hire purchase terms to customers, will be held out by those companies that can afford it—and in which the "independents" will be under more pressure to go to the wall than ever before.

Census of Public Enterprise

"RE-PRIVATIZE public enterprise" is the slogan coined by the US Chamber of Commerce in its effort to keep the Administration moving forward on its avowed course of progressively extricating the government from its business operations. Other private groups, such as National Associated Businessmen, Inc., are similarly exerting their lobbying strength, and two Bills on the subject have already been offered since the new session of Congress opened: the first would encourage businessmen to notify the Secretary of Commerce in cases where they suffer from government competition; the second would give the Director of the Budget a veto over any new competitive activity on the part of the federal government.

But the Director of the Budget, Mr Hughes, has already taken the matter into his own hands. Partly in an attempt to ascertain for the first time the exact extent of the government's business operations, Mr Hughes has ordered

all government agencies to furnish him, by mid-April, with a list of their industrial and commercial activities, and to inform him, by mid-July, which of their manufacturing functions could be discontinued. Subsequently, the bureau will want details and suggestions about such commercial undertakings as repair services, transportation, communications and wholesale and retail trading. And in the meantime the departments have been told not to start any new enterprise which would compete with private business. The directive excludes what it calls "direct services to the public," such as loans, insurance and the generation of electric power—all of which are already under close scrutiny.

This new line of attack is partly designed to administer a jolt to agencies which persist in keeping their business activities to themselves. For instance, the armed services, ordered last March to submit reports of a similar nature, have so far released no comprehensive information, though in certain cases they have cut down some of their business operations. The decision whether to hand government activities over to private enterprise will rest partly on a study of comparative costs, but "fair" allowance will be made for taxation, interest and other charges borne by private enterprise.

SHORTER NOTES

Hopes of a much shorter presidential election campaign next year have been somewhat dashed by the discovery that under some state election laws the names of candidates cannot be certified before the end of August. However, both parties still hope to hold their nominating conventions in August rather than in the usual June or July.

The Administration, after failing to obtain any acceptable bids for the butter which it recently offered to sell for export at cut prices, is now hoping to get rid of it by converting it into ghee, the liquid part of the butter, left after it has been melted. It is thought that the already big demand for it in Asia could be readily expanded. This would have the added advantage of opening a permanent new market for dairy supplies from all over the world, which might make up for the loss, of about 40 cents a pound, which the government would have to bear if it sells its surplus butter at a price the average Asian could pay.

For the first time a Communist has been convicted for actually belonging to an organisation advocating the overthrow of the government. Previous convictions under the Smith Act have been for conspiring to promote Communist doctrines, not for membership in the party.

The New York Stock Exchange's scheme for buying investments on the instalment plan, after a year in operation, now has over 28,000 individual plans in effect and is gaining new investors at the rate of 100 a day. Such investors are now putting an average of \$65 a month each into shares.

Bank of America

NATIONAL TRUST AND SAVINGS ASSOCIATION

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

Condensed Statement of Condition December 31, 1954.

(Figures of Overseas Branches are as of December 24, 1954.)

RESOURCES	
Cash and Due from Banks	\$1,456,524,519.87
United States Government Securities and Securities Guaranteed by the Government	2,414,191,925.87
Federal Agency Securities	167,123,060.20
State, County, and Municipal Securities	565,439,454.38
Other Securities	124,637,926.86
Loans Guaranteed or Insured by the United States Government or its Agencies	1,230,573,393.30
Other Loans and Discounts	2,812,738,751.23
Bank Premises, Fixtures, etc.	74,421,807.25
Customers' Liability on Letters of Credit, etc.	275,838,505.00
Accrued Interest and Other Resources	41,865,945.53
TOTAL RESOURCES	\$9,163,355,289.49
LIABILITIES	
Capital	\$150,000,000.00
Surplus	200,000,000.00
Undivided Profits and Reserves	116,596,688.32
TOTAL CAPITAL FUNDS	\$ 466,596,688.32
Reserve for Possible Loan Losses	62,618,458.13
Deposits Demand	\$4,192,260,317.72
Savings	
and Time	4,078,274,433.42
Liability for Letters of Credit, etc.	278,554,052.21
Reserve for Interest, Taxes, etc.	85,051,339.69
TOTAL LIABILITIES	\$9,163,355,289.49

Main Offices in the two Reserve Cities of California

SAN FRANCISCO - LOS ANGELES

Branches throughout California.

Overseas branches: London, Manila, Tokyo, Yokohama, Kobe, Osaka, Bangkok, Guam.

Member Federal Deposit Insurance Corporation: Member Federal Reserve System.

Bank of America

(INTERNATIONAL)

Home Office—New York, N.Y.

A wholly-owned subsidiary

Condensed Statement of Condition December 31, 1954.

RESOURCES	
Cash and Due from Banks	\$ 55,982,847.06
United States Government Obligations	29,285,414.50
Other Securities	47,976.62
Loans and Discounts	56,929,157.82
Customers' Liability on Letters of Credit, etc.	45,529,141.88
Accrued Interest and Other Resources	631,796.18
TOTAL RESOURCES	\$188,406,334.06
LIABILITIES	
Capital	\$10,000,000.00
Surplus	3,000,000.00
Undivided Profits	943,555.55
TOTAL CAPITAL FUNDS	\$ 13,943,555.55
Reserve for Possible Loan Losses	807,299.64
Deposits	126,558,914.27
Liability for Letters of Credit, etc.	46,322,451.63
Reserve for Interest, Taxes, etc.	774,112.97
TOTAL LIABILITIES	\$188,406,334.06

COMBINED RESOURCES OVER \$9,300,000,000

The World Overseas

Uneasy Calm in Central Africa

BY A SPECIAL CORRESPONDENT

WITHIN a few hours of reaching Salisbury, a visitor to the Federation of the Rhodesias and Nyasaland is likely to be told that the prophets have been confounded; federation has gone through with no disturbances to speak of; everything is settling down; the natives have never been so quiet. Can this be taken at its face value? Gunpowder can be quiet too.

It is probably nearer the truth in Southern Rhodesia than in the other territories. Here, as everywhere else, every African—when he thinks about the subject at all—wants an end of segregation and a share of political power. But here some Africans saw in federation less a danger than a racial reinforcement, an end to the pioneer's dream of permanent white domination. Many Africans here have learnt to be moderate; some are aware of trends in their favour and are prepared to move slowly. But few—perhaps none—at heart wish to go slowly enough to please European voters; it is hardly possible for an African politician to be what Europeans call reasonable and to retain the confidence of his own people. The two African Federal MPs from this territory are able, sincere and moderate men; both are regarded by most Africans as lost leaders.

In Nyasaland there are two and a half million Africans, more than a third of the total population of the Federation. It is not hard to find among them today men who think they must try to make the best of what has happened; it is extremely hard to find even one who does not feel that federation was in some degree a betrayal. Among many fears that are irrational, they come back to one basic point that is valid. "We were a protected people," they say, "and brought up under the Colonial Office to believe that African interests were paramount and that we were moving towards self-government." Though few will define this term precisely, all agree that it has receded indefinitely

and that they have lost political status. That Africans should sit in Parliament and be asked to Government House may be a concession in Southern Rhodesia, they say, but not in Nyasaland; here "Government House belongs to us." Only one African of many interviewed—and he emphasised that he was alone in his opinions—stressed the economic advantages of federation and saw that they could not be had for nothing; he did not yet know whether they would be worth the price paid in political retardment.

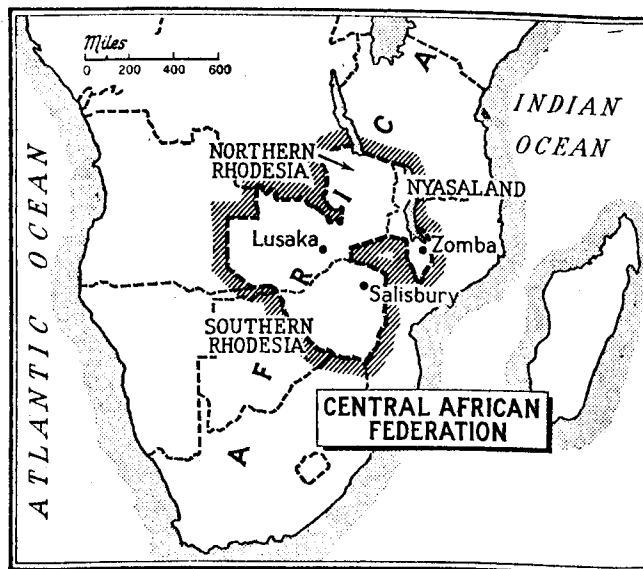
"But why," the enquirer would ask, "are you so frightened of Southern Rhodesia? You all go there; wages are higher than here, more people are prosperous."

The pass laws, says one; the liquor laws, says another. A feeling that was clearly difficult to analyse was summed up by one schoolteacher: "We go there to earn money but deposit our freedom on the frontier. And we are afraid we may soon be unable to reclaim it when we come back." The fear is not confined to the educated; in a white dominion, the chief fears loss of power, the peasant loss of land. And their doubts of the value of safeguards written into a constitution are not confined to the unlettered.

The African Congress has at the moment suffered a set-

back in Nyasaland; its protests have been ignored, its demonstrations suppressed; those who have taken the brunt of clashes with the police look with suspicion at leaders who have gone scot-free. But African and European, planter, missionary and official, all agree that if a suitable grievance presented itself the Congress could recover its prestige and renew the struggle lost so decisively in the riots of 1953. In a country overcrowded by African standards, and where, even by African standards, cash wages are low, here is gunpowder.

With modifications, much of what has been said of Nyasaland is true of Northern Rhodesia. Few Africans



are interested in "advancement," in the sense used by the management of the Selection Trust Mines on the copper belt. There is less concern that a few Africans should have more responsible skilled jobs than that a great many should be paid for an unskilled job something more like a European unskilled wage. The African is not much impressed by the fair talk of partnership or such definitions of it as the Moffat Resolutions supply. He shares the Nyasalanders' distrust of the south.

Put this distrust to a Southern Rhodesian of European stock and he may well be puzzled and a little hurt. "Haven't we been generous?" he will ask. And it is true that the south has recognised, by its housing policy and otherwise, that Africans do come to the towns to work and are likely to be more responsible workers if they have wives and children with them; it is true that in consolidation of holdings and agricultural improvement, the settler's colony is twenty years ahead of the Colonial Office territories. But all this—and the higher wages, the common roll for voters, the growing opportunities in secondary industry—are discounted by something intangible, an attitude of mind. This attitude, a remnant from an age that has passed, but one already showing signs of fresh life, is expressed in the division of the country by law into African land and European land and is constantly restated in the correspondence columns of the press and in *Hansard*.

In Search of a Prophet

The Europeans who voted for federation signified thereby their confidence in Sir Godfrey Huggins. The preamble to the Federal Constitution speaks of "the advancement and welfare of all the inhabitants" and of "fostering their partnership and co-operation." These terms were not clearly defined at the time of the referendum—and perhaps it was as well. Many Europeans are now for the first time becoming aware of the implications of their vote; some do not like what they see and would be glad to give up partnership and go back to segregation and the "two pyramid" policy. This, the official policy of the government party a decade ago, means a division of the territory into black and white areas and differs from *apartheid* (in the theoretical form advocated by the South African Bureau of Race Affairs) mainly in offering a much bigger share of territory to the African states and a less inhospitable welcome to the African in white territory. It has been revived recently by Mr van Eeden; it has an immediate appeal to a strong element in the electorate which may be vocal out of proportion to its numbers. It was decisively defeated eighteen months ago, but is certainly stronger now than it was then.

At the other end of the scale, too, opinion is beginning to crystallise. There are some who believe that it is suicide for Europeans to remain a distinct political element and to rely on any form of counting heads, however disguised. Europeans muster one to twelve Africans in the south, one to forty in the north, one to four thousand in Nyasaland. They can only survive—this argument runs—if they abandon exclusiveness and use, not numbers, but persuasion, not restrictive practices based on skin-colour, but brains, influence, integrity and perseverance—working with Africans instead of for them or against them. Two years ago only a few individuals preached this doctrine; today there are groups—as yet small—in all three territories and of all races seriously considering it. By a secular reckoning based only on humanity's deplorable past, it

would seem probable that distrust has gone too far for it ever to become more than a doctrine. But a prophet's voice might—it is just conceivable—unite these groups and draw in the groping majority of all races who are wondering what in fact partnership does mean.

Storm Over Schoerner

THE case of Field-Marshal Schoerner is proving as interesting in its way as that of Dr John. The field-marshal was released by the Soviet Army after signing a letter in which he expressed thanks for his treatment and promised to work for a united, independent, "democratic" Germany and mutual understanding with the Soviet Union. He was then allowed to return to the West. There, instead of receiving the usual sympathetic treatment accorded to "late homecomers," or the public welcome that released war criminals are sometimes given when they come from British prisons, the field-marshal met with a storm. Accusations have been made against him by former soldiers, in the Bonn government, in the headquarters of the trade union federation and elsewhere.

The burden of their charges is that the field-marshal was brutal to his own men during the last desperate stand that he forced them to make when he was commander of the Central Army Group in Czechoslovakia. It is also held against him that he escaped in civilian clothes in an aeroplane, allegedly to organise the "Alpine redoubt," about which Hitler dreamed. The Bavarian Ministry of Justice has been ordered by the Federal Minister of the Interior to see if there are grounds for these charges, but has said, in an interim statement, that his name does not appear in any cases that have come before the courts since 1945. The Bavarian authorities are also under pressure to find a reason why they should refuse Schoerner's application for the substantial pension and back pay which he would normally be due to receive. Dr Adenauer, to whom the field-marshal has appealed to protect him from "defamation," has refused to intervene while the case is being investigated.

The theory has been put forward that the Russians deliberately threw their prisoner back into the German cockpit because they knew his case would embarrass the government and help their propaganda against returning power to "Nazi generals." This may be so, but it is hard to believe that the Russians would have released Schoerner with his widely publicised letter if they had not calculated that he would also help them in their campaign to win over former officers—Nazis included. This campaign is in full swing. The latest move by its organisers has been to gather together in East Berlin 87 officers, about half of whom came from the Federal Republic. Under the supervision of Field-Marshal Paulus the group has issued a manifesto against "serving under a foreign flag" and for an armed, independent Germany.

It is possible that the Russians did not realise how unpopular Schoerner is with the military men. German officers forgive Field-Marshal Paulus for serving the Russians, but blame him for sacrificing his army at Stalingrad. They condemn everyone who did not think first of his duty to his comrades, whether in battle or in the prisoner-of-war camps. This is the reason why Germany is showing yet another example of reversed fronts, the Russians releasing a last-ditch fighter for Hitler as a new

friend, and the Germans crying for him to stand trial as a war criminal. The German attitude is a sign that generals are no longer sacrosanct. If a new army comes into being, its leaders will be scrutinised by the public; and that will be good for all concerned.

Revolt in the Spice Islands

BY A CORRESPONDENT

THE state of war declared in the South Moluccas during January was, in effect, an admission by the Indonesian government that it had never succeeded in fully subduing these islands. Indonesia obtained its independence from the Dutch at the end of 1949. In April, 1950, a secessionist "South Moluccas Republic" was proclaimed at Amboina, and when this historic port was recaptured by Indonesian government forces in November of that year many of the rebels escaped to Ceram and other neighbouring islands, where they have continued to resist. Centuries of history lie behind this conflict.

When the Dutch first came to the East Indies their interest was mainly directed not to Java but to the Moluccas or Spice Islands, where they contended first with the Portuguese and later with the English; and their activities there left a lasting mark. The Moluccas comprise two groups of islands. When the first Europeans appeared, most of the inhabitants of the northern group had been converted to Islam and were organised in four sultanates, the small island of Ternate being the chief centre of the valuable spice trade. The southern islands retained a pagan culture, with no strong political authority. The Dutch found the south the easier to subdue, and they sought to control the spice trade by restricting production. They concentrated the growing of cloves in the Amboina group by destroying the trees in every other island within reach, and similarly concentrated nutmeg production in the Banda islands, which are still the world's most important source.

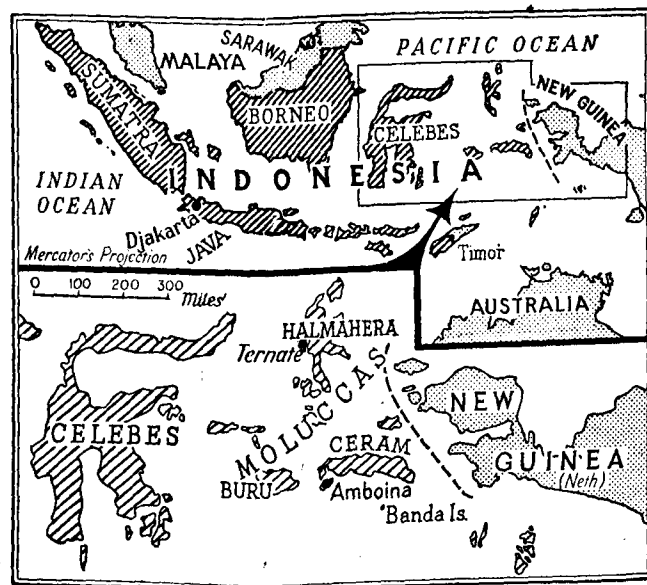
Amboina became the centre of Dutch power in the Malay archipelago, and only later, when the spice trade was overshadowed by coffee, sugar and other plantation products, did the centre shift to Java. Meanwhile, most of the inhabitants of the South Moluccas were converted to Christianity; in Indonesia, as elsewhere in Asia, it was the more primitive pagans who provided most converts. Hence the Ambonese, together with the Menadonese of north-eastern Celebes, were regarded by the Dutch as particularly loyal and were preferred in the recruitment of local troops.

Modern Indonesian nationalism was essentially a Javanese movement in its early stages, and closely connected with the Moslem religion. Indeed, a manifesto of the revolutionary Indonesian government in 1945 declared that: "We do not harbour any hate towards other groups; neither the Dutch nor the Indo-Europeans, nor the Ambonese nor the Menadonese, who in reality belong to our people." The nationalists' attempts to win over these minority groups had some success, particularly when it became clear that the Dutch would no longer be able to protect their friends, but opposition to the new regime has often and easily been aroused in Celebes and the Moluccas, and discontent has increased as Indonesia's economic conditions have declined.

THE ECONOMIST, FEBRUARY 5, 1955

The leadership of the new Indonesia remains almost wholly Javanese, so that for the "Outer Islands" national independence has meant, in effect, a substitution of Javanese for Dutch rule. Moreover, Java is over-populated and the Outer Islands under-populated; and Javanese emigration, the obvious remedy, tends to produce local conflicts wherever the emigrants go. Antipathy to Javanese ascendancy is at its sharpest among the Christian minorities, and the Ambonese are the most militant of these; many of them, ex-soldiers of the Dutch East Indies army, chose to make new homes in the Netherlands after 1949.

Both the Indonesian government's sponsorship of the forthcoming Afro-Asian conference, and its propaganda campaign for the cession of West New Guinea ("Irian")



by the Dutch indicate that it seeks a way out of its domestic difficulties through the stepping up of "anti-colonial" agitation. The obstinate Ambonese present it with a double problem, and it is probably anxious to break their resistance finally before the Afro-Asian delegates arrive in Java. An unquelled five-year-old revolt is not a good advertisement for any government, and some of Indonesia's guests may not show much enthusiasm for its claims on Irian if it cannot even pacify the islands that lie so near. Moreover, if Indonesia's verbal campaign against the Dutch leads to any kind of conflict along the coasts of New Guinea, the Moluccan rebellion, if still alive, might easily become merged in the new clash.

The Togliatti Line

FROM OUR ROME CORRESPONDENT

PALMIRO TOGLIATTI, the Italian Communist leader spares no effort to present himself as a moderate, liberal politician. The better to reassure the timorous bourgeois, he operates behind the respectable façade of a natty double breasted jacket and metal rimmed spectacles. In action, he has consistently stuck to the irreproachable slogans of progress within the Constitution (in the drafting of which

ECONOMIST, FEBRUARY 5, 1955

465

WHAT HAS ELECTRONICS TO DO WITH YOU?

Whenever you turn on your television, you make use of the intangible but vital science of electronics. Whenever you travel by ship or plane, you are brought safely through fog and night to port by radar.

The safety of your child's bicycle—the strength of your wife's nylons—may depend on tests made by delicate electronic instruments. Our modern civilization is dependent at every turn on electronics, and the Cossor Group of Companies has always played a major part in the practical application of this science to domestic and industrial affairs, at home and all over the world.



THE COSSOR GROUP OF COMPANIES · HIGHBURY GROVE · LONDON · N.5

A. C. COSSOR LIMITED

COSSOR RADAR LIMITED

COSSOR (CANADA) LIMITED

STERLING CABLE CO. LTD.

BEST PRODUCTS LIMITED

BEAM INSTRUMENTS CORPORATION (U.S.A.)

he had a hand), victory by electoral methods with, if possible, popular front tactics, and a careful avoidance of any step which might frighten the Catholic voter. In pursuing this line, he is in the triply strong position of enjoying unusual latitude from the Kremlin in the adaption of its directives to the western mentality, a fairly firm alliance with the Nenni Socialists, and very wide scope for obtaining reforms, long since regarded as innocuous in more advanced countries. Togliatti's efforts must be admitted to have borne fruit. The Communist Party in Italy is the largest outside the Iron Curtain. In 1953, 44 per cent of young voters between the ages of 21 and 25 plumped for the extreme Left, and the total Left poll is still increasing in the south.

At the recent National Conference, the leader's strategy was, of course, endorsed. Delegates were urged to place more stress on the campaign for "peace" and the banning of the hydrogen bomb and to launch a fresh campaign against the power of industrial monopolies and for workers' freedom from political discrimination in the factories. These issues largely reflect Moscow's instructions, but they also offer a good platform for the Communists to press forward with their old tactics of joint action on concrete issues. And it was in the importance attached to this approach that the significance of the Conference is to be found. Be careful, so ran the advice, to distinguish between foe and possible ally. Do not despise the Social Democrats, however much we may condemn their leaders and spare no trouble to find a pretext in everyday life on which you can make common cause with Catholics. Avoid being merely matey.

Watered Down Bolshevism

There is nothing very new in all this. What is significant is the gathering strength of an opposition current (not allowed to speak in the debates) which asserts that this watered down form of Bolshevism is undermining the party's vigour. Fuel has been provided for the critics' fire by the abrupt downfall of Sotgiu, one of Togliatti's bright upper class protégés, whose private behaviour turned out to be inappropriate to the fierce moral crusade he was conducting as defence counsel in the Montesi case. The opposition felt that much too much fuss had been made about this scandal and that it had distracted energy and attention from more orthodox Marxist issues. (Hence the defence of the party's emphasis on the Montesi case by Ingrao, the editor of *Unità*.) And the opposition's accusation of lax morals was aimed, not just at the brilliant young lawyer but at a whole string of Party leaders, who have circumvented the absence of divorce facilities in Italy by recourse to San Marino and Iron Curtain countries. A good deal was also made of the careerism, bootlicking and opportunism of the circle round the Leader.

But the essence of the opposition's case is that the policy of the popular front is lowering militancy among the veterans, is sacrificing quality for quantity and is getting the Party nowhere. The importance of choosing sound cadres was in fact stressed discreetly by Pietro Secchia at the conference and not by accident. He is the figure round which the opposition has crystallised; he is definitely one of the *duri*. Rumours of his defenestration have been current for some time and they have now been confirmed. Not that there was a brutal expulsion. Secchia has merely, as a first step, been eased out of his position of vice-secretary responsible for organisation and relegated to

the post of provincial secretary of Lombardy, a tough red stronghold. But not before Togliatti had himself taken over the organisation committee at the conference and had arranged a headquarters commissar to keep a check on each party provincial leader. Secchia's probable successor in the national Secretariat is a Togliatti man, Amendola, the son of the Liberal politician of the twenties; but the spoils are being disputed by D'Onofrio and Scoccimarro. Togliatti has also strengthened his hold on the machine by arranging that the party secretariat should be elected not, as hitherto, by the central committee of a hundred and twenty members but by the more select "direction," numbering twenty.

Togliatti far outshines his rivals as a tactician. He has so far succeeded in his tightrope act of keeping the hard core more or less intact while preserving the support of the sympathisers. If there is a slight recession in the north, the Communists are still advancing in the south. His policy ensures the maintenance of the alliance with the Nenni party and the move of the government to the Right is brightening the prospects of success in the biggest stakes for which Togliatti is playing—a split from the centre by some of the liberal elements, who would, whatever their basic intentions, be forced into a policy of virtual co-operation with the Left. Whatever the next move in Italy, it would be dangerous to overrate, at this stage, the likelihood of a marked decline in Communist strength.

Norwegian General Post

FROM OUR SCANDINAVIAN CORRESPONDENT

THE latest reshuffle of Norway's Labour government, although more far-reaching than usual, is still reminiscent of a cosy family game of "general post." Hr Einar Gerhardsen, lately president of the *Storting*, whose resignation from the premiership in 1951 was occasioned by overwork and ill-health after long confinement in German prisons, and Hr Oscar Torp, the outgoing prime minister, have simply swapped offices. Hr Halvard Lange, the stoutest champion of the Nato concept in Norway, remains at the foreign office, where he has served since 1946, thus assuring the continuity of Norway's foreign policy. Six ministers besides Hr Torp have relinquished their portfolios, the severest loss being Hr Nils Langhelle, who commanded universal esteem as defence minister and, later, minister of commerce.

The exact reasons for the reshuffle are partly shrouded in the mystery that habitually surrounds the internal workings of the Labour party, which has now ruled Norway for two decades. Differences over economics and defence, personal rivalries, and incipient labour troubles probably provide the answer. Last year the foreign trade deficit was 1,100 million kroner (£55 million). Norwegian wages are linked to a cost-of-living index, and despite the rigorous price controls in the "Lex Targaard," prices have been rising; in December the index stood at 144 (1949=100). Observers predict a general inflationary rise in wages next month, with the attendant danger of Norway being priced out of world markets, unless the government acts promptly.

Hr Torp's efforts to secure lower prices through negotiation had failed, and his successor's attempt to induce Hr Nohrdahl, the president of the powerful trade unions, to join the government was equally unsuccessful. The programme announced by Hr Gerhardsen was scarcely illuminating, but the inclusion of two leading exponents of *dirigisme*—Hr Sjaastad and Hr Meisdalshagen—in the government points to even more drastic economic controls.

Yet Norway may justifiably regard 1954 as a year of achievement. Full employment and a high living standard were maintained, and misgivings about the proposed Scandinavian common market were allayed. The annual OEEC report criticised the ambitious investment programme (total capital formation in 1954 amounted to over 30 per cent of the gross national product); but it pronounced the Norwegian economy fundamentally sound, and recorded a 16 per cent increase in export trade during the first half of the year. The new state-owned steelworks at Mo i Rana, north of the Arctic Circle, should produce 200,000 tons of rolled steel this year.

Progress has been made in defence, and this year a further 300 million kroner will be spent on "infrastructure." An oil pipeline costing 40 million kroner will eventually link western and eastern Norway. Two-thirds of the American equipment expected has been delivered. One active brigade is already stationed in northern Norway, and the second will be in position in the south next month. Army recruitment has improved, and the largest manoeuvres in Norwegian history were successfully held in 1954. The air force now has seven operational fighter squadrons and wastage is low. The small navy has been strengthened by the loan of two British submarine-chasers. One-fifth of the current budget is devoted to defence. Finally, the Paris agreements, ably piloted by Hr Lange, have secured ratification in the *Storting* with only seven dissentient votes.

Two important fiftieth anniversaries—of Norway's separation from Sweden and of King Haakon's accession—fall this year. To outsiders it may seem paradoxical that Norway combines the most inflexible social planning this side of the Iron Curtain with such deep affection and respect for the monarchy. Yet this blend of austerity and romanticism perhaps provides a key to the Norwegian character.

Crusader Against French Taxes

THOUSANDS of disgruntled provincial shopkeepers flocked into Paris last month to hear their leader, M. Pierre Poujade, vituperate against the iniquities of the French fiscal system. It seems strange that this poignant outcry should come not from those who pay-as-they-earn, but from a group already notorious for fiscal frauds. To parry the accusation of "squeezing the trader" the French Ministry of Finance recently published statistics showing that four-fifths of them declare a revenue substantially lower than that of workers or employees. Indeed, one of the first promises of the present government was to see to it that the burden should be shared more equally.

But there are in France many traders and artisans for whom escape through the fiscal net is the only chance of survival. A strict application of the tax laws would spell their doom, and it would be of little consolation to them to know that their elimination fits well into the pattern of economic laws and progress. These "marginal units" are the target of the government's "reconversion" plan; they are to be adapted so as to be able to face more competitive conditions.

The fear of elimination is strongest in the poor areas of central and south-eastern France, and it is, therefore, natural that the birthplace and the stronghold of M. Poujade's anti-fiscal movement should be there. Since these regions tend to vote "left," it was at first assumed that the Communists were behind it. But the whole campaign, with its xenophobic and anti-semitic undertones, soon revealed another tradition—that of the semi-fascist leagues which flourished in France before the war and have now apparently revived. These leagues often proved ephemeral, and there is little likelihood of a Poujade *putsch*. The French parliamentary parties, however, are quite genuinely worried by his tremendous popularity.

Transatlantic Investment

THERE have been many studies of the extent and obstacles to American private investment abroad, but the report recently published by the OEEC is of more than ordinary interest. It deals with both the OEEC member countries and their overseas territories. The total net outflow of private long-term capital from the United States to member countries in 1947-53 comes out at the depressingly low figure of \$688 million. And when allowance is made for the flow back of interest and dividends, which in this area is virtually uninhibited, there is over the whole period an actual shortfall, representing a net loss of dollars on this account, of \$322 million. But this pessimistic conclusion must be qualified in two ways. First, though there is no quantitative means of measuring it, the many new American investments have played an important role in reducing dollar expenditure or in adding to Europe's dollar-earning power; the American-financed oil refinery programme comes immediately to mind. Second, there are the reinvested earnings of American corporations in Europe, which over the seven years add up to \$904 million.

American private investment in the overseas territories

COMMODITY REPORTS

Special and regular reports on the supply and demand position and on the price and market prospects for most commodities can be prepared for individual clients by our Commodities Department. Scope, length, frequency and cost are determined by clients' needs.

Further information from:

The Economist Intelligence Unit
22 Ryder Street, London, S.W.1.
WHITEHALL 1511, Extension 12.

has been little more encouraging. The net outflow was only about \$350 million, although reinvested earnings in the territories totalled \$195 million. In the overseas territories, American private investments have been evenly spread over the area, but they have been heavily concentrated on the petroleum industry.

The OEEC points out, rather obviously, that "the main responsibility for taking action designed to stimulate private investment rests upon those countries who wish to attract such investment." (Measures to be taken by the United States government itself were outside the scope of the report.) But, as the report shows, so much progress has been made by the OEEC countries in facilitating by specific administrative and legal actions the inflow of foreign capital, that little more can be done to woo the American investor by these means. Clearly the greatest incentives now are the maintenance of prosperous business conditions, the removal of currency restrictions, and the creation of an environment of political safety and stability. As a handbook describing the situation and status of foreign investment in member countries and their overseas territories the OEEC report should be of real use to the interested businessman. One shortcoming, however, is the scanty treatment of the prospects of American portfolio investment—the sale in the United States of foreign issues. The report shows that, whereas in the 1920s more than two-thirds of the private long-term capital exported from the United States went into portfolio investments, since the war only about a fifth has taken this form. Recently a trend towards this type of investment has appeared, and the OEEC could usefully have devoted a part of the report to the prospects and the machinery of this type of investment.

Sulphur out of Mexico

FROM A CORRESPONDENT IN MEXICO CITY

HOPEFUL Mexicans are expecting their country to become the world's second largest producer of sulphur by the end of this year. Even if that goal is not reached, the swift development that is now in hand will make a big difference to the country's earnings of dollars. It will also considerably change the picture of world trade in sulphur, which is at present almost wholly dominated by American production; and as the great Louisiana and Texas domes dwindle, the United States itself seems bound to turn increasingly to Mexico to supply its mounting demand.

Twenty years ago, Mexico produced barely 3,000 tons of sulphur a year, which was obtained from San Luis Potosi, in the northern half of the republic. The scene of the big new boom is the Tehuantepec isthmus in the south-east, where exploration and preliminary work, initiated before the war, has been greatly speeded up in the past five years. Of the three main companies at work in the isthmus, all of them backed by United States capital, the Texas Gulf company holds concessions that embrace deposits of over 20 million tons, Panamerican Sulphur has located what is claimed to be the larger salt dome in the world near Acayucan with reserves of 30 million tons, and Mexican Gulf Sulphur, with proven reserves of over 11 million tons, is reported to have made a new strike that may place it

ahead of Panamerican. Mexican Gulf, the first of the "big three" to start active production in the Tehuantepec area, produced about 100,000 tons of sulphur in 1954. Its plant capacity is 200,000 tons, which is to be raised to 500,000 a year. Its sales manager predicts that total Mexican production will exceed a million tons by the end of 1955—which, at current prices, would mean a gross value of \$28 million. More conservative observers, however, estimate 1955 exports at something like 500,000 tons.

The three chief companies, whose investment in preliminary investment and construction is well over \$16 million, have agreed to pay production taxes amounting to 15 per cent of the product's value and to provide for local needs before exporting any. According to the Department of National Economy, the consumption of sulphur in Mexico is now about 51,000 tons; it is used chiefly in the production of insecticides, fertilizers, chemical products, sugar and paper. The official estimates indicate that industrial and agricultural requirements will increase present consumption by 300 per cent during the next few years.

Argument over Export Policy

There are already strongly conflicting views on the advisability of exporting sulphur on a large scale. Those in favour stoutly insist that sulphur exports could be a major source of foreign exchange. Their opponents, on the other hand, maintain that Mexico should conserve its sulphur reserves against the threat of exhaustion in the United States and elsewhere. Walking a diplomatic tight-rope between the warring groups, the Secretary of Economy, Sr Loyo, said that domestic needs will be given priority over exports. Even if Mexico's internal consumption should rise to 250,000 tons within the next five years, it is estimated that the production of the Tehuantepec domes will by that time fully supply the domestic market, with more than a million tons exportable surplus each year as well. For the moment Mexico's needs are small, and the Poza Rica sulphur extraction plant of *Petroleos Mexicanos* (the government oil monopoly) built at a cost of 90 million pesos (\$7,200,000), is in fact producing almost enough for domestic needs. Its daily production is now around 140 tons, and this will be increased to 200 tons by the middle of the year.

The sulphur in the Tehuantepec area is being extracted by the Frasch process which pipes steam into the ground to melt the yellow mineral and force it to the surface in liquid form. This is the first time the Frasch process has been used outside the United States. Coatzacoalcos, the port of Veracruz, is being developed as a major seaport for Tehuantepec sulphur. A huge dock and a large power plant are under construction, and a building boom is under way. The entire isthmus should enjoy the period of progress and prosperity which it did not achieve half a century ago when the nation's first oil wells were drilled in this same region. Incidentally, some oil wells in the area have begun flowing again as a result of the sulphur extraction, and technical crews of *Petroleos Mexicanos* are exploring the possibilities of starting up commercial production again.

★

Correction: On page 373 of *The Economist* of last week some planned figures for 1954 were erroneously given instead of actual, production figures. Output for 1954 should read: watches and clocks 15,745,000; sewing machines 1,275,000; bicycles 2,415,000.

THE THINGS WE DO FOR YOU - I

We don't know

whether you
yourself ever give us orders (we may not be in

your line of country at all) but directly or indirectly we
nevertheless do quite a lot for you.

what we do

is to
design and build engineering equipment for many essential industries on which you depend for this and that. You would have less gas and smokeless fuel, for instance, without Simon-Carves coke ovens, and more dirt in your coal without Simon-Carves washeries. Some of the things you buy would cost a little more but for the economies derived from Simon mechanised materials-handling installations. If all the machinery driven through Turbine Gears were suddenly stopped, it would hurt you somewhere, somehow, some time. And Simon-Carves power station boilers help to generate the current that runs the electric railways and your television set.

coal washeries . coke ovens . power stations . heavy chemical
and gasworks plants . metallurgical plants . materials
handling plants . industrial gears . flour and provender mills
and many other specialities.



SIMON-CARVES LTD
SIMON HANDLING ENGINEERS LTD
HENRY SIMON LTD
TURBINE GEARS LTD
HUNTINGTON, HEBERLEIN & CO LTD
CHEMICAL ENGINEERING WILTONS LTD
THOS. ADSHEAD & SON LTD
SANDHOLME IRON CO LTD
DUDLEY FOUNDRY CO LTD
METAL LAUNDRIES LTD
TYRESOLES (OVERSEAS) LTD



A gracious welcome to your guests

20/- bottle · 10/6 half-bottle
Also Magnums 40/-

New York Agents: EXCELSIOR WINE & SPIRITS, 150 BROADWAY

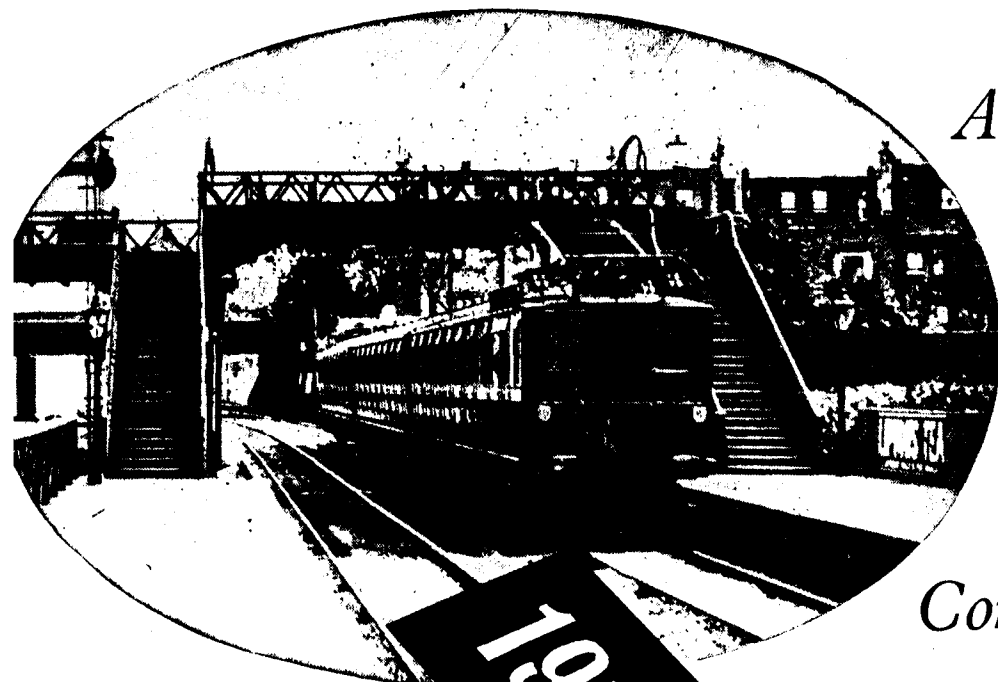
DEAR MR. NU-SWIFT,

Of course, we've some fire extinguishers, but are they up-to-date? Please ask your man to call and check them—ahead of that Fire Fiend!

Name.....

Address.....

MAIL NOW to Nu-Swift Ltd., Elland, Yorks.

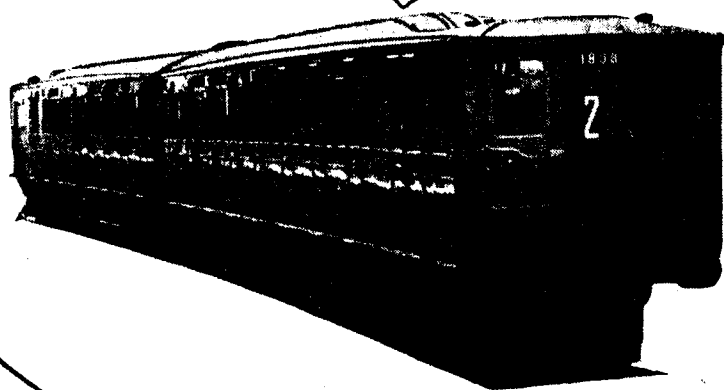


*Aluminium
Alloy for
Lightweight
Passenger
Coach
Construction*

This pioneer South London line train, originally fitted with pantograph power pick-up was in service from 1910 to 1954.

A notable feature of its construction was the use of aluminium panels.

Aluminium alloys are now used in many countries for railway application where light weight and strength can lead to operating economies.



THE British Aluminium

CO LTD

NORFOLK HOUSE ST JAMES'S SQUARE LONDON SW1

THE BUSINESS WORLD

Hire Purchase Gallops On

AS the Governor of the Bank of England took a gentle tug at the credit reins last Thursday he may well have thought that hire purchase was one of the over-exuberant horses in the team. Two of the bank chairmen had earlier pointed to the growth of instalment trading as a probable sign of inflation. Its growth during 1954 was certainly exceedingly rapid. It now dominates the market in furniture and television, claims half the market in radio and is beginning to spread into fields where hitherto it had no footing in this country, such as airline tickets and holiday expenses. All these types of instalment trading can pass as "hire purchase," though in law they are not. In hire purchase, title to the goods does not pass until the buyer completes his instalments; if he defaults he can be sued for return of the goods. But no one is going to sue for the return of a used aircraft ticket or a half-worn suit. The air travel plan, holiday plans, and some of the clothing schemes are simply extended credit transactions. But they all shared in the expansion of 1954—an expansion known to be great, but difficult to measure.

Restraint of instalment trading was by no means the first object of the Bank rate increase. Its first service was to reinforce the pound and the curbing of specific inflationary excesses was a means to that end. Hire purchase is inflationary if it diverts resources towards consumer goods, and in recent months, when the productive machine has been at full stretch, hire purchase must have had some influence in diverting into home consumption goods that could be better exported to earn currency.

Against such tendencies, a $3\frac{1}{2}$ per cent Bank rate offers some kind of brake. Hire purchase finance houses will have to pay a higher rate on bank money. Recently they have been paying about $4\frac{1}{2}$ per cent; now they will pay $4\frac{3}{4}$ per cent. It is easy to exaggerate the specific

effect of such a minor deterrent. Few houses use bank money and nothing else in their business. Unless the cost of deposits obtained from non-banking sources also rises the effect of a half per cent rise in Bank rate will be small. The companies that advertise for deposits from the public continue to offer 5 and 6 per cent.

The effect of higher interest rates where the hire purchase contracts are carried by the trader and not discounted with a finance house is less easy to assess. If the trader is using a bank overdraft raised on the general assets of his business he may feel inclined to pass over a greater proportion to finance houses and retain less for himself. If he is using money that was surplus to his other requirements he will no doubt still find hire purchase good paying business. When he manages in effect to use his suppliers' money by paying for his goods on a bill instead of cash the suppliers may dislike the proceeding even more than they already do. But often, for one reason or another, they will have no option. In the bicycle trade, for instance, the three main manufacturers are related to specialised hire purchase finance houses financing their own makes.

The general view of the trade is that an increase of only $\frac{1}{2}$ per cent in Bank rate will have only a minor and delayed effect on the growth of hire purchase: it will certainly not reverse that growth. The charges made for hire purchase finance are high, but not so much because of interest as because they contain a large factor for administration and collection. A minor change in the interest factor will usually be small in relation to the total charge.

It is impossible to make more than an informed guess of the size of hire purchase indebtedness in this country. The statistical material is deplorably thin: HP Information produces good figures for numbers (not values) of cars and other vehicles sold by hire-purchase

and some much less good figures for a limited range of other durables. The Radio and Television Retailers' Association publishes a figure, based on a sample, of hire purchase sales per shop, expressed as a percentage of total sales. For furniture and bedding—probably the largest single item in the hire purchase account the material is still thinner, nor is there any guide for the substantial business done in agricultural, industrial and

NUMBER OF HIRE PURCHASE CONTRACTS REPORTED
(Monthly average)

	1953		1954		1955
	1st half	2nd half	1st half	2nd half	Jan.
Cars :—					
New	2,064	2,350	3,894	4,905	6,069
Used	13,068	14,872	19,624	22,620	18,026
Total	15,132	17,222	23,518	27,525	24,095
Commercial Vehicles :—					
New	1,150	1,104	1,508	2,083	2,972
Used	1,973	2,399	2,908	2,974	3,134
Total	3,123	3,503	4,416	5,057	6,106
Motor Cycles and Side Cars :—					
New	2,972	2,395	3,847	3,917	2,887
Used	8,372	8,747	9,959	11,278	6,737
Total	11,344	11,142	13,806	15,195	9,624
Tractors :—					
New	428	316	385	396	462
Used	405	350	407	295	256
Total	833	666	792	691	718
Caravans :—					
New	579	624	696	722	412
Used	123	137	380	366	161
Total	702	761	1,076	1,088	573

Source : H.P. Information.

public works machinery. A rough guess puts the total outstanding debt at the end of 1954 in the range of £350 million to £450 million. There is a strong preference for the higher figure because there are no figures from the Gas and Electricity boards later than March. Even so, it excludes all machinery; the total hire purchase debt must exceed—perhaps substantially—£450 million. It must have grown during 1954 by a sum of the order of £100 million.

Last year was indeed a time of formidable—and to some, frightening—expansion. But that expansion did not result purely from the removal of the Board of Trade control orders, the Treasury instructions to the Capital Issues Committee and the Treasury request to the banks. The expansion was already in progress before they disappeared. Removal of the controls merely threw open a sluice gate through which more than a trickle of increased business was already leaking: hire purchase of new motor cars jumped from 9.1 per cent of the home sales in 1953 to about 14 per cent in 1954, but, controlled though it was, the hire purchase

share of the new car market had been rising every year since the war.

But big, new resources have been laid open to the hire purchase finance houses, and those resources have been rapidly absorbed. The doors of the clearing banks swung open to the strong finance houses. Nearly all the finance companies that are quoted went either to the market or to their own shareholders for extra capital. Big deposits, private and institutional, also continued to flow towards the hire purchase finance houses attracted by more favourable rates than the banks' deposit rate. The mass of small finance companies continued to grow. It was widely expected that with the restrictions removed competition would grow more severe, that some of the smaller finance houses would feel the pinch.

To an extent competition has grown; there are at least just a few small finance houses that could do with more business, but there are far more than could still use more money if they had it. Competition has not become acute. It has shown itself not in rate cutting nor in willingness to do more business without recourse to the trader, but in longer credits, smaller initial deposits and, above all, in the new ability of the hire purchase financiers to "help their customers." Under the old Board of Trade regulations, minimum initial deposits for a group of commodities (not including furniture) were fixed (usually at 33½ per cent) and lengths of contract were controlled. Now contracts are growing longer. With the nationalised boards they run up to several years and with good motor cars up to 3 years. Hire purchase finance houses can, moreover, extend the term for a customer who is in difficulty. The bald statement—itsself true—that the rate of default is as low as about ½ per cent in general and barely ¼ per cent on cars needs qualification. The percentage in arrear is higher.

Hire purchase finance is still a booming business earning rates of interest good enough to make any financier's mouth water. The quoted rate on aircraft

SAMPLE HIRE PURCHASE TERMS

The charge is normally quoted per cent per annum on the amount outstanding after payment of the initial deposit (if that is substantial). One formula for converting to a percentage of the actual debt outstanding is:—
Quoted charge $\times 2 \times$ number of instalments $\div$ (number of instalments + 1).

Item	Deposit	Contract	Quoted charge	Actual rate per annum
Motors new	25-33½%	up to 3 years	7½-9	up to 17½
Motors Old, Second-hand	high	up to 2 years	7½-9	up to 17½
Furniture and Radio	up to 10%	up to 2 years	5-12½	up to 23½
Bicycles	£1	12 months	20	37
De-nationalised vehicles	various	various	6	11
Area Gas Boards	various	several years	...	7-8
Area Electricity Boards	various	several years	...	7
Aircraft Tickets	10%	up to 21 mths.	11	21

tickets for example is 11 per cent over a maximum of 21 months and equal to about 21 per cent per annum on the average debt. Powerful financial interests are still crowding into it. The purchase of Scottish Midland Guarantee Trust by the Commercial Bank of Scotland and the purchase of a controlling interest in Mutual Finance by Thomas Tilling are recent examples. The hire purchase shares quoted on the Stock Exchange have also prospered.

It is unlikely that saturation or even stability has yet been reached. The evidence points rather to a big social change being copied from the other side of the Atlantic. It has its undoubted risks. To spend current income up to the hilt and then pay for a holiday by instalments long afterwards offers a hostage to fortune. But hire purchase also has its advantages in a vigorous expanding economy. If refrigerators and television sets, for example, had to remain articles of luxury with restricted markets in this country, it is

probable that costs of production would be higher and British competitive power in world markets less. Mass demand for mass-produced durable goods implies some development of consumer credit. But the safe expansion of hire purchase also implies that individual commitments are kept within the individual's means, and that the terms should be known to the hirer.

If it is true that acts of policy like changes in the Bank rate can retard or accelerate a major trend, but cannot make or break one, then the growth of hire purchase should become healthier and a little more restrained with slightly dearer money, but hire purchase houses have still a bright future before them. Certainly it has been wise of the authorities to accept hire purchase as an economic fact and (within reason) as an economic incentive. They have not sought to rebuild the ramshackle edifice of specific restrictions against this type of trading. Control will be much better effected by competition and monetary policy.

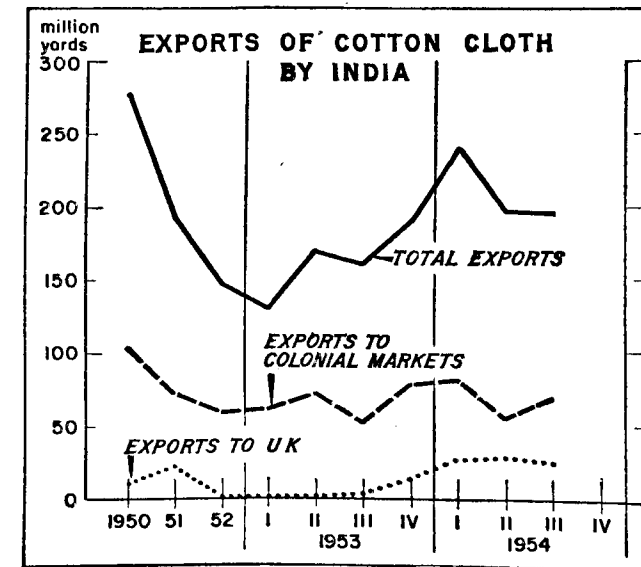
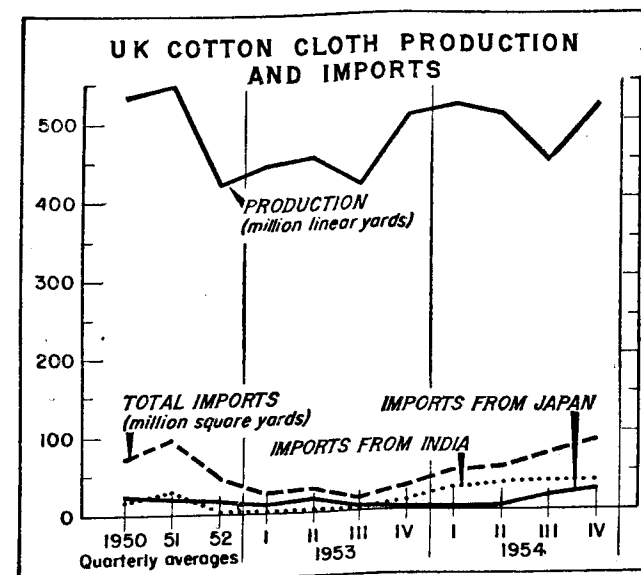
Cottons to Lancashire

NOT many years ago India was still Britain's best customer for cotton textiles. That status was swept away on the tide of nationalism following self-government, but Lancashire had seen that happen in so many countries before that it bore the loss with resignation. What Lancashire did not foresee was that one day its own home market would be threatened by imports of Indian cloth, and that India would become a serious competitor in British Colonial markets. Since India abolished the export duty on medium qualities of cloth late in 1953, its exports to Britain have risen sharply, and Britain now ranks with the Colonies as India's best customers. The boot is now on the other foot, and the other foot firmly on Lancashire's anatomy.

Lancashire naturally resents that invasion, though it has apparently thought it pointless to demand govern-

ment action to limit Indian penetration into Colonial markets. With all the vigour it can command, it is pressing for restrictions against Indian imports into Britain. The argument rests on two main grounds. Firstly, that India, while enjoying the right of duty-free entry into Britain, imposes high—albeit preferential—duties against British cloth; secondly, that exports of Indian cloth are in effect subsidised.

Until last September the Indian government severely restricted imports of cloth by quota; imports from Britain were kept down to a trickle of some 5 million yards a year, a figure which looks ludicrous against the 130 million yards of Indian cloth—mainly in the grey unfinished state—sent to Britain last year. Then, partly perhaps in response to the request of the British government, India relaxed quantitative restrictions against



British cotton piece goods, but it maintained the preferential tariff at the punitive level of 60 to 80 per cent *ad valorem*, which compares with the standard rate of 100 per cent on foreign goods. There is no evidence so far to suggest that any significant volume of British textiles can vault that tariff wall. Plainly such a policy falls far short of reciprocal trading. If, as the Indian government maintains, the tariff is now simply a revenue duty, then revenue should gain rather than suffer from a reduction in the scale. And it is hard to believe that India's overseas balance of payments now precludes a more liberal attitude to imported cotton goods.

The second charge arises because India has long controlled the domestic price of its raw cotton and prohibits the export of all but a small proportion of the crop. Prices are free to fluctuate between a floor and a ceiling, but the range is well below prices of similar cotton on the world market. The result is that Indian mills enjoy a cheaper raw material than their competitors in other countries—an advantage equal to about 3d. a yard on a standard cloth that would normally cost about 15d. a yard. The purpose of that control is to ensure adequate supplies of cheap cloth to the Indian public, but the incidental effect is to give a powerful shove to India's export trade. It is difficult to bring that control within the normal meaning of subsidy: it is open to India to price its raw cotton at a low level just as it is open to America—which is the dominant influence in the world market—to hold its cotton prices at a high one. But it is understandable that Lancashire's spinners and weavers should feel that the Indian mills have an unfair advantage over them.

Imports of grey cloth are nothing new in Britain. The output of Lancashire's mills is normally inadequate for the needs of the merchants, and has to be supplemented by imports for finishing here and re-sale at home and abroad. In times of booming demand, such as 1951, imports of grey cloth rose sharply to 340 million square yards; that brought no yelps from Lancashire mills, then fully employed with long order books. The picture is different now. While home sales are fairly satisfactory, exports are falling and order books are contracting. Imports of foreign grey cloth, particularly from India, are squeezing profit margins and "undermining confidence"—always a frail plant in Lancashire. Instead of supplementing home production, imports are now competing with it.

But before Lancashire's plea for the restriction of Indian imports is accepted, two things should be considered. Roughly half the total imports of grey cloth appear to be reaching the home market after finish-

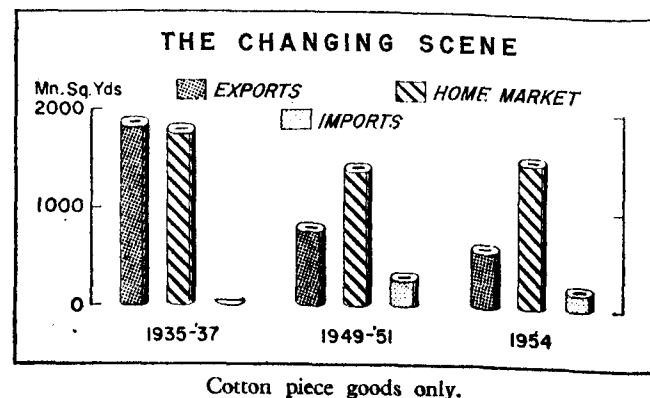
ing; the other half is re-exported. If imports from India were reduced home-produced goods would probably fill most of the resulting "gap" in home supplies. In the export markets it is harder to assess where the balance of advantage would lie. Some Indian cloth, after suitable finishing, meets requirements in overseas markets that Lancashire might well find it difficult to supply; to that extent Britain's total exports would suffer. But a bigger proportion of overseas requirements could probably be supplied by the home mills if they were prepared to quote more competitive prices.

The second consideration is that the benefits of restriction have to be weighed against the possible repercussions on the Anglo-Indian trade agreement and therefore on all British exports to India. That agreement may already be strained by the government's decision to protect the jute industry in Dundee against competition from cheap Indian goods. (Lancashire is entitled to ask how the government can grant protection within the Commonwealth to a small industry like jute and refuse it to a great one like cotton.) Restriction of imports of Indian cloth might, however, lead India to seek the re-negotiation of the trade agreement, and the British government would dislike that at a time when Britain and India are not moving closer together politically or commercially.

Lancashire's particular complaint against Indian cloth reflects a more general fear: that while struggling to hold on to its overseas markets it will not be able to rely upon a home market protected against substantial imports from India or any other country. That fear may be exaggerated, but it is more than a little sad. A bare generation ago Lancashire's great industry clothed the world; its exports dominated the British trade returns, and the home market took but a tithe of its production. It would have laughed at the idea that it could be taken to task on its home ground.

Today it is shouting for protection in the home market, and the government may be hard put to refuse it. It will move reluctantly and only if Lancashire is faced with serious unemployment. Protection against India is a gift that is inconvenient to make—costly to Anglo-Indian trade relations and contrary to British policy of seeking to maintain minimum tariffs within the Commonwealth. Nor would protection provide

any solution of Lancashire's main problem—the problem of a big but contracting industry that has lost its bulk markets for cheap goods. The solution—if there is one—is more likely to be found in vigorous innovation and specialisation, rather than trying to cling to the cheaper end of the trade.



Business Notes

Taking the Highroad

How much more does the Government really intend to spend on the road system? It is not easy to disentangle the answer from the broad outlines of the programme that Mr Boyd-Carpenter announced this week and the overlapping sub-divisions of annual commitments and expenditure by central and local government. Some figures, assembled or inferred from official estimates and statements this week, are brought together in the accompanying table with the most recent actual figures available; they are of most varying quality, largely because the official statements are so contrived as to make comparisons difficult. This is the third increase in spending on the roads made by the present government, and by far the largest; it roughly implements, and fills in the details of, the promise to double or treble former plans made by Sir Anthony Eden in the debate on the Queen's Speech.

ESTIMATES OF ROAD EXPENDITURE
(£ million)

	Actual 1952-53	Estimates				
		54-55	55-56	56-57	57-58	58-59
Major improvements and new construction:—						
Government:—						
Authorise	3.5	19.3	27		120	42
Pay	2.8	5.0	8.25	17	30	
Local authorities pay	2.6	4	4	5	6	8
Maintenance, minor improvement, cleaning and administration:—						
Government pay	27.8	30	30	30	30	30
Local authorities pay	51.8	50	50	50	50	50
TOTAL	85	90	90-95	100-105	110-120	125-135

The central government is responsible for the whole cost of trunk roads, and for half or more (the percentage varies) of the expenditure on first, second, and third class roads. In the present financial year, under the slightly increased programme announced in December, 1953, rather more "major improvements and new construction" (a high-sounding label that may mean no more than the buying of a scrap of land to widen a road) seems to have been authorised by the Government; but the actual amount spent by it and local authorities is probably still well under £10 million.

Four Years' Journey

At the end of this financial year, the Government expects to have about £23 million of outstanding commitments "authorised but not spent" on major improvements and new roads. During 1955-56, under the new programme announced this week, projects involving £27 million of central government expenditure will be authorised; but only £8½ million of this—implying perhaps £12 million in all, counting in the local authorities' spending—will actually be spent. In the three following years, authorisations for £120 million more on such work (including £15 million for the first part of the London-Yorkshire motorway that has now been decided on) will be made by the central government: its spending will rise to about £42 million in the financial year 1958-59. It was suggested that by that year expenditure by local authorities "under the new plan," in addition, would reach £30-£40 million; but this clearly includes the grants from the central government to these authorities, and in fact over the whole four-year period the extra amount provided from the rates for major improvements and new roads is not likely to exceed £25 million. This is, of course, not all that either group of authorities spend; minor improvement and maintenance, in addition to the above, is now costing the Government about £30 million a year and the ratepayers about another £30 million (which the local authorities might reasonably be tempted to reduce). Road cleaning and administration, almost entirely paid for by the local authorities, cost roughly £20 million a year more.

By early 1959, therefore, the Government intends to have spent about £100 million on major improvements and new major roads, and local authorities may have added about £25 million to this. It will by then have authorised the expenditure of £75 million more than it expects to have spent, and is committed to a further £50-60 million on its new motorways and the subway or bridge across the Firth of Forth. More vaguely, it is committed to a level of actual expenditure on better and new roads "at least on the scale [Mr Boyd-Carpenter] indicated—until the roads of this country are adequate for the traffic they have to bear." This is a sizeable beginning; more time is required to arrive at even an approximate assessment of its adequacy.

Sterling Unaffected

THE sterling exchange rate has made no measurable response yet to the rise in Bank rate and to the accompanying movement in open market discount rates. A modest

volume of additional Dutch, Swiss and American money has been attracted to London for short term investment by the higher bill rates, but the spot rate for sterling in terms of dollars remains at around \$2.78½. This inflow of foreign money has, in the normal course, been covered by appropriate forward sales of sterling and the evidence of these operations is the appearance of a slight discount on three months' sterling against dollars, whereas at the beginning of this week the three months' rate hovered on either side at par.

What is more serious is the fact that transferable sterling has shown no sign of recovery from the level of around \$2.72 at which it stood before the Bank rate move. The persistence of a substantial discount on transferable sterling is itself the main reason why the sterling rate in the official market has not recovered. It makes possible the steady stream of commodity shunting operations that deprives Britain of a corresponding flow of dollars from sales of sterling commodities to North America. The use of transferable sterling shows signs of spreading rapidly and ominously. It is now not only a question of commodity shunting by private merchants on the Continent; even European central banks are helping themselves to sterling when they need it, not through official channels but through the transferable sterling market. That market has, in effect, become the principal source of commercial sterling. If there is a big demand for transferable sterling why does the substantial discount below the official rate persist? The answer must be a substantial leak of sterling from sterling area to transferable account countries. The obvious channel would be excessive current expenditure by sterling area countries in the non-sterling and non-dollar world. If the countries in which this expenditure is being incurred are those of Western Europe, the ultimate settlement should be made through the European Payments Union. Some of the recipients of this sterling, however, may not be prepared to hand it over to their central banks, but may be "flogging" it against dollars in the transferable sterling market. Whatever the explanation may be, it is evident that all non-resident sterling is in effect convertible into dollars at a floating rate. In fact, it can be said that the exchange market's response to the advance in Bank rate has not yet conformed with tradition and precedent.

Investors March On

IT is not true to say that the rise in Bank rate has had no effect at all on investment markets, for just before the increase the gilt-edged section was unhappy, and had it been left guessing, it would doubtless have guessed itself downwards. But it is true that the traditional deterrent to commercial and financial exuberance has not even slowed down the general market advance. A week after the event equities are scaling new peaks: the *Financial Times* index jumped 2.8 to a record point of 196.7 on Wednesday, the first day of the new account, and moved still higher to 197.5 on Thursday. Gilt-edged stocks at first behaved as though a reduction instead of an increase in Bank rate had been announced. Until Thursday evening this week they were moving upward, and the big institutional buyers were

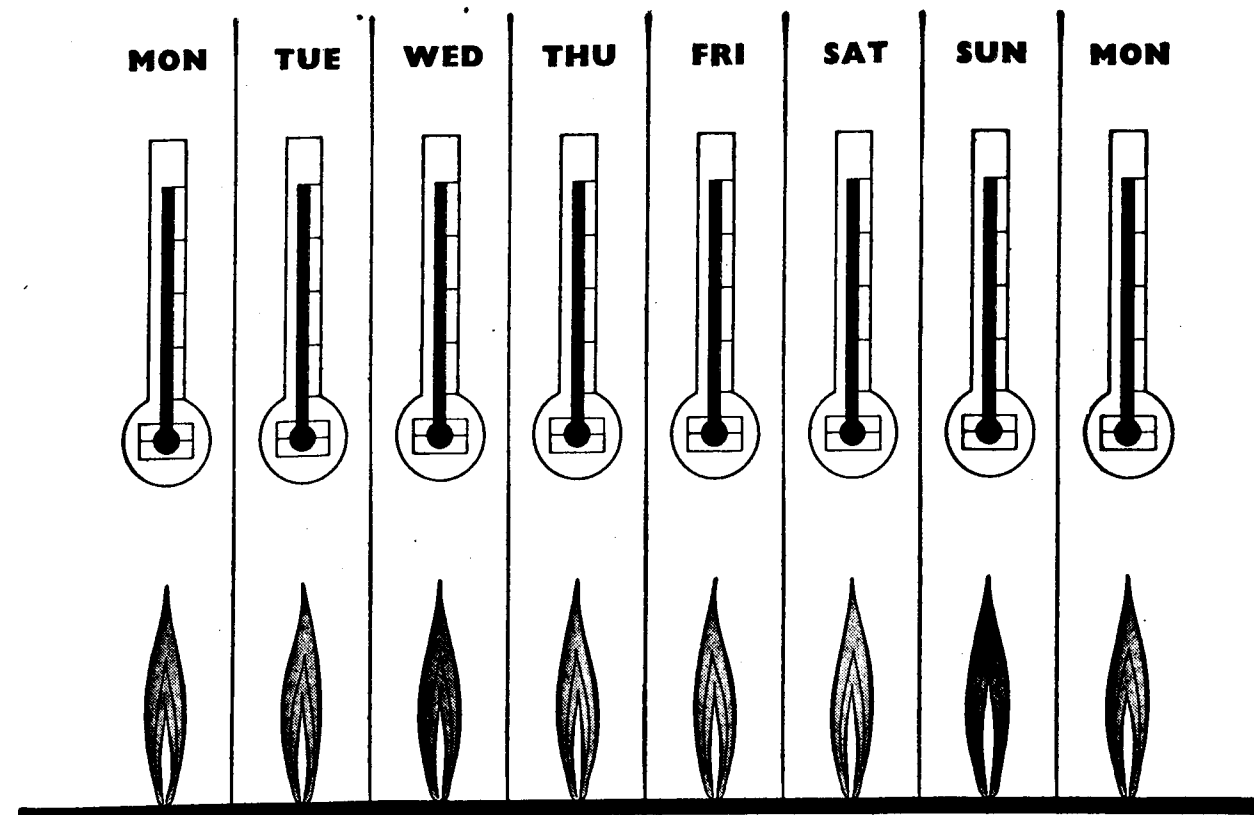
in the market, though not on a big scale. What is significant in their operations is that more of them appeared to be switching from the shorter to the longer dated stocks than in the reverse direction. The rise was not however maintained on Thursday.

The gilt-edged market drew encouragement from a wide variety of facts—that the banks in London were buying bills at about 2½ per cent, which was a lower rate than some dealers had expected, and that the gold and dollar figures, poor as they were, could have been worse among them. Significantly the short-dated gilt-edged stocks, though universally tipped for a further fall when Bank rate moved, shared in the general recovery.

So it is business not as before, but better than before Bank rate was moved: industrials at least are rising fast with the "blue chips" in the lead; long-term fixed interest money is not so noticeably altered in price; commodity prices continue to show more advances than falls. On that basis it is hardly surprising that the repercussions of the change outside the narrow confines of the markets are not—at least not yet—perceptible. The flow of new issues continues unabated. The Public Works Loans Board has given no indication so far of any intention to alter its lending rates to the local authorities, nor do its rates regularly move with Bank rate. It was a near shave, but not impossible, for City houses to float public local authority issues in competition with the Board's 3½ per cent long-term rate before the change. Presumably it is still possible. The building societies as a whole are making no change in rates either paid or charged for money. The one possible exception, the Halifax, had rates under discussion at its normal board meeting on Wednesday, but did not disclose the result.

The New Money Rates

THE discount market responded rather more vigorously to last week's increase in Bank rate than many people had expected. Since the Treasury bill rate had risen by roughly ½ per cent in the preceding two months, it has been thought that the market might make only a small further adjustment, but in fact it raised the discount basis of its tenders for last week's Treasury bills by almost ½ per cent. It is questionable whether discussion about the possibility of yet another rise in Bank rate played any part in this decision. A more material consideration may have been that at that stage the market was still not able to gauge clearly the likely effect upon its borrowing costs of the changes that had been made in the pattern of short money rates. It then seemed possible that the cost of Treasury bill money might rise by more than the ½ per cent increase that has been made in the clearing banks' minimum charge, because the recent practice of the banks of trying to lend a larger proportion of their money at rates above the minimum now seems to have been generally established. This week it appears that only the so-called "good" money has been lent at the new discount rate of 1½ per cent, while renewals of other money have been charged at 2½ per cent, and floating "fresh" money has commanded the rate of the day. This tendency to increase the average cost of Treasury bill money is, however, coupled with a much smaller rise in the cost of loans secured by short bonds or commercial bills, the



UNITHERMITY



Thermal uniformity is an important factor in assessing the true cost of your fuel. The heating value of gas is constant, predictable and guaranteed by law. It makes possible precise budgeting, reduced spoilage and better quality goods. Gas saves in other ways. Your bill shows precisely what you use. You do not have the space-and-labour problems of

storage and handling because gas comes direct to the point of use, clean, flexible and easily controlled. To the time-honoured advantages of gas are now added the benefits of modern research—new methods, more efficient appliances. The Gas Industry would welcome the opportunity of bringing the latest thinking on gas to bear on your fuel problem.



Course with effect

THE first step towards best results is to consult your Area Gas Board. The services of the Boards' Industrial Gas Engineers are free and are backed by the full resources of the Gas Industry through the Gas Council's Industrial Gas Development Committee. To get things moving, you may like to have this coupon completed and sent to your Area Gas Board or to the Gas Council, 1 Grosvenor Place, London, S.W.1.

NAME
ADDRESS.....
.....
.....
.....
WE NEED HEAT FOR 87

The Gas Industry makes the fullest use of the nation's coal

basic clearing bank charges for which have been raised by only $\frac{1}{4}$ per cent and $\frac{1}{2}$ per cent respectively.

The new bill rates have proved attractive to "outside" competitors of the market. At the Treasury bill tender itself non-market applicants cut their tender price less sharply than did the discount houses, with the result that the average discount rate for the whole allotment rose by only a little more than $\frac{1}{2}$ per cent to £2 6s. 7½d. per cent, and the discount houses secured a much smaller proportion of the allotment than usual. This has made them reluctant sellers, and enquirers for bills from Canada and some continental sources are understood to have offered rates down to 2½ per cent. Some easing of the Treasury bill rate, therefore, now seems probable—even though the behaviour of sterling in the exchange market is still causing discussion about a further rise in Bank rate eventually.

The Boom in Profile

INDUSTRIAL output in Britain has now been rising without interruption for two and a half years. Between mid-1952 and mid-1953 the rise was as high as 9 per cent; in each of the calendar years 1953 and 1954 the increase was about 6 per cent; in the last quarter of 1954 output was only about 4 per cent higher than a year before. This slackening in the momentum of increase was inevitable; it is perhaps remarkable that it took so long. In the middle of 1952, British industry was at the bottom of what it has become fashionable in America to call a saucer of recession, and the point on the subsequent upward curve where one stops talking about recovery and starts talking about boom, even in hindsight, is a matter of taste. But for a year or more men and capacity, in most industries, have been fairly fully employed.

Capacity is an elastic term; how much overtime, how many shifts, and how long is a rate of output to be maintained? Moreover, investment is coming to fruition all the time; and moderate spending here and there can enable much more to be squeezed from unchanged plant than its former conventional "capacity" would suggest. It may be that large expenditures incurred after the Chancellor introduced the investment allowance cannot be expected to contribute to output for a year or so; but much of this short-term improvement will continue to accrue in the meantime. Several of the industries that bulk large in the index of total production—steel, motors, and chemicals—are talking of further major increases this year, not merely of plans to expand. On the demand side there is no sign of hesitation in the home market, nor any real reason to work up too much anxiety about exports. As ever, the economy is under vigilant scrutiny for shadowy signs that "it can't last"; so far, they can't easily be identified.

Coal In and Out

ABOUT 3 million tons of coal have been imported into Britain so far this winter, but the country's stocks in hand are still 3½ million tons lower than they were a year ago. Officially, it has been announced only that Britain

intended to buy 4 million tons during the winter; in fact, the National Coal Board has ordered much more, and hopes to land 200,000 tons a week or more from now until the "coal winter" ends in April. With these supplies arriving, the absolute level of stocks loses some of its significance. Barring exceptionally bad weather lasting exceptionally long (and it is worth noting that a fortnight of very cold weather brought the average temperature for the first three weeks of 1955 no less than 6 degrees below the figure in 1954) there will be enough coal for the rest of the winter. Stocks today are significant perhaps mainly as an omen for 1955-56.

No decision has been officially announced to allow the Coal Board to cut exports, but reports from abroad suggest that importers have been offered less coal this year. The loss on each ton of imported coal is mounting with freight rates, and pricing American coal out of the European market. This may fortify the Government against shipowners' criticism of its decision to buy Mr Stassen's coal, half of which must "travel American," for sterling. The price of this coal, which will have to be paid later in exports to such countries as America decides to aid, rises with international freights, but at least it does not take dollars.

The two-handed operation of buying expensive coal abroad and selling it at a loss which considerably exceeds the premium earned by selling British coal overseas is obviously financially embarrassing for a board that is legally bound at least to break even "on an average of good and bad years." The accumulated deficit of the Coal Board, indeed, is roughly equal to the amount it has lost on imported coal. This effect upon the board's finances, however, is hardly the most powerful argument for a cut in exports, since both the loss and the premium are determined by an artificially low level of coal prices in Britain. The decision whether Britain should hang on to its goodwill in the international coal market depends much more upon assessment of demand for coal here, and probable supplies; will this country ever have enough coal to spare to become a significant exporter again?

Whitehead Iron

A NEW chapter in the unscrambling of steel nationalisation opens next week with the offer for sale by the Iron and Steel Holding and Realisation Agency of 1,250,000 £1 ordinary shares in the Whitehead Iron and Steel Company at 55s. per share. The consortium of eight leading issuing houses and six leading stockbrokers has been put into cold storage; a single issuing house (Baring Brothers) is employed with three stockbroking firms. The device attributed to Sir George Erskine, of Morgan Grenfell and Co., of requiring underwriters to make firm applications equal to the amount of their underwriting has also been dropped in favour of conventional underwriting. The Bank of England no longer appears on the offer for sale. These changes recognise the fact that the Whitehead offer is much the smallest public offer that the agency has yet made; it involves £3.4 million; the consortium with full regalia only swings into action at the £5 million level.

But as a straightforward offer on conventional lines the Whitehead Steel offer deserves, and will receive, an adequate response. The company is not strictly a steel producer; it

is a leading re-roller with an excellent record. There is no heavy development programme. The agency has not had to put money in; it is on the contrary taking cash out. The estimated profit allowing for some recession from recent high achievements is £800,000, and the estimated annual dividend rate of 17½ per cent is well covered. The issuing house has naturally to accept Treasury 3½ per cent stock, 1979-81, in payment, and therefore for a moment to perform one of the normal functions of the Bank of England;

STEEL YIELDS AT OFFER DATES
(per cent)

	Oct. 29 1953	Jan. 18 1954	June 24 1954	Oct. 7 1954	Nov. 18 1954	Jan. 12 1955	Feb. 2 1955
United Steel .	7.20*	7.24*	8.24†	7.84†	7.44†	6.81†	6.45
Lancashire . .	...	7.27†	8.05†	7.53†	7.27†	7.13*	6.82
St. & Lloyds .	...	...	7.14	6.62	6.17	5.59	5.26
Summers . . .	...	...	...	7.35	6.79	6.12	5.95
Dormian Long	...	...	...	...	7.11	6.53	6.10
Colvilles . . .	...	...	...	...	...	6.92	6.26
Whitehead . .	...	...	...	...	...	...	6.36‡
F.T. Ord. Ind.	5.44	5.52	5.01	4.57	4.57	4.45	4.33

* Yield on 9%. † Yield on 10%. ‡ Yield on 8%. § Yield on 17½%.

it has also to offer preferential allotment to former shareholders. But there has been no obvious attempt to encourage either the stag or the small applicant. Application money is 20s. per share; all the balance is payable on March 7th.

This, in point of size the most humble of the steel offers, has two features of interest. The shares are offered at the lowest initial yield that the agency has yet attempted, namely, £6 7s. 3d. per cent; this is quite in line with yields now obtainable from the giants in the steel share market. Secondly, the agency openly takes a substantial profit above the price at which the Whitehead company was nationalised. The company was nationalised for £4.8 million. The offer will yield gross £3.4 million; the agency retains £1¼ million of 4½ per cent debenture stock 1970-85 that it will presumably be able to sell in due course for not less than par, and it has drawn out £500,000 tax free in cash. The prospective return to the agency is thus of the order of £5½ million.

The Unseasonal Deficit

THE sustained weakness of sterling through January did not, after all, cause an actual loss of gold by the sterling area. Thanks to a receipt of \$13 million in defence aid during the month the central reserves rose by just \$1 million. The market's worst fears have not been realised. But justifiable relief should not be allowed to obscure the considerable deterioration in the trend of the dollar accounts that has developed over recent months. This season, in which sales of sterling commodities are in full swing, should be marked by substantial surpluses both with Europe and with the dollar area; yet in November, December and January together there has been a net dollar deficit of \$9 million—compared with surpluses of \$135 million in the twelve months before and \$109 million in the corresponding

three months of 1952-53. The unseasonal deficit probably reflects in part an expansion of dollar imports—into both Britain and overseas sterling countries; it may also be a direct result of sterling's weakness, since the "commodity shunting" (described in the previous note) deflects dollar earnings on sterling area produce into foreign hands. Possibly because more sterling was being held in Europe on this account Britain's balance with the European Pay-

TREND OF DOLLAR BALANCE
(\$ 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			
1954						
January	+ 10	— 4	+ 14	+ 15	+ 25	2,543
February	+ 9	+ 2	+ 2	+ 31	+ 40	2,583
March	+ 88	+ 7	+ 86	+ 14	+ 102	2,685
April	+ 126	+ 7	+ 119	+ 9	+ 135	2,820
May	+ 159	+ 39	+ 120	+ 6	+ 165	2,985
June	+ 29	+ 15	+ 14	+ 3	+ 32	3,017
July	+ 80	+ 4	+ 76	+ 15	— 4†	3,013
August	+ 6	+ 11	— 5	+ 11	— 9‡	2,918
September . . .	— 26	— 12	— 14	+ 9	— 17	2,901
October	+ 18	+ 8	+ 10	+ 17	+ 35	2,936
November . . .	— 25	+ 7	— 32	+ 14	— 11	2,925
December . . .	+ 18	+ 3	+ 15	+ 8	— 163*	2,762
1955						
January	— 12	— 10	— 2	+ 13	+ 1	2,763

* After taking account of the payments for the service of United States and Canadian lines of credit, the United States lend lease loan and the ERP loan (\$181 million) and the Canadian interest free loan (\$8 million).

† After taking account of payments totalling \$99 million in mid-July direct to creditor countries in EPU in initial settlement of part of the UK's overdraft with the Union.

‡ After payment of \$112 million to IMF for "repurchase" of sterling.

§ EPU settlements in any month depend on the surplus or deficit with Europe in the previous month.

ments Union last month showed a surplus of £4 million in contrast with a deficit of £7 million in December. But monthly balances with EPU are settled only in the following month. The December deficit settled in January involved a gold payment of \$10 million, and was responsible for the whole of the dollar deficit on commercial account that month.

INDEX

The Index to *The Economist* is published quarterly. The subscription rate is 5/- a year; single copies are priced at 2/- each. The Index to Volume CLXXIII (October to December, 1954) is now available from:

The Publisher, 22 Ryder St., St. James's, London, S.W.1.

Official Support for Gilt?

THE volume of credit has fallen less steeply at the start of the period of heavy income tax payments this year than in early 1954 or 1953—and analysis of the causes of this difference seems to lend a little colour to market suspicions that at times last month the Government broker was taking some of the strain of the pressure on gilt-edged. "Net" deposits of the eleven London clearing banks fell by £84 million in the first nineteen days of January (compared with a fall of £138 million in the first twenty days of January, 1954); but the true extent of the credit contraction is as usual exaggerated in these figures by the exceptional volume of intra-bank clearings (which cannot be separated from "net" deposits) at the year-end. If this factor is ignored, the private sector appears to have borrowed from the banks on commercial bills little more than it repaid on advances. In effect, therefore, the fall in deposits was wholly accounted for by repayments by the Government from the proceeds of its flush tax receipts. But the indicated repayments fell substantially short of the apparent net surplus on the Exchequer's domestic finances in the nearest comparable period, and only a moderate part of the difference is likely to have been attributable to the financing of the surplus on the external balance of payments. The Exchange Account

LONDON CLEARING BANKS

	January 19, 1955		Change on	
			Month	Year
Deposits	£ million		£ million	£ million
"Net" Deposits	6,718.2		-222.9	+261.6
	*6,474.4		-84.0	+242.3
Liquid Assets ..	£ million	% +		
Cash	2,315.2	34.4	-66.7	-23.8
Call money ...	545.9	8.1	-25.4	+19.9
Treasury bills	486.3	7.2	-11.4	+3.7
Other bills ..	1,162.3	17.3	-36.7	-91.7
	120.7	1.8	+6.7	+44.3
Investments plus advances	4,243.1	63.2	-7.0	+271.3
Investments ..	2,350.7	35.0	-2.1	+73.6
Advances ...	1,892.4	28.2	-4.9	+197.7

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

is indeed known to have given support to sterling in this period; and the fact that the Exchequer returns cover three days more than the banking period must account for some further part of the discrepancy. But there seems still to be an unexplained portion—which would imply that funds were being employed in the gilt-edged market.

Business at the Base

ONLY a sketchy outline of the arrangements under which British industrial companies will take over and manage the military base on the Suez Canal, as laid down in the Anglo-Egyptian Treaty signed last October, was dis-

closed in the official announcement this week. Five new companies are being formed to handle particular activities at the base:

Suez Contractors (Engineers) has already been formed by Vickers-Armstrong with a nominal capital of £10,000. It will look after the base workshops, which handle tanks and armaments.

Suez Contractors (Vehicles) will be formed by A. C. V. Sales Ltd., Austin and Rootes to handle the Ordnance Depot and Workshops for vehicles.

Suez Contractors (Ammunition) is being formed by ICI to manage the ammunition depot.

Suez Contractors (Electricity), formed by Balfour Beatty and Co., will handle water and power at the base.

Suez Contractors (Maintenance), formed by George Wimpey, John Laing, and Holloway Brothers, will handle general repairs and maintenance of the base installations.

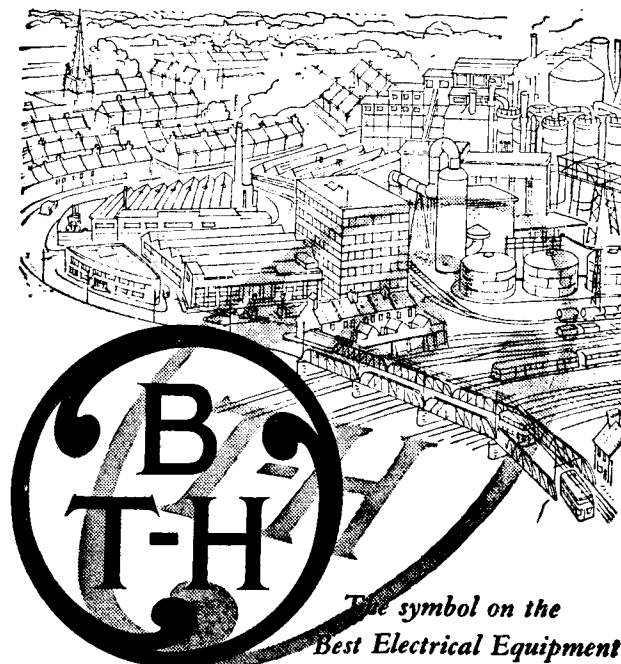
These companies will be responsible to a Government Committee in London, known as the Suez Contractors Management Company. In addition to the new companies, the Shell Company of Egypt will continue to manage certain military oil installations there; while certain services at the airfield and flying base in the Canal Zone will be handled by International Aeradio.

The job these companies have to do is a large one. Under the Treaty the stores to be maintained may include 50,000 tons of ammunition, 300,000 tons of ordnance stores, 2,000 vehicles, 30 locomotives and 100 railway wagons. There is no limitation on the movement of stores from the base and their replacement, within these limits, and though the military stores brought in will be subject to surveillance by Egyptian customs authorities, they will be exempt from duty. The financial structure of the firms and the method of financing the base under civilian management, have not been disclosed. The industrial companies have agreed to work on a non-commercial basis; they will presumably be paid a fixed fee by the War Office. The question of taxation appears still to be under discussion.

The new companies are to be rather strictly separated from their parent companies, other commercial undertakings or representatives in Egypt. They will be exempt from the Egyptian labour laws; in addition to a considerable Egyptian labour force, the base is expected to employ about 600 to 800 British civilians, which means about 1,500 British people including wives and families. Whether men already doing these jobs in the Canal Zone can be transferred from the army to the civilian companies does not seem to have been settled.

Tea Prices Ease

AT long last the persistent rise in tea prices has been checked. Most grades of tea auctioned in London have recently fallen by 2d. or 3d. a lb; the Calcutta market has also weakened, though prices there are still somewhat higher than in London. The decline started when one or two of the big British blenders dug in their heels and cut their purchases. That prompted other buyers to operate more cautiously and prices fell. But it would be premature for consumers to raise a cheer. Blenders have only a small margin of manoeuvre, for they must buy enough tea in the



The symbol on the
Best Electrical Equipment

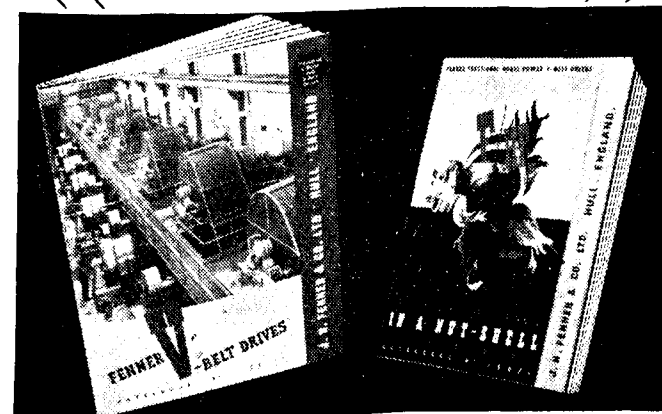
Industry in all its branches is well served by BTH electrical equipment—be it a motor driving a machine-tool or a turbo-alternator providing power for the whole plant. Over a period exceeding fifty-four years BTH has gained an enviable reputation for the quality of its products, which include:—Generators, motors; rheostatic and electronic control gear; turbine plant, including gas turbines; switchgear, transformers; rectifiers; high-precision helical gearing; 16mm and 35mm sound-film projectors; a wide range of electronic devices; ignition equipment; resistance, high-frequency, and induction heating; Mazda lamps and lighting equipment.

THE
BRITISH THOMSON-HOUSTON

COMPANY LIMITED, LUGBT, ENGLAND

Member of the AEI group of companies

Two new Fenner catalogues!



THE NEW V-Belt Drive Catalogue
No 120/14

THE NEW Fractional Horse Power
Catalogue No. 130/14

Fenner
POWER TRANSMISSION

POST FREE Against a request on your
Company letterhead

J. H. FENNER & CO LTD
HULL ENGLAND



Lord Luke of Pavenham, T.D., D.L., J.P. As Chairman of Bovril Ltd. and also of the National Playing Fields Association, his time is at a premium. So, on his desk, always ready, you will notice his Dictaphone Time-Master dictating machine.

Dictaphone goes to work for Lord Luke

TO MEN of Lord Luke's calibre, time is perhaps the most valuable commodity of all. And it is for men whose time is precious that the Dictaphone Time-Master is made. This high-quality precision dictating machine is the most efficient office time-saver ever devised. By cutting routine in half, it makes possible astonishing increases in executive accomplishment. The executive—and his secretary—gets far more done, in far less time, with far less effort. The Dictaphone Time-Master dictating machine can save time in your office, too. For a demonstration and a free trial, write to Dictaphone Company Ltd., 17-19 Stratford Place, London, W.1.

Some features of the Time-Master

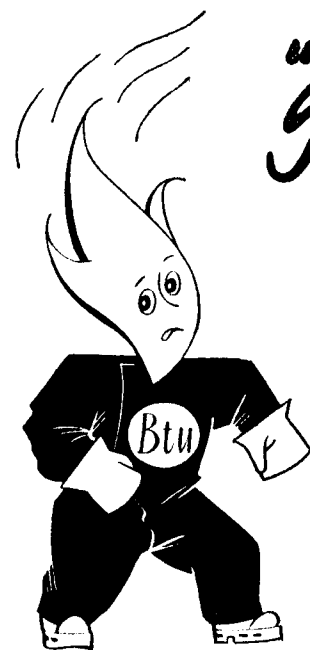
- ★ Only 4½" high, and scarcely larger than a sheet of typing paper.
- ★ Completely portable—and you can mail Dictabelt recordings in an ordinary envelope.
- ★ Amazingly simple—just pick up the microphone and talk.
- ★ Quick play back by simply pressing a button on the microphone.
- ★ Secretary can see corrections, letter lengths.



Revolutionary plastic Dictabelt records give permanent, visible recording; are the "inside secret" of the Time-Master.

DICTAPHONE
REGD. TRADE MARK
TIME-MASTER
GREATEST NAME IN DICTATION

MADE IN GREAT BRITAIN. Branch Offices: BELFAST BIRMINGHAM BRISTOL CORK DUBLIN EDINBURGH GLASGOW LEEDS LIVERPOOL MANCHESTER NEWCASTLE



"I'll take anything on but—FAIR'S FAIR"

"I am Private Btu (the British Thermal Unit). There are about one and a quarter million of me in one hundredweight of coal. My job is to fight for productivity but often enough I don't even get into action, just die on some fuel dump, go up the chimney in smoke, get done in on a supply line or blown through a roof. That's not fair!"

FUEL EFFICIENCY PAYS: N.I.F.E.S.—the National Industrial Fuel Efficiency Service—directed by business men independently of government departments, urges all business heads to study the fuel position from the point of view that there is money—a lot of money—to be made out of the efficient use of fuel, much more beyond the boiler stop-valve than in the boilerhouse.

Don't be afraid of capital expenditure. Fuel saving schemes can be financed by government loans.

Issued by **N * I * F * E * S** National Industrial Fuel Efficiency Service

71 Grosvenor Street London W1 Telephone: Hyde Park 9706



Happiness!

With affection, care and security, living in homely surroundings—our children's future is assured.

This Voluntary Society has nearly 5,000 children now in its care, depending on **YOUR HELP**

LEGACIES can help us to continue our work in the years to come. DONATIONS can help us NOW

CHURCH OF ENGLAND

CHILDREN'S SOCIETY

Formerly WAIFS & STRAYS

OLD TOWN HALL, KENNINGTON, S.E.11

THE NEW BUILDING TECHNIQUE . . .

PRESTRESSED CONCRETE

reduces costs
and saves time



BISON floors, beams and precast
frame structures are made by the
largest constructional prestressed
concrete manufacturers in the world

CONCRETE LIMITED

LONDON Green Lane Hounslow, Middlesex Hounslow 2323	LEEDS Stourton Leeds, 10 Leeds 75421	LICHFIELD Dovehouse Fields Lichfield, Staffs Lichfield 2404	FALKIRK Etna Road Falkirk Falkirk 1585	EDINBURGH Sighthill Industrial Estate, Edinburgh Craiglockhart 1729
---	--	---	--	---

LONDON OFFICE: 16 Northumberland Avenue, London, WC2 **Whitehall 5504**
MANCHESTER OFFICE: 40 King Street West, Manchester 3 **Blackfriars 5676**

THE ECONOMIST, FEBRUARY 5, 1955

next two months to tide over the gap in shipments from North India, the largest producer, from April to September. Last Wednesday's auction in London showed how small that margin is.

Competition increased again; prices were firm, and common tea rose by $\frac{1}{2}$ d. to 6s. 8 $\frac{1}{2}$ d. a lb. Moreover, the influence of Britain—as the largest buyer—in tea markets is less strong in times of shortage, for other countries are often willing to bid higher prices. No radical weakening seems likely unless production this season shows a significant increase, or consumers buy less tea. The prospective rise of another 1s. a lb in retail prices in Britain will test consumer resistance, but blenders will have to wait until the summer for an indication of the probable size of the North Indian crop.

Assam Contra Mundhra

THE tea shares recently so heavily bought by interests associated with Mr Haridas Mundhra, the Indian merchant reputed to be seeking control, came crashing down on the Stock Exchange on Wednesday. The Assam Company's £1 ordinary shares recently standing at 57s. were quoted 42s. 6d. to 45s. and were unsaleable at the price. The £1 shares of Jorehaut Tea Company in which his group has, it is believed, taken only a minor interest fell from 42s. 3d. to 40s., although tea shares as a whole were not falling. The decline coincides with the journey of Mr Mundhra to this country and the statement by one of his associates in Calcutta that it is desired to negotiate with the Assam Company's directors, but that an outright takeover bid was unlikely.

Recent speculative buyers of Assam shares tried to scramble out as they read into the reports that the struggle for control might come to an abrupt end, that Mr Mundhra and his associates, reputed to hold something in the region of 40 per cent of the Assam company, wanted no more than representation on the board and would not seek to move the domicile to India. The fall in the shares may well affect the voting at Monday's meeting when the company's scheme for loading the voting rights against any buyer who happened to obtain a majority of the shares, comes up for discussion. The board is reported to be happy at the number of proxies it is receiving, but it would be surprising if a determined buyer accepted defeat so meekly.

35 Year Mortgages

WITH houses, so with other types of merchandise, fashion favours long credits and easy payments. It is a habit of mind that divides the building society movement. In the advance guard of the easy payment party the Co-operative Permanent Building Society takes the lead; it has long made advances extending up to 30 years while

the general body of the movement makes 25 years its maximum and when a few of the extreme conservatives still try not to extend beyond 20 years. Now the Co-operative Permanent announces a further relaxation. It will make 35 year loans, and supported by a proper insurance will lend up to 95 per cent of the value of the house.

The scheme is not part of the joint arrangement for lending up to 90 or 95 per cent of certain house values, in which the risk is shared by the building society, the local authority and the Treasury. It is an arrangement solely between the Co-operative Permanent Building Society and the Co-operative Insurance Society. The building society advances its usual proportion of cost or valuation of the house whichever is lower. This is frequently in the region of 80 per cent and it extends the maximum duration of the loan from 30 to 35 years. The balance of the advance is insured with a single premium of 10 per cent on the excess. For example if the valuation of the house is £2,000 and the normal advance is £1,600, the prospective customer can obtain an advance of £1,900 by an additional once only premium payment of £30.

Is it a good idea? It certainly makes house buying easier, reduces the initial amount of capital that the occupier needs to put down and the amount of each monthly repayment. It fits neatly into the Government's pattern of bigger advances and less expenditure on housing subsidies. It is also the extreme limit of the building society mortgage range, not an example of an average advance. Allowing for resale of houses and consequent early repayment of mortgages the average life of a building society mortgage today is between 12 and 13 years. That life was down to 11 years just after the war when rocketing prices set owners chasing capital profits. But 35 years is a long mortgage and 95 per cent is a heavy advance. The building societies are booming ahead; need they compete in easier and still easier terms?

Lord Kennet on Dividend Increases

A REFRESHING exposition of dividend policy enlivens this year's report of the Union Discount Company—and it is the more refreshing since it comes from a company chairman who is also chairman of the Capital Issues Committee. Explaining the Union's "moderate" increase in dividend (from 10 to 12 $\frac{1}{2}$ per cent), Lord Kennet remarks: "There is an optimum of the amount of capital which can usefully be employed [in the discount market]. So long as that optimum . . . is maintained, it is to the advantage of the national economy that profits should be released as dividends, to add to the supply of capital available for useful investment elsewhere." This argument drives a strong nail into the coffin of dividend limitation. And Lord Kennet bangs it home with his further remark that "We believe that our shareholders, amongst whom are many institutional investors, are well qualified to make such reinvestments." After this enlightened defence of free enterprise in the capital market, it is tempting to ask: Is there really any further need for the CIC mechanism itself? That, of course, is not for its chairman to say; but his wisdom or dividends deserves study at the Treasury.

The Union Discount's balance sheet completes the record of the "Big Three" discount houses for 1954. As the accompanying table shows, the Union alone reduced its

DISCOUNT MARKET RESULTS, 1952-54
"BIG THREE" DISCOUNT HOUSES
(£ million)

At Dec. 31st	Union	National	Alexanders	Total
Bills :—				
1952.....	203.7	115.1	80.0	398.8
1953.....	141.5	111.2	75.0	327.7
1954.....	173.5	117.1	75.3	365.9
Investments :—				
1952.....	65.4	67.8	52.4	185.6
1953.....	97.1	75.2	68.5	240.8
1954.....	94.5	88.3	77.8	260.7
Loans & Deposits :—				
1952.....	266.9	180.4	129.4	576.7
1953.....	244.9	186.3	140.6	571.8
1954.....	276.3	204.9	149.6	630.8
Capital & Res.* :—				
1952.....	8.7	5.6	4.1	18.4
1953.....	8.8	5.8	4.3	18.9
1954.....	8.9	6.1	4.9	19.8
Net Profits :—	£000's	£000's	£000's	£000's
1952.....	322.0	297.1	176.6	795.7
1953.....	367.9	369.6	281.6	1,019.1
1954.....	505.5	451.7	305.1	1,262.1

* Including carry forward.

bond portfolio over the year, but its bill portfolio rose sharply, partly reflecting, no doubt, the recent big expansion in the supply of commercial paper. The company's rediscounts at the year-end reached the record figure of £31.8 million, compared with under £20 million at end 1953.

Brand Name v. Kite Mark

GUERRILLA activities are being conducted in the textile industries against the British Standards Institution's latest efforts to promote standards for consumer goods. This week, a group of manufacturers of branded textiles announced that it was launching a "new consumer campaign" and had sent letters to the women's organisations inviting them to discuss means of "giving the public the fullest information about textile products and at the same time receiving at first hand their views and constructive criticism."

It is difficult to interpret this as anything but a counter move to the recent formation by the BSI of a special council on which consumers and distributors only are represented. What is it likely to gain? The BSI standards—especially those for textiles—are open to criticism, but the Branded Textile Group do not in fact appear to be offering any alternative safeguards, such as agreed methods of describing their goods, common guarantees of performance or of replacement, or even using a common mark so that the public can identify the members of this association.

Some members of the public may feel that if manufacturers are concerned about quality safeguards they could assist the BSI committees to improve the effectiveness of BSI standards. There ought to be no cause for antagonism between a good brand name and a respected BSI mark.

Sharp Rise in Tungsten

THAT volatile commodity tungsten ore has jumped in price by 25 per cent in a month, and wolfram is now quoted at about 250s. a unit (of 22.4 lb) cif Europe. The increase in demand has not been as sharp as the rise in price suggests, for on a narrow market—with some supplies still under long-term contracts—the re-entry of a few buyers can have an exaggerated effect. Consumption of high-speed steel and other cutting tools, which use tungsten in concentrated form, is certainly increasing in Britain and other countries, and some consumers have evidently allowed their stocks to fall too low. The increased demand for these steels has now passed back through the refiners of tungsten and on to the market for ore. The fact that the first sale from the Korean government's stock of tungsten failed to weaken the market may be less significant than it seems. The 250 tons on offer was sold to a New York firm, and it is not certain that it will all pass into consumers' hands. The stock accumulated after the United States government failed to renew its long-term contract with the Korean mines, and the market suspects that for political reasons the American authorities may take up any metal from this and subsequent sales that does not find a home.

Meanwhile, it is understood that British consumers have been informed that from the end of March they will no longer be required to take at least 25 per cent of their requirements from the stock held by the Board of Trade. The trading stock remaining after March will simply be on tap to consumers at the market price.

Debenhams Debenture

UNDISTURBED by the increase in Bank rate, the directors of Debenhams have gone ahead with their plans for raising fresh capital on a debenture. At the most the Bank rate change may involve a slight trimming of the terms of the issue, which have still to be announced. The Debenhams group of department stores needs about £6 million to cover the cost of a three years' programme of development and reconstruction. About £2 million will come from retained profits.

In finding the other £4 million the board had several choices. Piecemeal mortgages could have been created on some of the shop properties, but that method has been rejected. The main choice was between a debenture that will be a cost against earnings over a specified and limited period and a permanent, heavy rent roll. The directors could have taken a leaf from the share bidder's book, by selling some of the shop freeholds, turning into cash the hidden

reserves created by the difference between current property values and book values, and taken back those shops on long leases—but also at current rentals. The Debenhams board have chosen a redeemable debenture stock of £4 million, secured on a floating charge on the undertaking and its assets, as being less expensive and in the better long term interests of the company and its stockholders. Their choice is wise, if only because a temporary charge is better than a permanent burden. This new debenture will require some alterations in the articles of association, so as to set a new borrowing limit, which on the basis of the last balance sheet would be about £16½ million. Linked with this alteration are proposals to give the rights of preference shareholders a more modern look by establishing an average market premium (if any) over par as the value for repayment. The debenture should commend itself to all classes of stockholders—not least to ordinary stockholders, for it raises the gearing of an already highly geared equity.

Free Scrip from Ford

INVESTORS have grown accustomed to frequent free scrip issues from companies whose boards are more market-conscious than their fellows. They know what a scrip issue from such companies implies and discount it quickly in the stock market. But they are surprised when a company of the first water, both in industry and in the "House," waits less than twelve months to hand round a second free issue. They were certainly surprised when Ford Motor proposed another 100 per cent free issue, bringing the ordinary capital up to £39,024,248; it follows the similar 100 per cent distribution of last May. The new shares will not rank for the 1954 ordinary dividend. The £1 stock units in the four days after the announcement gained 7s. 10½d. to stand at 90s. 3d.

The Ford directors give the usual warning that the issue "contains no bonus element" and is merely a book-keeping transaction designed to bring issued capital in line with employed capital. But an issue of this size, requiring the capitalisation of £19,512,124 from reserves, clearly indicates a substantial broadening in the company's capital basis. The growth, past and prospective, amply justifies this. At the end of 1953 reserves amounted to about £22½ million. Investors will not fail to notice that the Ford company is taking this step at an early stage of its £36 million development programme, a programme which is to be financed entirely by ploughed back profits. The directors could hardly have decided upon this issue without believing that the capital to be ploughed back will quickly earn its keep. The "bulls" have a reason for looking for an effective increase in dividend payments—if not at once at least before long. Another thought must also have crossed their minds. It is that the ploughing back of at least £36 million in the next five years may ultimately result in yet another free scrip issue.

Olympus and Orpheus

AERO-ENGINE development has suffered fewer hold-ups than has that of the aircraft that they power. The engine division of the Bristol Aeroplane Company has

passed a major landmark in winning an official rating of 11,000 pounds thrust for the big Olympus engine that powers the Vulcan delta bomber. More powerful engines than this are running, both at Bristol and elsewhere, but they have yet to sustain the 150 hours uninterrupted running that are needed to pass a type-test.

The Olympus is among the heavy-weights designed to give the maximum power of which engineering techniques are capable. At the other end of the scale is Bristol's Orpheus, as important in its way as the Olympus. This is a small engine, in size and in power, but its output of power in relation to its size is remarkable; the power-weight ratio is claimed to be in the order of 6 to 1. Such an engine makes it possible to scale down the size and weight of aircraft and scale up their performance. The Orpheus was started as a private venture as a power unit for the Folland Gnat light fighter; equipped with the Orpheus engine this fighter is expected to reach supersonic speeds in level flight. The engine began its bench trials a few weeks ago, roughly a year after design work had been started, is now giving about 3,500 pounds thrust and the first engines should be delivered to Folland by mid-summer. This is quick work. A government contract for the Orpheus is about to be signed, so that after a year of uncertainty its future now seems secure. This is not necessarily the forerunner of official support for the Gnat, for there is the prospect of a wide demand for an engine of this power and weight. Of the nine light fighter designs suggested to Nato, all but one specified the Orpheus engine. Largely because of this, dollar funds voted under the Mutual Security Act for the development of special equipment for Nato have been allotted to the Ministry of Supply for the Orpheus engine; the future of the Gnat fighter is still under discussion.

Bancroft Doubles Up

ON the same day that the price of copper reached a new peak of £322 a ton on the London Metal Exchange—it has risen still higher since then—the directors of Bancroft Mines made known their plans for doubling production. Current prices, however high, could have had no effect on their decision, for the mine will not operate at its newly planned capacity until 1960. But the board must have been convinced that the demand for copper and the price will remain strong in the more distant future—even though production is being increased elsewhere in Rhodesia and, indeed, in the rest of the world.

The original plan was to bring Bancroft into production at the beginning of 1957 at a rate of 42,800 long tons of copper a year. That programme, which is expected to be completed on time, will cost £12 million. The decision to double capacity to 85,600 tons a year by 1960 will cost an extra £5 million. So far, Bancroft has secured £9 million, leaving £8 million to be found to complete the revised programme. Up to £5 million will be provided by loans from the Anglo American Corporation and the British South Africa Company. These companies will lend the money at 3½ per cent on the amounts drawn and will

charge 1 per cent on any undrawn balances. The loans have to be repaid before the end of 1960. But Bancroft can at any time before then call upon the two companies to subscribe, or find subscribers, for £5 million in notes, having a life of between 15 and 20 years and a coupon of not more than 6 per cent.

The remaining £3 million should come from exercise of options granted to Anglo American and the "Chartered" Company to subscribe for 2 million Bancroft 5s. ordinary shares at 37s. 6d. each (against the current market price of 44s. 9d.). The option can be exercised at any time before June 30, 1958. The full exercise of these options, which looks probable since the option price is already below the market price, would bring in £3½ million; the scheme therefore promises Bancroft a margin of £750,000 above the estimated cost of development. The initial—and, hence, the heaviest—costs of developing the new mine are met in the first stage of the programme and output is being doubled without doubling total capital costs.

SHORTER NOTES

The change in the accounting period of the Royal Bank of Scotland has allowed it to issue for the first time a consolidated balance sheet of the bank and its two clearing bank subsidiaries, Glyn Mills and Williams Deacons; the total resources of the three banks is shown at £414.4 million. The accounts for the Royal Bank itself—for the period October 10, 1953, to December 31, 1954—show that net deposits increased only slightly; an expansion of £4.7 million in advances was offset by a fall of £5.1 million in the investment portfolio. The net profit for the period is put at £733,735 (compared with £531,256 in the twelve-month period of 1952-53); the dividend totals 19½ per cent, against the equivalent of slightly over 18 per cent in the previous year.

The leasehold of Bush House, which was purchased from American interests by S. G. Warburg and Company last December, has been sold to the representative body of the Church in Wales. The purchase price is believed to be in the region of £2½ million. From the property the net annual yield is expected to be about £45,000 more than the money that the representative body was receiving from the investments it has realised to make the new purchase. About 65 per cent of the purchase price will be met from a mortgage loan.

The American group has withdrawn its bid for the equity of Borax, a bid that would, the bidders say, have been "appreciably higher" in price than any market price at which Borax deferred have yet been sold. The offer has been withdrawn, says the group, because the Borax directors would not give the potential purchasers certain information they required to set a price on the stock and because the Borax directors refused to apply for Treasury consent for a transfer of the company's domicile to the United States. The £1 Borax deferred units dropped from 101s. 3d. to 96s. 10½d. before recovering to 99s. 4½d. on this announcement.

Talks will begin in London next week between a Roumanian delegation and the British government on trade and the settlement of all British debts and claims against Roumania.

A British trade mission has left for a tour of Egypt, the Sudan and Ethiopia. The mission is led by Mr. G. C. R. Eley, deputy chairman of the British Bank of the Middle East.

ticularly sharp. And the net profit attributable to the parent company (which presumably includes none of the profits earned in Argentina) at £740,613 provides an adequate cover on the tax-free ordinary dividend, which is maintained at 10 per cent.

BROOM AND WADE. Broom and Wade's pneumatic drills tear up the London streets; they also tear out the rock and the ore of the Orange Free State and the Far West Rand. One way or the other this enterprising company usually presents a good showing, and its growing share capital has an unspectacular but highly creditable record in Throgmorton Street. The profit and dividend record has been good—though not very lively—since the stock units were offered to the public in 1935. And recently, as profits have been expanding, the directors have paid out a little more to ordinary stockholders. With no heavy capital commitments outstanding, with strong liquid reserves and with handsome equity earnings Broom and

Wade, which has the stamp of a family business about it, has the ability to pay more. The 100 per cent free scrip issue last August hinted at the directors' willingness to do so.

In the event, the directors have raised the effective ordinary dividend from 7 to 10

	Years to Sept. 30, 1953	1954
Consolidated earnings :—		
Trading profit.....	619,897	595,110
Depreciation	76,645	68,130
Taxation	303,099	291,212
Net profit	213,747	232,532
Ordinary dividends	48,125	68,750
Retained profits	161,501	169,686
Consolidated balance sheet :—		
Net fixed assets	591,401	570,727
Net current assets	1,780,868	1,958,669
Stocks	1,087,051	1,026,653
Liquid assets	750,531	1,002,734
Reserves	1,607,269	1,139,396
Ordinary capital	625,000	1,250,000
5s. ordinary stock at 11s. 9d. yields	4 5s.	

per cent. Commenting on the year's results, the chairman, Mr. Harry Broom, blames a slight fall in sales (occasioned apparently by import restrictions abroad and the "closing of the South American market through the lack of exchange") for the decline in gross profits from £619,897 to £595,110. But sales have picked up again and orders in hand, despite keener competition, are described as "satisfactory." Indeed, Mr. Broom's only worry about the immediate future is the high rate of labour turnover. But stockholders need have few worries, for Broom and Wade is one of the companies which should benefit from the development programmes for the roads and railways.

R. A. LISTER. Another engineering concern with a solid if unspectacular record is R. A. Lister. A bigger concern than Broom and Wade, the group manufactures petrol and diesel engines and agricultural machinery. The business is still growing. In the year to September

30th sales were higher than ever, the increase being reflected in the growth of stocks and debtors. Profits also established a new record, the group's total income jumping from £891,525 to £1,159,037. Last August's 40 per cent free scrip issue implicitly recognised the expansion that had already occurred. A final ordinary dividend of 7½ per cent has been declared on the enlarged capital of £3,640,000. On the new capital the full year's dividends are equivalent to 9.3 per cent, against 8.6 per cent in 1952-53.

The chairman, Sir Percy Lister—there are five Listers on the board—tells stockholders that since the end of the financial year the group has added substantially to its capital commitments for machine tools and has planned additional accommodation for a growing labour force. Output is still rising and Sir Percy speaks of "the increasing demand in the domestic

	Years to Sept. 30, 1953	1954
Consolidated earnings :—		
Total income	891,525	1,159,037
Depreciation	208,170	224,528
Taxation	384,020	549,933
Net profit	220,835	307,156
Ordinary dividends	171,600	185,900
Retained profits	39,560	111,356
Consolidated balance sheet :—		
Net fixed assets	1,591,746	1,578,381
Net current assets	4,113,079	4,335,828
Stocks	2,264,932	2,402,073
Liquid assets	2,220,441	2,185,555
Reserves	2,487,488	1,558,844
Ordinary capital	2,600,000	3,640,000
£1 ordinary stock at 36s. 3d. yields	5 3s.	

market" and the "steady expansion of the group's activities overseas." One sidelight on the growth of the business is the joint arrangements with Rootes Motors to form a new company, R.L. Engineers, with an authorised capital of £100,000; the new company will be concerned with the construction of engines for purposes ranging widely from aviation to railways. The least that stockholders can expect after such a report is that the ordinary dividend will be pushed up to a round figure of, say, 10 per cent. And many of them will expect more.

LONDON STOCK EXCHANGE

Next Account begins: February 16th
Next Contango Day: February 16th
Next Settlement Day: February 8th

THE stock markets took the increase in Bank rate in their stride. The market was a little uneasy just before and after the week-end and prices were lowered, but later both gilt-edged stocks and equities rallied. The rally in the industrial market was so strong on the first day of the new account that the *Financial Times* ordinary share index rose 2.8 points to stand at a new peak of 196.7. When the gilt-edged market opened on Monday the "shorts" made a further rally from the lower levels touched immediately after the Bank rate change but the long and medium dated issues made losses. Later in the week, cheered up partly by a further cut in the United States Treasury bill rate and partly by the gold and dollar figures, the undated and long dated stocks began to improve. On Thursday, however, gilt-edged prices turned easier. In the foreign market, German issues were weak after the weekend but began to rally when the new account opened. Japanese issues, which had been dull, also took a turn for the better on the first day of the new account. On that day Rumanian bonds were marked up on the news of the trade and debt talks.

The leading equities, which had faltered just before and after the weekend led the rally in the industrial market. The most prominent movements were recorded in the store, engineering and tobacco groups. Interest later broadened so as to include electrical equipment and road-making shares. The biggest individual movements were in Imperial Tobacco on dividend hopes, P and O, Ford (on the capitalisation proposals) and Montague Burton (which lost heavily on denials of take-over rumours).

Oil shares mirrored the fluctuations in other equities, advancing quite strongly on the first day of the new account. Rubber shares were steady and, apart from Assam, tea shares were firm. The feature of the mining market was the strong advance in copper shares on the high price of the metal. Kaffirs turned just a little better when the new account opened but when dealings began on Thursday the OFS issues were again dull.

FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Jan. 26 ...	192.8	114.39	3.85	4.42
" 27 ...	194.4	114.36	3.85	4.39
" 28 ...	194.2	114.28	3.85	4.39
" 31 ...	193.0	114.10	3.87	4.42
Feb. 1 ...	193.9	114.19	3.85	4.40
" 2 ...	196.7	113.98	3.85	4.33
1955, High.	196.7	115.97	Total bargains 1955	
" Low.	184.2	113.98	Jan. 26	14,443
" 1954, High.	184.0	118.10	" 27	14,146
" Low.	131.1	111.78	" 28	13,470
" 1954, High.	131.1	111.78	Feb. 1	17,299
" Low.	131.1	111.78	Feb. 1	14,068
" 1954, High.	131.1	111.78	" 2	14,813

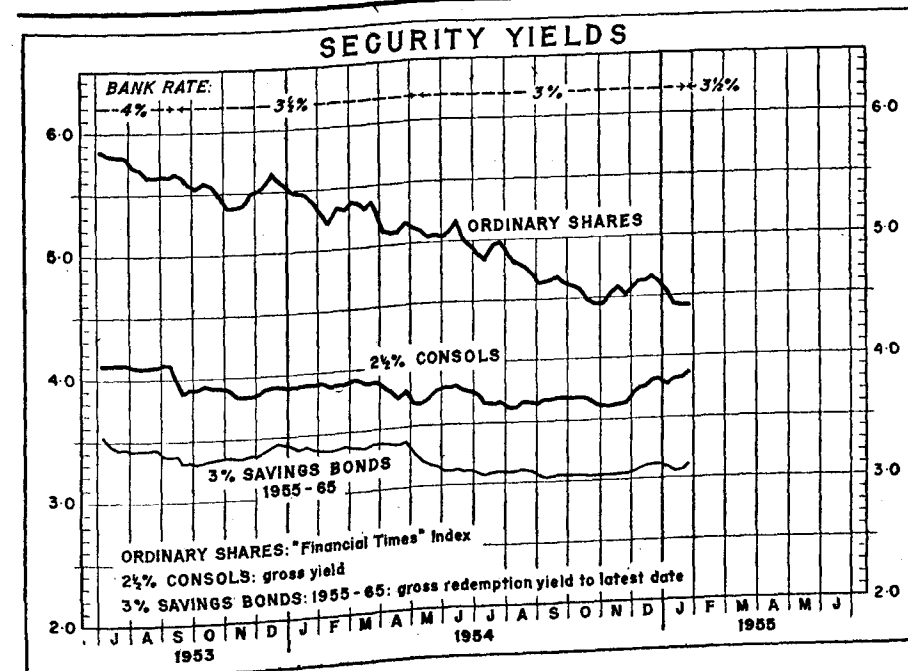
* July 1, 1935=100. † 1928=100.

Company Notes

LIEBIG'S EXTRACT OF MEAT. The two stories that the chairman of Liebig's, Mr. Kenneth Carlisle, always has to tell are symbolised in the distinction between sterling and non-sterling assets. The group manufactures Oxo; most, but not the whole, of its non-sterling assets are invested in Argentina. It is now four years since any remittance of current dividends and profits has been received from there. But though Mr. Carlisle's statement does not contain one shred of hope that remittances will begin to flow again, his remarks are a little more reassuring than those he made in 1952-53. Since August 31st last it has been possible to ship from Argentina most of the large stocks of finished products which had been piling up in warehouses.

The shipment of these stocks, particularly of corned beef, was already re-

flected in the parent company's balance sheet by the rise in inventories from £2,746,111 to £2,979,946. But—the familiar note creeps back again—debtors are also up because of the delay in collecting sums owed by the Argentine authorities. Since the end of the financial year the company has placed privately a £500,000 unsecured loan stock to help to finance corned beef stocks in this country. Since derationing sales of corned beef have been brisk, but Mr. Carlisle is doubtful whether it will command as large a market as it did before the war. But unlike the story that Mr. Carlisle has to tell about the Argentine—and about France, where tiny profit margins are handicapping the development of the business—his comments on the groups sterling assets are moderately reassuring. The group's trading profits have fallen—from £2,432,397 to £2,371,324—but the decline is not par-



LONDON ACTIVE SECURITIES

Prices, 1955 Jan. 1 to Feb. 2		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Jan. 26, 1955	Price, Feb. 2, 1955	Net Yield, Feb. 2, 1955 %	Gross Yield, Feb. 2, 1955 %	Prices, 1955 Jan. 1 to Feb. 2		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Jan. 26, 1955	Price, Feb. 2, 1955	Yield, Feb. 2, 1955 %	
High	Low							High	Low							
100 1/0	100	Exchequer 2 1/2% 1955	100 4/4	100 0/1	2 2 4	2 2 4	42/6	35/9	15 c	17 1/2	STEEL & ENGINEERING		41/6	42/3	4 2 10 1/4	
99 1/2	97 1/2	Do. As'td. Exchequer 1960	98 1/2	97 1/2	1 11 0	2 9 1	12/10 1/2	10/-	15 c	3 1/2	B.S.A. £1		12/6	12/9	5 16	
97 1/2	96 1/2	Do. As'td. Funding '66-68	96 1/2	96 1/2	1 19 7	3 7 5	28/9	27/9	...	...	Camell Laird 5/-		28/9	28/9	...	
99 1/2	98 1/2	Exchequer 2 1/2% '63-64	98 1/2	98 1/2	1 12 7	2 16 0 1/2	26/8 1/2	24/1 1/2	...	...	Colvilles £1		26/6	26/3	6 1 1/2	
104 1/2	101 1/2	Exchequer 3% 1960	102 1/2	101 1/2	1 5 1	2 11 4	72/9	66/4 1/2	10 1/2	10 1/2	Dorman Long £1		70/9	72/3	4 3	
102 1/2	101 1/2	Exchequer 3% '62-63	101 1/2	101 1/2	1 9 7	2 16 11 1/2	49/9	43/10 1/2	...	...	Guest Keen N'fold £1		48/-	48/-	5 4	
100 1/2	99 1/2	Serial Funding 2 1/2% 1957	99 1/2	99 1/2	1 4 11	2 6 11 1/2	29/2 1/2	31/7 1/2	3 a	3 a	Stewarts & Lloyds £1		30/7 1/2	30/3 1/2	5 19	
100 1/2	100 1/2	Serial Funding 3 1/2% 1955	100 1/2	100 1/2	0 12 2	2 6 10	31/2 1/2	29/-	4 a	4 a	Summers (John) £1		29/9 1/2	31/-	6 9	
100 1/2	99 1/2	War Bonds 2 1/2% '54-56	100 1/2	100 1/2	1 5 11	2 8 1 1/2	43/10 1/2	38/9	15 c	15 c	United Steel £1		41/9	43/3	3 9	
100 1/2	100 1/2	Funding 2 1/2% '52-57	100 1/2	100 1/2	1 5 6	2 11 8 1/2	...	...	...	...	TEXTILES		...	...	...	
100 1/2	100 1/2	War Loan 3% '55-59	100 1/2	100 1/2	1 8 7	2 17 3 1/2	30/4 1/2	29/-	15 c	15 c	Bradford Dyers £1		29/6	29/9	6 14	
100 1/2	98 1/2	Savings Bonds 3% '55-65	99 1/2	98 1/2	1 15 6	3 2 8 1/2	30/9	28/1 1/2	12 b	12 b	Brit. Celanese £1		30/-	30/-	6 0	
100 1/2	99 1/2	Funding 3 1/2% '56-61	99 1/2	99 1/2	1 10 5	2 14 3 1/2	29/6	27/1 1/2	10 b	10 b	Coats (J. & P.) £1		28/9	28/6	5 5	
97 1/2	94 1/2	Funding 3 1/2% '59-69	95 1/2	94 1/2	2 2 3	3 10 11 1/2	43/6	40/8 1/2	4 1/2	4 1/2	Courtaulds £1		42/-	42/-	3 16	
98 1/2	95 1/2	Funding 3 1/2% '66-68	96 1/2	95 1/2	1 19 7	3 7 3 1/2	32/-	29/9	10 a	10 a	Lancs. Cotton £1		31/3	31/9	7 17	
95 1/2	93 1/2	Funding 3 1/2% 1999-2004	93 1/2	93 1/2	2 2 8	3 15 10 1/2	36/0 1/2	30/-	15 b	15 b	Patons & Baldwins £1		30/9 1/2	32/-	6 5 0	
103 1/2	102 1/2	Funding 4% '60-90	103 1/2	103 1/2	1 14 1	3 11 6 1/2	20/1 1/2	19/-	6 1/2	6 1/2	MOTOR & AIRCRAFT		19/7 1/2	19/10 1/2	5 0 8	
96 1/2	92 1/2	Savings Bonds 3% '60-70	93 1/2	92 1/2	2 3 7	3 11 7 1/2	12/9	10/6 1/2	4 a	4 a	Bristol Aeroplane 10/-		12/3	12/4 1/2	5 1 0	
95 1/2	92 1/2	Savings Bonds 2 1/2% '64-67	93 1/2	92 1/2	2 1 9	3 5 11 1/2	26/9	21/10 1/2	7 1/2	7 1/2	Brit. Motor 5/-		25/6	25/3	5 18 10	
105 1/2	101 1/2	Victory 4% '20-76	102 1/2	101 1/2	1 19 4	3 14 6 1/2	12/9	10/6 1/2	4 a	4 a	De Havilland £1		81/10 1/2	88/9	2 14 1	
94 1/2	90 1/2	Savings Bonds 3% '65-75	91 1/2	90 1/2	2 4 0	3 12 6 1/2	89/6	79/-	12 c	12 c	Ford Motor £1		51/9	54/-	3 17 9	
97 1/2	94 1/2	Consols 4% aft. Feb. '57	95 1/2	94 1/2	2 5 9	4 3 2 1/2	55/3	46/3	3 a	3 a	Hawker Siddeley £1		111/3	116/3	4 6 0	
89 1/2	85 1/2	Conv. 3 1/2% aft. April '61	87 1/2	87 1/2	2 4 3	4 1 0 1/2	117/6	100/6	25 c	25 c	Leyland Motors £1		82/6	85/-	2 14 11	
103 1/2	99 1/2	Conv. 3 1/2% 1969	100 1/2	100 1/2	1 18 2	3 9 5	87/-	78 1/2	12 b	12 b	Rolls Royce £1		7/10 1/2	7/7 1/2	7 17 5	
99 1/2	98 1/2	Conv. 2% 1958-59	98 1/2	98 1/2	1 8 6	2 6 11 1/2	8/-	7/4 1/2	12 c	12 c	Standard Motor 5/-		31/6	31/6	3 11 5	
66 1/2	64 1/2	Treas. 2 1/2% aft. April '75	65 1/2	65 1/2	2 2 7	3 17 11 1/2	32/6	29/3	22 1/2	22 1/2	SHOPS & STORES		43/1 1/2	43/6	6 6 6	
78 1/2	75 1/2	Treas. 3 1/2% aft. April '66	76 1/2	75 1/2	2 2 9	3 15 5 1/2	45/3	41/-	7 1/2	7 1/2	Boots Pure Drug 5/-		60/-	60/3	3 2 3	
98 1/2	95 1/2	Treas. 3 1/2% '77-80	96 1/2	95 1/2	2 2 6	3 14 9 1/2	62/6	57/3	45 b	45 b	Debenhams 10/-		113/9	113/9	3 19 1	
99 1/2	95 1/2	Treas. 3 1/2% '79-81	96 1/2	95 1/2	2 2 6	3 14 9 1/2	62/6	57/3	17 1/2	17 1/2	Gt. Universal 5/-		73/-	72/3	2 11 10	
88 1/2	85 1/2	Redemption 3% '86-96	86 1/2	85 1/2	2 2 11	3 13 2 1/2	114/-	107/9	45 b	45 b	Lyons (J.) 'A' £1		64/3 1/2	64/3	3 17 10	
88 1/2	85 1/2	War L'n 3 1/2% aft. Dec. '52	86 1/2	85 1/2	2 4 7	4 1 5 1/2	76/-	68/6	20 a	20 a	Marks & Spen. 'A' 5/-		...	...	...	
66 1/2	63 1/2	Consols 2 1/2%	65 1/2	64 1/2	2 2 7	3 17 6 1/2	71/9	62/6	...	...	Woolworth 5/-		...	...	...	
94 1/2	92 1/2	Br. Elec. 3% '68-73	93 1/2	92 1/2	2 3 7	3 12 8 1/2	...	...	...	...	OIL		...	...	...	
93 1/2	91 1/2	Br. Elec. 3% '74-77	92 1/2	91 1/2	2 3 1	3 12 5 1/2	88/9	81/4	37 1/2	37 1/2	British Petroleum £1		83/9	83/1 1/2	2 0 11	
109 1/2	107 1/2	Br. Elec. 4 1/2% '74-79	107 1/2	107 1/2	1 18 5	3 16 2 1/2	138/-	125 1/2	17 1/2	17 1/2	Burmah £1		128/9	130/-	2 13 11	
98 1/2	96 1/2	Br. Elec. 3 1/2% '76-79	97 1/2	97 1/2	2 2 1	3 14 9 1/2	54 1/2	45/0	12 b	12 b	Royal Dutch 100 fl.		128/9	129/4 1/2	2 6 10	
98 1/2	95 1/2	Br. Trans. 3% '78-88	96 1/2	95 1/2	2 4 10	3 14 9 1/2	130/11 1/2	119 1/2	10 1/2	10 1/2	Shell Reg. £1		128/11 1/2	129/4 1/2	3 9 3	
94 1/2	92 1/2	Br. Trans. 3% '68-73	93 1/2	92 1/2	2 3 7	3 12 8 1/2	35/1 1/2	30/9	5 1/2	5 1/2	Trinidad L'hols 5/-		33/9	34/3	5 6 0	
105 1/2	102 1/2	Br. Trans. 4 1/2% '72-77	103 1/2	103 1/2	1 19 10	3 15 7 1/2	...	...	...	...	SHIPPING		...	...	...	
88 1/2	85 1/2	Br. Gas 3 1/2% '90-95	87 1/2	87 1/2	2 2 11	3 13 0 1/2	37/3	32/3	16 c	16 c	Cunard £1		35/-	34/-	5 12 1/2	
102 1/2	99 1/2	Br. Gas 3 1/2% '69-71	101 1/2	99 1/2	1 19 2	3 10 0 1/2	57/-	46/9	12 c	12 c	Purness Withy £1		55/-	53/6	4 9 9	
105 1/2	103 1/2	Br. Gas 4 1/2% '69-72	103 1/2	103 1/2	1 19 4	3 14 7 1/2	76/-	60/10 1/2	16 b	16 b	F. & O. Det. £1		70/6	71/6	3 1 6	
(e) To earliest date. (f) Flat yield. (h) To latest date. (s) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 11 1/2 years approximately.																
Prices, 1954		Prices, 1955 Jan. 1 to Feb. 2		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Jan. 26, 1955	Price, Feb. 2, 1955	Yield, Feb. 2, 1955 %	Prices, 1955 Jan. 1 to Feb. 2		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Jan. 26, 1955	Price, Feb. 2, 1955	Yield, Feb. 2, 1955 %
High	Low	High	Low						High	Low						
97 1/2	90 1/2	94 1/2	92	Aust. 3 1/2% '65-69	93	93	18 1/2	18 1/2	58/9	57/9	4 4 3	58/9	57/9	4 4 3	58/9	57/9
101 1/2	97 1/2	101 1/2	100 1/2	Ceylon 4% '73-75	101	101	18 1/2	18 1/2	45/4 1/2	45/4 1/2	4 4 3	45/4 1/2	45/4 1/2	4 4 3	45/4 1/2	45/4 1/2
106 1/2	98 1/2	103 1/2	101 1/2	N. Zealand 4% '76-78	103 1/2	103 1/2	15 3/4	15 3/4	61/4 1/2	61/4 1/2	4 2 9	61/4 1/2	61/4 1/2	4 2 9	61/4 1/2	61/4 1/2
79 1/2	71 1/2	75 1/2	72	L.C.C. 3% aft. 1920	73 1/2	72 1/2	4 2 9	4 2 9	115 1/2	115 1/2	3 10 10 1/2	115 1/2	115 1/2	3 10 10 1/2	115 1/2	115 1/2
99 1/2	95 1/2	99 1/2	97 1/2	Liverpool 3% '54-64	98 1/2	98 1/2	3 10 10 1/2	3 10 10 1/2	69/-	65/3	9 b	69/-	65/3	9 b	69/-	65/3
87 1/2	80 1/2	84 1/2	80 1/2	M. Wtr. 'B' 3% '34-2003	82 1/2	81 1/2	3 16 10 1/2	3 16 10 1/2	34/-	31/9	13 1/2	34/-	31/9	13 1/2	34/-	31/9
104 1/2	100 1/2	101 1/2	100	Agric. Mort. 5% '59-89	100 1/2	100 1/2	4 17 6 1/2	4 17 6 1/2	86/3	80/3	3 1/2	86/3	80/3	3 1/2	86/3	80/3
109 1/2	71 1/2	102 1/2	93 1/2	German 7%	96 1/2	96 1/2	...	...	85/9	81/3	7 1/2	85/9	81/3	7 1/2	85/9	81/3
168 1/2	102 1/2	164 1/2	154	German 5 1/2%	156 1/2	156 1/2	...	...	113/9	103/9	5 a	113/9	103/9	5 a	113/9	103/9
170 1/2	132 1/2	164 1/2	160	Japan 5% 1907	161	161	...	...	82/-	76/6	9 1/2	82/-	76/6	9 1/2	82/-	76/6
198 1/2	167 1/2	194 1/2	190 1/2	Japan 5 1/2% Conv. 1930	192 1/2	191 1/2	...	...	43/3	39/3	7 1/2	43/3	39/3	7 1/2	43/3	39/3
Prices, 1955 Jan. 1 to Feb. 2																
High	Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Jan. 26, 1955	Price, Feb. 2, 1955	Yield, Feb. 2, 1955 %	Prices, 1955 Jan. 1 to Feb. 2		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Jan. 26, 1955	Price, Feb. 2, 1955	Yield, Feb. 2, 1955 %
High	Low								High	Low						
58/-	48/9	5 a	7	Bancays £1	57/-	57/-	4 4 3	4 4 3	137/6	127/-	40 b	20 a				

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION⁽¹⁾ (1948 = 100)												
1938	118	82	78	90	193	132	76	101	89	...	67	64
1952	181	114	117	131	231	171	130	147	130	135	111	133
1953	184	114	121	127	251	193	142	161	141	140	111	149
1954, June	216	124	134	142	281	226	146*	167	156	152	124	...
" July	211	112	88	134	272	236	...	188	155	104	62	...
" August	213	122	130	110	271	236	...	148	150	146	115	...
" September	...	126	137	141	292	245	...	185	162	160	127	...
" October	...	...	136	144	304	253	...	...	165	...	121	...

Monthly averages or calendar months	mm. schillings	mm. francs	mm. 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	534	132.64	1,350	432.8	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	681	124.3
1954, July	1,278	10,032	709	121.77	1,573	827.6	15.58	114.29	961	548	731	108.4
" August	1,358	10,251	631	116.51	1,519	885.1	12.26	109.36	872	546	718	78.9
" September	1,384	11,256	677	117.57	1,714	873.3	15.46	112.98	890	609	771	107.2
" October	1,630	10,823	750	114.46	1,848	...	14.66	126.96	947	695	808	99.9
" November	...	...	...	125.03	1,947	...	...	...	...	...	...	108.7

	mm. schillings	mm. francs	mm. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £ T.
EXPORTS (f. o. b.)												
1938	30	1,806	128	2.55	468	0.9	2.02	0.88	87	65	154	12.1
1952	900	10,212	490	118.04	1,409	149.9	8.41	72.02	660	337	678	84.7
1953	1,099	9,414	508	117.24	1,542	282.1	9.50	77.50	672	303	637	92.4
1954, July	1,327	9,138	501	114.90	1,926	204.7	9.13	81.14	745	358	746	63.2
" August	1,342	8,723	536	116.50	1,839	141.9	10.04	79.07	702	319	626	37.6
" September	1,364	9,055	557	114.26	1,842	364.8	12.25	84.09	763	336	716	62.4
" October	1,395	10,489	564	129.71	1,982	...	10.62	86.11	870	374	772	86.2
" November	...	...	...	138.49	2,025	...	...	...	...	...	...	108.8

	mm. schillings	mm. francs	mm. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £ T.
BALANCE												
1938	-20	-116	-7	-1.29	-37	-0.3	-1.43	-0.06	-31	-33	-20	-0.4
1952	-263	-39	-64	-14.60	-59	-282.9	-5.94	-48.46	-34	-183	-68	-45.0
1953	-7	-680	-65	-4.28	-208	-310.5	-5.78	-47.25	-66	-240	-44	-31.9
1954, July	+49	-894	-208	-6.87	+353	-622.9	-6.45	-33.15	-216	-190	+15	-45.2
" August	-16	-1,528	-95	-0.01	+320	-743.2	-2.22	-30.29	-170	-227	-92	-41.3
" September	-20	-2,201	-120	-3.31	+128	-508.5	-3.21	-28.89	-126	-273	-55	-44.8
" October	-235	-334	-186	+15.25	+134	...	-4.04	-40.85	-77	-321	-36	-13.7
" November	...	...	...	+13.46	+78	...	...	...	...	...	...	+0.1

	mm. schillings	mm. francs	mm. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £ T.
VOLUME OF EXTERNAL TRADE⁽¹⁾ (1948 = 100)												
IMPORTS												
1938	266	93	118	...	249	...	79	88	118	100	94	91
1952	217	121	147	118	241	...	98	159	131	128	119	220
1953	207	126	169	119	271	...	111	172	156	141	118	217
1954, June	259	136	212*	136	328	...	101	182	183	161	130*	285
" July	254	132	...	119	326	...	106	160	210	148	...	272
" August	280	134	...	119	318	...	83	154	192	148	130	146
" September	293	148	...	...	357	...	108	...	199	...	...	165
" October	359	...	...	...	394	...	104	...	...	...	...	177

	mm. schillings	mm. francs	mm. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £ T.
EXPORTS												
1938	147	110	139	...	530	...	136	119	156	123	111	107
1952	202	138	186	199	670	...	164	146	256	141	133	150
1953	270	151	205	209	783	...	183	154	292	144	143	182
1954, June	315	171	227*	240	896	...	167	157	324	205	161*	161
" July	335	158	...	224	1,108	...	172	163	347	167	...	175
" August	331	162	...	232	974	...	193	157	324	149	...	78
" September	335	158	...	...	983	...	244	...	356	...	...	137
" October	350	...	...	...	1,057	...	213	...	...	...	...	178

(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. (*) Special trade (excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxembourg. (2) Average of second quarter.

EXCHEQUER RETURNS

For the week ended January 29th there was an "above-line" surplus (after allowing for Sinking Funds) of £118,890,000 compared with a surplus of £144,323,000 in the previous week and a surplus of £123,130,000 in the corresponding period of last year. This brought the cumulative account to a surplus of £201,358,000 (compared with a surplus of £2,617,000 in 1953-54). Net expenditure "below-line" last week reached £12,137,000, bringing the total cumulative deficit to £134,278,000 (£320,758,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to Jan. 30, 1954	April 1, 1954 to Jan. 29, 1955	Week ended Jan. 30, 1954	Week ended Jan. 29, 1955
Ord. Revenue					
Income Tax	1800,000	1225,462	1266,479	112,716	130,869
Sur-tax	132,000	90,200	89,600	6,400	7,100
Death Duties	164,375	134,900	152,300	3,300	3,000
Stamps	55,000	46,200	61,170	1,800	1,700
Profits Tax & E.P.T.	172,000	163,900	146,900	2,500	3,300
Excise Profits Levy	60,000	54,150	67,750	1,200	1,400
Special Contribution and other Inland Revenue	1,000	1,070	1,030	150	...
Total Inland Rev.	2384,375	1715,882	1785,229	127,866	147,369
Customs	1062,500	882,607	932,533	20,581	21,964
Excise	719,000	591,940	606,338	28,570	13,555
Total Customs and Excise	1781,500	1474,547	1538,871	49,151	35,519
Motor Duties	77,000	67,920	71,994	3,634	3,889
PO (Net Receipts)	...	400	4,300	100	Dr. 350
Broadcast Licences	21,000	13,550	18,600	2,650	600
Sundry Loans	24,000	34,629	22,206	...	...
Miscellaneous	245,000	102,826	145,035	5,008	161
Total	4532,875	3409,755	3586,235	188,409	190,188
Ord. Expenditure					
Debt Interest	570,000	463,560	454,254	...	...
Payments to N. Ireland Exchequer	51,000	39,493	39,490	2,868	2,896
Other Cons. Fund.	10,000	8,755	8,256	91	170
Supply Services	3859,739	2868,163	2855,121	62,020	68,025
Total	4490,739	3379,971	3357,121	64,979	70,938
Sinking Funds	36,000	27,166	27,756	300	360
"Above-line" Surplus or Deficit	2,617	201,358	123,130	118,890	...
"Below-line" Net Expenditure	323,375	335,636	10,895	12,137	...
Total Surplus or Deficit	320,758	134,278	112,235	106,753	...
Net Receipts from:					
Tax Reserve Certificates	69,100	100,198	14,808	31,887	...
Savings Certificates	14,950	35,350	1,300	2,650	...
Defence Bonds	33,734	16,166	115	1,398	...

* Since end September the capital expenditure of the Post Office has been charged directly on the Exchequer (instead of being financed from the Savings Funds) and is consequently included in "below-line" expenditure and the total deficit. As at January 29th this item stood at £35,400,000.

FLOATING DEBT

	Treasury Bills				Ways and Means Advances		Total Floating Debt
Date	Tender	Tap	Public Depts.	Bank of England			
1954							
Jan. 30	3,060.0	1,442.6	243.4	...	...	...	4,502.6
Oct. 23	3,410.0	1,544.0	307.9	...	...	...	5,261.9
" 30	3,440.0	1,514.3	274.8	...	...	...	5,229.0
Nov. 13	3,450.0	1,483.1	272.3	...	...	...	5,205.4
" 20	3,470.0	1,452.1	273.0	...	...	...	5,195.1
" 27	3,480.0	1,548.1	291.8	...	...	...	5,319.8
" 27	3,480.0	1,571.7	271.2	...	...	...	5,322.8
Dec. 4	3,470.0	1,613.4	254.6	...	...	...	5,383.0
" 11	3,450.0	1,672.7	256.4	...	...	...	5,382.8
" 18	3,440.0	1,727.1	262.2	...	...	...	5,429.3
" 31	3,420.0	1,823.5	263.4	...	...	...	5,505.9
1955							
Jan. 8	3,400.0	1,771.4	264.7	...	...	...	5,436.0
" 15	3,350.0	1,719.2	260.4	...	...	...	5,330.0
" 22	3,310.0	1,662.7	262.3	...	...	...	5,235.0
" 29	3,276.0	1,642.2	243.2	...	...	...	5,155.4

THE MONEY MARKET

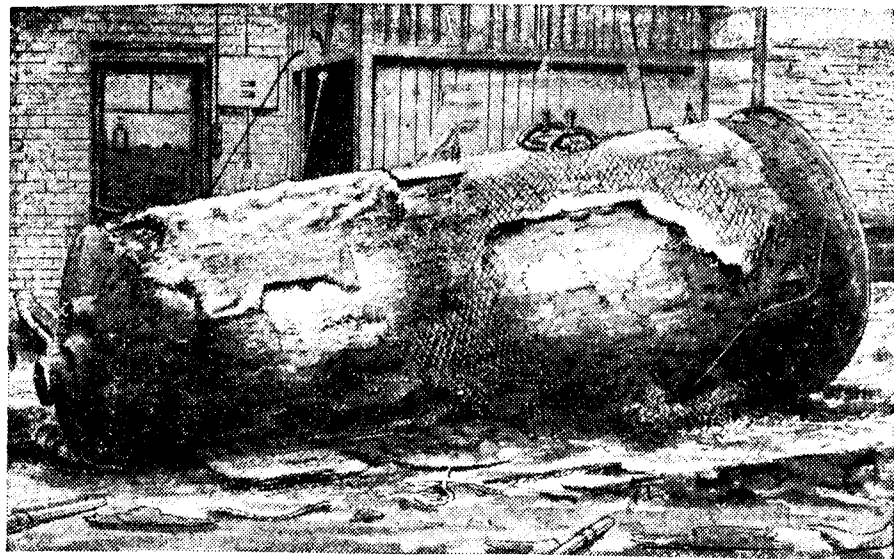
THE discount market responded to the increase in Bank rate by reducing its bid at the Treasury bill tender on Friday of last week by the unexpectedly large margin of 1s. 8d. per cent, to £99 8s. 3d. per cent; the average rate of allotment rose by 1/8 per cent to £2 6s. 7.33d. per cent. This move, and other important adjustments are discussed on page 476. As the bill offer had been reduced by £10 million and applications were up by £25.7 million, the immediate effect of the steep fall in the market's bid was to reduce its allotment from 51 per cent to the low level of 32 per cent.

Dealings in Lombard Street in the past week have accordingly been strongly influenced by the shortage of bills in the market; demand has been swollen from American and Continental sources, attracted by the relatively high rates (the US Treasury bill rate fell from 1.349 to 1.134 this week). The upshot has been an unusually wide spread in dealing rates. April maturities have changed hands almost simultaneously at 2 1/2 per cent, 2 1/8 per cent and 2 1/4 per cent. On Tuesday conditions were comfortable, and on Monday and Wednesday the authorities gave adequate special aid, mainly indirectly through the banks.

The Bank return shows a further reflux of notes of £5.1 million. As "other accounts" dropped from £85.9 million to £65.8 million, bankers' deposits rose from their eight-year low of £251.9 million to the still low level of £261.2 million.

LONDON MONEY RATES

Bank rate (from 3%, 27/1/55)	Discount rates
3%	Bank bills: 60 days 2 1/2%
	3 months 2 1/2%
	4 months 2 1/2%
	6 months 2 1/2%
Deposit rates (max)	
Banks	1 1/2%</



What Vulcan say about it . . . The most innocent-looking boiler plant can still be a potential danger. From boiler house to baker's oven, it should always be safety first, not second. That means regular and competent inspection by specialist engineers. And for that exacting job, there's Vulcan.

Vulcan's Engineer-Surveyors know all there is to know about boiler plants. If there's a flaw in the flue they'll find it. If there's a defect, they'll detect it. If there's anything wrong whatsoever, they'll point it out. And not just boilers: lifts, hoists, cranes — if there's an accident coming up for any of them, their job is to spot it before it starts. Safety first is Vulcan first.

THE Vulcan BOILER & GENERAL INSURANCE CO. LTD
67 King Street, Manchester 2

VULCAN INSPECTS—AND PROTECTS

THIS BROUGHT THE HOUSE DOWN!

Before it blew up, taking 51 feet of chimney with it, this devastating object was a vertical cross-tube boiler supplying steam-heat for a dyeing works. Post-explosion investigations revealed three main causes of failure: shortage of water, which caused overheating and collapse of heating surface; excessive pressure brought about by a defective safety valve; and latent flaws in the boiler plates.

FREE. For news of industrial accidents and ways to avoid them, ask us now for 'Vulcan'—a quarterly Journal for Power users. Please write to Dept. 17.



A pamphlet to answer your questions about

Carrying on Business in Canada

Now available, this pamphlet provides pertinent information on

INCORPORATION OF COMPANIES
CORPORATION INCOME TAXES
PROVINCIAL INCOME AND CAPITAL TAXES
PERSONAL INCOME TAXES
LICENSING AND REGISTRATION OF BRANCHES
DISTRIBUTION OF CORPORATION INCOME
UNEMPLOYMENT INSURANCE
WORKMEN'S COMPENSATION
SUCCESSION DUTIES, ETC.

Copies are free. Apply to either of our London offices. Ask for 'Memorandum Relating to Carrying on Business in Canada'.

6 Lothbury, EC2 • 2 Cockspur St, SW1

**THE ROYAL BANK
OF CANADA**

CANADA'S LARGEST BANK

Incorporated with limited liability in Canada in 1869

Perhaps you
didn't know that
BASLE



held its first Trade Fair in 1471, where products of mediæval handicraft were displayed to admiring visitors from France and Germany. This was the forerunner of the great trade fairs of modern times.

But everybody
knows

that Basle is famous for its chemical and pharmaceutical products, its industry manufacturing ribbons for the fashion trade and heavy metal goods. It is also a centre of international banking and insurance. Needless to say, the Basle Branch of the Union Bank of Switzerland plays an important part in the financial life of this prosperous city. Its vast experience is, at all times, 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

Cable Address for all Offices and Branches:
BANKUNION

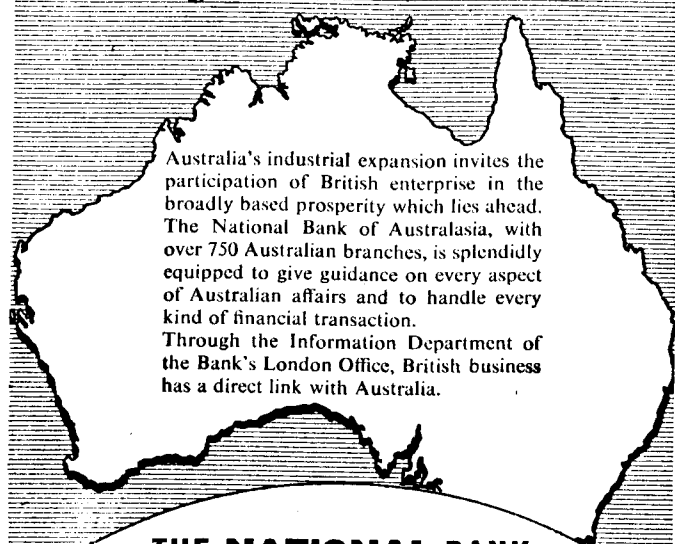
THE UNION DISCOUNT COMPANY OF LONDON, LIMITED

The Rt. Hon. LORD KENNET OF THE DENE, P.C., G.B.E., D.S.O.
(Chairman)
ERIC O. FAULKNER, M.B.E. (Deputy Chairman)
The Hon. GEOFFREY C. GIBBS, K.C.M.G. J. IVAN SPENS, O.B.E.
DAVID JOHN ROBERTS Sir ARCHIBALD JAMIESON, K.B.E.
STATEMENT OF ACCOUNTS AT 31st DECEMBER, 1954.

Liabilities.		£	£
CAPITAL (in £1 Units of Stock):			7,500,000
Authorised	...		5,544,000
Issued	...		2,456,000
RESERVE	...		8,000,000
			885,761
PROFIT AND LOSS—Balance carried forward	...		8,885,761
LOANS (Secured on Assets of the Company)	...	256,863,417	
DEPOSITS, OTHER LIABILITIES AND RESERVE FOR	...	19,448,386	
CONTINGENCIES	...	100,107	
DEPOSITS BY SUBSIDIARIES	...	228,690	
PROPOSED FINAL DIVIDEND less Income Tax	...	276,640,600	
			£285,526,361
CURRENT ASSETS:			
CASH AT BANKERS AND IN HAND	...	5,294,324	
BILLS DISCOUNTED less rebate and reserve	...	173,456,290	
SECURITIES QUOTED: British Government, British Corporation, Public Board, Dominion and Colonial Government and Corporation	...	93,555,560	
Unquoted: British Corporation and Public Board	...	980,631	
Mortgages	...	12,039,449	
LOANS on securities and amounts receivable	...	285,326,254	
			100,107
FIXED ASSETS:			
SHARES IN SUBSIDIARIES at cost	...		
The net assets of Subsidiaries at 31st December, 1954, are represented by Deposits with the Company (per contra).	...		
FREEHOLD PREMISES, including Furniture and Fittings, at cost, less amounts written off	...	100,000	
			£285,526,361

39, CORNHILL, LONDON, E.C.3

AUSTRALIA —from the inside



THE NATIONAL BANK OF AUSTRALASIA LIMITED

(Incorporated in Victoria)

Your best introduction to Australia

Over 750 Branches throughout Australia

Assets £271 Million

Head Office: 271-279 Collins St, Melbourne

London Office: 7 Lothbury, EC2

BAY HALL TRUST LIMITED.

Summary of Directors' Report for the year
ended 31st December, 1954, and of the
accompanying Statement by the Chairman,
Sir Charles Hambro, K.B.E., M.C.

The gross revenue amounted to £210,162 compared with £204,222 in 1953. After charging Debenture Interest, Taxation, Directors' Fees, Management and General Expenses amounting to £106,337 the net profit is £103,825 which is the highest in the Company's history. Adding £118,712 brought forward, the total available for appropriation is £222,537. The Directors have placed £25,000 to General Reserve and recommend a dividend of 15 per cent. less tax, which will absorb £83,638, leaving £113,899 to be carried forward.

Full provision has been made in the Profit and Loss Account for United Kingdom taxation in respect of all income to 31st December, 1954. Double taxation relief allowable to the Company amounting to 4/3d. in the £, has been taken into account in arriving at this provision.

At market prices on 31st December, 1954 (or where no market price existed at the valuations by the Directors at that date amounting to £288,143) the Share and Debenture Holdings and British and Foreign Government Securities had an aggregate value of £3,392,060 as compared with their book value of £2,470,018. There is thus an indicated appreciation of £922,042 over book cost.

At the valuations taken at 31st December last, over 83 per cent. of the investments are situated in the United Kingdom, Union of South Africa and other parts of the British Commonwealth. About 79 per cent. of the investments are in ordinary stocks and shares and the balance in fixed-interest bearing securities.

The affairs of men . . .

When it comes to appointing an Executor or Trustee you cannot do better than place your affairs in the hands of National Provincial Bank. The Trustee Department is staffed by specialists in the administration of Wills and Trusts and has the benefit of all the Bank's experience in financial and business matters.

No matter how complex your affairs may be, you may be sure that they will be handled courteously, sympathetically and efficiently.

Enquiries will be welcomed at any Branch without obligation.

NATIONAL PROVINCIAL BANK LIMITED

Head Office: 15 Bishopsgate, London, E.C.2. Trustee Department: 1 Princes Street, London, E.C.2



ALLIANCE ASSURANCE COMPANY LIMITED

Head Office:

BARTHOLOMEW LANE, LONDON, E.C.2

Established 1824

The Finest Service

for

All Classes of Insurance

REPRESENTATION THROUGHOUT
THE UNITED KINGDOM
THE BRITISH COMMONWEALTH AND
ELSEWHERE ABROAD

*The Company undertakes the duties of
Executor and Trustee*

Westward Ho!

If you seek trading opportunities in Canada, make the Bank of Montreal your starting point. Since 1817 the Bank has figured prominently in Canada's economic development; to-day it offers the enquiring business man up-to-the-minute facts and figures and a complete banking service.



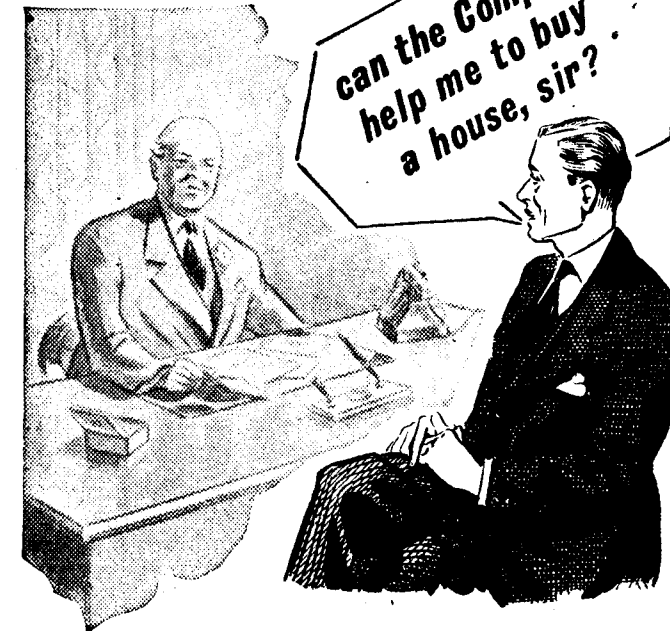
BANK OF MONTREAL

47 THREADNEEDLE STREET, LONDON, E.C.2

Head Office: MONTREAL

626 Branches across Canada Assets exceed \$2,500,000,000
Incorporated in Canada in 1817 with Limited Liability

I accept the appointment . . .



The problem of the executive or key worker who is unable to find the deposit to purchase a house can be solved without cost to the Company.

The Guarantee House Purchase Plan of the Wesleyan & General Assurance Society has been specially designed to meet this problem, and, in addition, provides for cancellation of the mortgage in the event of the employee's death.

Information regarding this plan will be given, in confidence, upon application to:

WESLEYAN & GENERAL Assurance Society

STEELHOUSE LANE
BIRMINGHAM 4

Established 1841

Specialists in House Purchase for 30 years.

A HOME FOR YOUR SAVINGS



The savings of today ensure the homes of tomorrow.

Help yourself and the nation by saving regularly.

- ★ INTEREST AT 2½% PER ANNUM FROM DATE OF INVESTMENT.
- ★ £1-£5000 ACCEPTED.
- ★ WITHDRAWALS AT SHORT NOTICE.

TEMPERANCE

The Gateway To Security



**PERMANENT
BUILDING SOCIETY**
223-227 REGENT STREET
LONDON W.1.
PHONE: REGENT 7282
Branches throughout the Country



Habib Bank Limited

Established 1941

Head Office: KARACHI (PAKISTAN)

Authorised Capital	...	Pak Rs. 30,000,000
Issued & Subscribed	...	Pak Rs. 15,000,000
Paid-up Capital	...	Pak Rs. 15,000,000
Reserve Funds	...	Pak Rs. 10,000,000
Deposits as on Dec. 31, 1954	...	Pak Rs. 431,800,000

In selecting desirable trade relations for exports and imports with Pakistan, Habib Bank Limited, with 57 branches spread over West & East Pakistan, can prove to be most helpful, and you are invited to use our services.

The Bank is fully competent to handle all foreign exchange business, including opening and advising of commercial letters of credit collection of documentary bills, remittances, etc.

FOREIGN BRANCH:

BOMBAY (INDIA)

Habib Bank (Overseas) Limited,

Head Office KARACHI (PAKISTAN)

BRANCHES:

RANGOON (BURMA) and COLOMBO (CEYLON)

Correspondents and Agents at all important Cities of the World.

COMPANY MEETINGS

ARTHUR LEE & SONS LIMITED

(Producers of Strip Steel, Bright Drawn Steel Bars, Wire and Stainless Steel)

FULL ORDER BOOKS IN ALL DEPARTMENTS

HAMPERING EFFECT OF PRICE CONTROL

MR G. WILTON LEE ON URGENT NECESSITY
FOR TAXATION REDUCTION

The sixty-first annual general meeting of Arthur Lee & Sons Limited was held on January 28th at Sheffield, Mr G. Wilton Lee, TD, JP (chairman and managing director), presiding.

The following is his circulated statement:

Before proceeding with the factual details of the past year's trading, may I refer briefly to the history of our company. This is our diamond jubilee year. The present company was incorporated on June 12, 1894, in succession to a business acquired by my grandfather in 1874. From very small beginnings as wire manufacturers, by wise planning, enterprise and careful husbandry, the business has grown into one of the most important cold workers of steel in the United Kingdom. My co-directors and I are proud to have the honour of directing such an enterprise, and will endeavour to continue this progressive course.

You will have seen from Press announcements that the company on June 2, 1954, acquired from the Iron & Steel Holding & Realisation Agency the whole of the share capital of Arthur Lee & Sons (Hot Rolling Mills) Limited and Arthur Lee & Sons (Cold Strip) Limited, so that those companies again form part of the group as they did before Nationalisation. Details are given in the report of the directors, and I am satisfied that we took the right course in the interests of the members in making this re-purchase. As I indicated in my last statement, it was necessary to make arrangements for additional finance for these companies, and this was raised by issuing £500,000 4½ per cent debenture stock of Arthur Lee & Sons (Hot Rolling Mills) Limited which had been created before the re-purchase.

THE YEAR'S RESULTS

The consolidated profit and loss account shows that the trading profit for the year is £640,330, and income from investments and interest £51,775. Taxation takes £378,784 and the consolidated net profit is £314,788. This includes the net profit of the re-purchased companies for the whole of the financial year, but £85,532 of this is required to be set aside as their net pre-acquisition profits. Because of the desire to conserve their resources, no dividends have been declared by these companies in respect of the year ended September 30, 1954, so that the balance of their profit is also retained by them. Therefore, in arriving at the net profit of Arthur Lee & Sons Limited, £172,225, no credit has been taken for any of these profits of the re-purchased companies. The consolidated balance sheet exhibits the strong position of the group, current assets exceeding current liabilities by over two and a quarter million pounds, including very considerable bank balances. As you will see from the report of the directors, we have decided to round off the ordinary dividend to a total of 9 per cent less tax for the year, and to increase the special bonus, not subject to income tax, to 1½ per cent.

Last year I commented on the changing conditions of trade and reduced demand as compared with circumstances of maximum demand which operated almost continuously in the earlier post-war years. The reduced demand and buyers' discrimination continued in the first half of the year under review, but conditions changed rapidly in the spring of this year and demand increased continually, so that now we have full order books and great pressure on every department.

HEAVY BURDEN OF INFLEXIBLE CHARGES

Price control under the Iron and Steel Board is severe and tends to be arbitrary and doctrinaire. It is theoretical rather than practical, so that we have to work near to full capacity in order to earn a normal profit. Below this point the earning of profit is made impossible by the heavy burden of almost inflexible charges such as the guaranteed week, National Insurance contributions, holidays with pay, pension schemes, etc. We can bear these charges under rigid price control only so long as demand is maintained and we are able to operate at a high proportion of capacity. In the event of a recession the effect would be very serious, for the charges mentioned above would continue to operate but would become a heavier burden relative to the reduced sales. Plant replacement and new development should be provided out of earnings and good times should be made to provide for bad. That, as I understand it, is how this and many other fine businesses have been built up in the past. With such a high level of taxation as operates at present, high earnings are essential if industry is to be maintained in a state of efficiency and new developments made possible.

URGENT NECESSITY FOR TAXATION REDUCTION

Our record of development achieved by consistent ploughing back of earnings is one of which we can be proud. During the past twelve years we have incurred capital expenditure of over two million pounds, and in the same period we have paid over three and a quarter million pounds in taxation. This not only shows that we have devoted a large portion of our resources to renewing and improving capital equipment, but surely emphasises the urgent necessity of a reduction in the taxation burden on industry. I can only hope that price control will not continue to be operated in such an arbitrary and doctrinaire way as to frustrate our efforts to continue to develop and improve our plant and equipment and so maintain the prosperity of the business.

Our products, as is well known, cover a wide field ranging over almost every type of cold worked steel product in stainless, straight carbon and alloy steels. In consequence, we are important suppliers to the motor and motor accessory trades, the cycle

industry, precision chain and countless other specialised industries. I can say without hesitation that the products of this company are essential to the prosperity of many of these industries. Our stainless steel department, which has been progressively developed over many years, is now in a very healthy state and I look forward to continued progress in this important field.

THE CURRENT YEAR

Progress continues to be made with the development of Shipmans (Sheffield) Limited and Steel & Strip Platers Limited. Our association with Glover Brothers (Mossley) Limited and its subsidiaries is being maintained to the mutual benefit of all concerned. As mentioned earlier, our order books are full in every department and new orders are coming in at a rate which inevitably means disappointment for many of our customers in the matter of delivery. It is my view, however, that the present improvement in demand is on a sound basis and that we can look forward to full work continuously for at least the next year. In the export market we have developed a type of trade which we believe to be well founded and much goodwill is accruing.

I would close with an expression of appreciation of the efforts of all our employees for the way in which they have supported us in what has been a rather difficult year. They have done this, I am sure, because they realise that our interests are mutual and the progress of each individual is dependent upon the progress of all.

The report and accounts were adopted.

STERLING ESTATES, LIMITED

INCREASED REVENUE

The twenty-seventh annual general meeting of Sterling Estates, Limited, was held on January 26th in London, Mr Douglas Overall, JP, FAI, chairman, presiding.

The following are extracts from his circulated statement for the year ended September 30, 1954:

The parent company's rental revenue of £144,504 shows an increase of £11,617 over that of the previous year: income from subsidiary companies is somewhat reduced at £11,739 by reason of provisions made by those companies for future repairs and that from the associated company is maintained at last year's increased figure. Surpluses arising from the sale of a property and the compulsory acquisition of two sites bring the total receipts for the year to £223,820.

Taxation absorbs £85,344 of which £31,350 arises in respect of the surpluses on disposal of property. Full provision has been made for taxation on the surplus arising from the compulsory acquisition referred to above, but the principle of taxation on such transactions is being discussed by your company with the Inland Revenue.

Your directors recommend the transfer of £6,000 to subsidiary companies to provide for future repairs, the transfer to general reserve of £30,000 and the payment of a final dividend of 7 per cent, making a total of 10 per cent for the year.

Treasury consent has been obtained for the capitalisation of £58,442 of the capital reserve and it is proposed to issue shares in the proportion of one share for every 10 held.

It is felt that in the absence of untoward circumstances the company can continue to look forward to a steady improvement in its income.

The report and accounts were adopted.

WEST RIDING WORSTED AND WOOLLEN MILLS

SIR JOHN KEELING'S REVIEW

The twenty-sixth annual general meeting of West Riding Worsted and Woollen Mills Limited was held on February 3rd in Bradford, Sir John Keeling (the chairman) presiding.

The following is an extract from his circulated statement: You will have observed from the report and accounts that the results for the year ended August 31st are again satisfactory. The profit of the group before taxation amounted to £1,381,340, which is somewhat lower than that for the previous year during which we had the benefit of certain favourable factors to which I referred in my statement last year. After deducting the amount required for taxation the net profit of the group was £652,078, which compares with £762,455 for the previous year.

An interim dividend of 8 per cent was paid on the issued ordinary capital of £1,214,916 as then outstanding, since when the issued ordinary capital has been increased to £1,700,883 by a capitalisation of reserves. Your board now recommend a final dividend for the year on the increased ordinary capital of 12 per cent.

The consolidated balance sheet again shows a strong position. Capital and reserves at £4,926,392 exceeded the corresponding figure for the previous year by £424,704.

In this connection it is interesting to recall that six years ago the issued ordinary capital was £462,000. Since then reserves, almost wholly consisting of profits ploughed back into the business, have been capitalised in the form of ordinary shares to the extent of £1,238,883, which has resulted in bringing up the issued ordinary capital to the present figure of £1,700,883. In addition capital and revenue reserves have increased by £1,406,717 to £2,600,509.

Stock on hand and work in progress have as usual been conservatively valued in accordance with accepted commercial principles and practice. In addition the stock reserve which remains at the figure of £310,000 represents an additional "cushion" equivalent, after allowing for taxation, to rather more than 12 per cent of the balance sheet value of the stock.

A year ago I referred to the fact that we were considering enlarging our existing scheme to embrace all employees who have been with us for a given number of years, and to give them some measure of life assurance.

The details have now been very largely worked out, and we hope to bring what is proposed into operation in the course of the next few months. In view of this we have made a provision of £50,000 in these accounts towards the initial cost of providing for back service.

Towards the end of our financial year we acquired the entire issued share capital of John Murgatroyd and Son, Limited, worsted spinners and manufacturers. This business has been in existence and in the Murgatroyd family for well over two hundred years. My colleagues and I cordially welcome to our group Mr Ronald H. Murgatroyd, who remains the managing director of the company. We feel that this purchase, which has been financed out of the group's own resources, will add still further to its strength.

During the year under review our operating companies maintained a high level of activity, but they had to contend with some marked movements in the value of wool; merino wool over the year declined in value by some 12½ per cent. Profit margins

narrowed, and this tendency seems likely to continue during the current year.

Since the close of the financial year on August 31st last, fluctuations in the price of wool have continued, resulting in a general lower level of values; sales, however, have been well maintained.

It is too early to forecast what the results of the present year may be, but I trust that you will not be disappointed with the results that I hope to be able to place before you next year. The report was adopted.

THE UNION DISCOUNT COMPANY OF LONDON

JUSTIFIED DIVIDEND INCREASE

LORD KENNET'S STATEMENT

The annual general meeting of The Union Discount Company of London, Limited, will be held on February 24th at 39, Cornhill, London, E.C. The following is the statement by the chairman, The Right Honourable Lord Kennet of The Dene, PC, GBE, DSO, which has been circulated with the report and accounts for the year ended December 31, 1954:

During an active and eventful year in the discount market we have gained further experience of the conditions which began in the market in November, 1951, that is, a variable bank rate, with the convertibility of the pound discussed and anticipated, but not achieved, and with progress in the removal of rationing and controls, including those in the commodity market on gold in March, and on cotton in May, and on finance for hire-purchase. In our own sphere we welcome the new era. It emphasises and increases the utility of a discount market; and it is satisfactory to find that the use made of the services of the market enables your company, with prudent and skilful management, to earn a reasonable return on its capital under the new conditions.

No agitated use of bank rate has been made to deal with mere eddies in the money market. There has been one change only, from 3½ per cent to 3 per cent on May 13th. Bill rates which had been steady for the first four months at 2½ per cent to 2½ per cent for Treasury bills by tender and 2½ per cent to 2½ per cent for fine bank bills thereafter settled down at about 1½ per cent until November. There then began a steady increase in the rate, and at the end of the year it had increased to nearly 2 per cent, an increase which had an adverse effect on prices in the bond market. There was at that time pressure against sterling. Delay in exports caused by the dock-strike probably aggravated the seasonal condition.

In any event, there was a large increase in the commercial bills to be dealt with towards the end of the year. For the whole year the total of commercial bills passing through our hands was 16 per cent more than the year before. Our liability on bills sold but not matured, which in the balance sheet is £31,769,594, is higher than it has ever been.

The revival of the interest taken in the London money market by foreign bankers is a good feature of the new conditions here. With more flexibility, more use is made of the services of London banks and discount houses. That, but more particularly also industrial activity here, and the large amount of borrowing for short terms by the government, made the deposits of the clearing banks higher in November than ever before.

The increase in our balance sheet total of £31,654,322 to £285,526,361 is mainly accounted for by our larger holding of bills.

Our profit of £505,308 is an increase of £137,456, and is higher than ever. We have

announced a final dividend which increases that for the year by 2½ per cent, from 10 per cent to 12½ per cent, a moderate increase, justified by our company's earning capacity, as shown by its accounts for a number of years and by the strength of its reserves.

About this I would make two observations: (1) In an inflationary economy the profit, expressed as a percentage of its capital, earned by a business which gives necessary services to the community, must have a natural tendency to increase; but the increase in the percentage, and any attendant increase in distribution of dividend, is no direct measure of increase in real advantage to the recipients. (2) Such a distribution appears to your board to be in the interest of the public as well as that of our shareholders. The discount market has limited functions and little plant. There is an optimum of the amount of capital which can usefully be employed in it. So long as that optimum, which must of course include ample reserves, is maintained, it is to the advantage of the national economy that profits should be released as dividends, to add to the supply of capital available for useful investment elsewhere. We believe that our shareholders, amongst whom are many institutional investors, are well qualified to make such re-investments. The distributed-profits-tax determines the share of any increase in distribution required for public expenditure, and thus authorises the receipt of the remainder by shareholders.

To the banks and financial institutions which give us their co-operation unchanged in changing times we tender our thanks, and to the management and staff we say "Thank you for being always as good as your best, which is always an example of the highest standard of industry and ability in the service of the company."

TRINIDAD SUGAR ESTATES

FACTORS AFFECTING RESULTS

The thirty-second annual ordinary general meeting of Trinidad Sugar Estates, Limited, was held on January 27th in London.

Mr E. Cassleton Elliott, CBE, FSA (the chairman), in the course of his circulated speech, said:

The year under review was a very disappointing one for us because, as a result of damage by Froghoppers and Moth Borer to the canes, the production of sugar fell by 1,764 tons compared with 1953. As a result of the damage, the average yield per acre of Estate canes dropped from 37 tons 9 cwt to 27 tons 18 cwt, and the juice also suffered. Farmers' canes, however, despite Froghopper damage, showed a welcome increase of 6,254 tons compared with last year. The average price per ton realised for sugar, including by-products, after deducting the levies of £2 15s. per ton made under the Trinidad Sugar Industry Special Funds Ordinance, 1948, was £43 13s. 2d., compared with £42 1s. 5d. in 1953.

Owing to the poor crop, the profit for the year shows a substantial reduction compared with last year, but as a conservative policy has been adopted in the past with regard to dividends, the directors consider they are justified in recommending a dividend of 5 per cent for the year.

As regards the prospects for 1955 crop, present indications are that we shall have a good tonnage of Estate canes. You will appreciate, however, that so much depends on juice and other conditions during the crop period, but if these are normal and there is no labour trouble I think we shall have a good crop. The report was adopted.

KOLOK MANUFACTURING COMPANY, LIMITED

(Manufacturers of Carbon Papers, Type-writer Ribbons, Stamp Pads and Inks)

INCREASED PROFITS

The forty-sixth annual general meeting of Kolok Manufacturing Company, Limited, was held on January 28th at Tottenham, N.17, Mr E. S. Dumont, chairman and managing director, presiding. The following is an extract from his circulated statement:

Volume of output and net profit are only slightly below the record in your company's history.

The net profit of the company for the year is £126,017 and the net profit of the group is £144,003, compared with £111,677 and £122,760 for the previous year.

The increase in the group net profit before taxation is £21,243.

Competition in export markets continues, but we are endeavouring to combat this by increasing and improving our manufacturing and technical resources.

Business on hand encourages me to believe that the current year should be equally satisfactory.

We have sold a separate plot of land, surplus to our requirements, at a profit of £17,546, which we are carrying to capital reserve.

The financial position of the group is excellent, surplus current assets over current liabilities amounting to £358,893, compared with £294,276 for the preceding year. Part of this increase is accounted for by the sale of land referred to, but against this is a capital commitment of £14,400 for the purpose of a factory previously rented.

I draw attention to the transfer of £5,000 to the superannuation reserve. It is intended during the current year to supplement past service pensions and dispose of the greater part of this obligation by making a lump sum payment to the insurers from the superannuation reserve.

In view of the continued level of profits your directors recommend a final dividend of 20 per cent, making 30 per cent for the year.

I cannot speak too highly of the excellent services rendered by our executives and those in our service and, on your behalf, I express my thanks to them, as I do to all my colleagues on the board.

The report and accounts were adopted.

UNIVERSITY OF QUEENSLAND

AUSTRALIA

Applications are invited for the position of PROFESSOR OF MATHEMATICS. Salary £A2,500 per annum. Applicants should hold a higher degree, have taught at University level, and have carried out substantial research in the field of Mathematics.

Further particulars are obtainable from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1. Applications close with the undersigned on March 31, 1955.

C. PAGE HANIFY, Registrar.

BRITISH FILM INSTITUTE—APPOINTMENT OF DIRECTOR.

The Governors of The British Film Institute invite applications for the Post of Director, the principal executive officer of the Institute, responsible for the whole of its work, including the National Film Library and the National Film Theatre. Salary scale £1,700-£2,200 per annum. Candidates with exceptional qualifications may be appointed at a salary higher than the starting rate. Since the Institute's main purpose is to further public appreciation of the film, the primary quality sought in its chief officer is a genuine interest in films combined with administrative ability.—Applications, with the names of two referees, should be addressed to the Chairman of the Institute, 164 Shaftesbury Avenue, London, W.C.2, not later than March 5, 1955.

FOR SALE, Economic Journal, June, 1949-December, 1954.—Offers to Box 823.

LIEBIG'S EXTRACT OF MEAT COMPANY

RESTORATION OF TRADING FREEDOM

The ninetieth annual general meeting of Liebig's Extract of Meat Company, Limited, will be held on February 24th, in London.

The following is an extract from the statement by Mr Kenneth M. Carlisle, chairman and managing director, which has been circulated with the report and accounts:

The profit brought into the accounts of the parent company amounts to £260,984, as compared with the previous year's figure of £288,003. After deducting the preference dividends and the interim ordinary dividend paid in July last, there remains a balance of £168,734, which it is proposed to allocate as follows: Final ordinary dividend of 8 per cent, tax free, £160,000, leaving a carry forward of £8,734.

OXO LIMITED

An outstanding event towards the close of our trading year was the termination in this country of meat rationing and the restoration of free and unhampered dealing in virtually all food lines. It is yet too early to assess the market effects on the sale of our main proprietary products, the Oxo cube and corned beef, and the full pattern of a return to normality has still to evolve.

The Oxo cube, which during the war and early postwar years became such a boon to millions of housewives in supplementing the monotonous and meagre diet of the home, now has to stand against the full competition of an ever-widening range of attractive foods and beverages. In price alone, at 1½d., it is more competitive now than when it retailed at 1d. before the war. It is our policy, however, notwithstanding rising costs, to keep the price at the lowest level possible commensurate with a reasonable profit margin.

Sales of corned beef have been brisk following the derationing of meat, but once the pipeline to the consumer has been filled, it seems doubtful whether corned beef will find as large a market as it enjoyed before the war, until such time as costs in producing countries, particularly in the Argentine, can be reduced to a level which will once more warrant a price that will appeal to the housewife.

EUROPE: The subsidiaries in France and Belgium both reported increased turnover, and satisfactory profits were made in Belgium and Italy. In France, however, profits on established proprietary articles are severely regulated by government through the operation of price controls, and the margins now

allowed, after taking into account increased costs, fall far short of what is necessary for a healthy business. Other countries in Europe, particularly those in Scandinavia, maintain closed economies and we have been unable, since the end of the second world war, to make headway with the reintroduction of our products.

RIVER PLATE: It is now four years since any remittance of current dividends or profits has been received from the Argentine and one is led to wonder how much longer this state of affairs can continue without irreparably impairing the good name that Argentina used to enjoy in the financial world for the prompt settlement of her obligations.

The statement then gave a detailed review of the group's other world-wide activities.

THE HOLLINS MILL COMPANY

(Cotton Spinners and Manufacturers)

INCREASED TURNOVER

The fifty-second ordinary general meeting of The Hollins Mill Company Limited was held on February 3rd in Manchester.

Mr J. Manning (chairman and managing director), in the course of his speech, said:

The consolidated profit and loss shows an increase of £26,000 in trading profit over that of the previous year and after deducting depreciation, directors' emoluments, etc., and taxation, the net profit is £54,414, being some £4,000 increase over last year. The incidence of taxation is rather heavier this year than last year, otherwise the net balance would have been further increased.

As you are aware, last year we disposed of the assets of the Australian company very satisfactorily under the circumstances and this has resulted in a surplus of £42,557, which has been carried to the appropriation account.

I think you will agree that the balance sheet shows a very sound position.

During the year our selling organisation has been strengthened and this is reflected in the increased turnover, and although business is now more difficult than it has been for some time, trading should continue to be reasonably profitable.

The directors do not feel justified in recommending any increase in the total dividend distribution for the year in view of the uncertainty of trade and increased competition which may have the effect of restricting the profits, and accordingly they propose a final dividend on the preference shares of 3 per cent less tax and a final ordinary dividend of 7½ per cent less tax. The report was adopted.

AUSTRALIAN NATIONAL UNIVERSITY

CANBERRA

RESEARCH SCHOOL OF SOCIAL SCIENCES

Applications are invited for appointment as RESEARCH FELLOW IN THE DEPARTMENT OF DEMOGRAPHY.

The appointment is for three years with a possible extension to five years, at a salary within the range £1,100-£1,650 per annum. Reasonable removal expenses will be paid and superannuation on the F.S.S.U. pattern is provided.

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 is March 31, 1955, but intending applicants in the United Kingdom may arrange interviews before February 14th with Mr W. D. Borrie, the Head of the Department, through the office of the Association of Universities (Tel.: MUSEum 4578).

LEADING professional organisation practising in London, Africa and the Far East possess an immediate vacancy for a General Business Manager. Principal tasks would cover promotion of its interests both at home and abroad, and also to take charge of its non-technical administration. Age group 28-40. Public school education essential, and for preference some business and social contacts. Occasional overseas visits will be necessary. Most valuable opportunity for the individual who can combine drive and initiative with a sound commercial understanding. Excellent financial prospects.—Box 824.

AUSTRALIAN NATIONAL UNIVERSITY

CANBERRA

RESEARCH SCHOOL OF SOCIAL SCIENCES

Applications are invited for appointment to the Chair of Political Science. Salary £A3,000. Reasonable travel and removal expenses are payable. One year's study leave, with travel allowance, will be granted after each three years' service.

The Department of Political Science is included in the Research School of Social Sciences, and is at present in charge of a Reader.

It will be the duty of the Professor to conduct and organise research into political movements and institutions and to supervise the work of a small number of post-graduate students, most of whom will be proceeding to the Ph.D. degree.

Notwithstanding this notification, the University retains the right to fill the chair by invitation at any stage.

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 April 30, 1955.

UGANDA CHAMBER OF COMMERCE

The Uganda Chamber of Commerce, Uganda Cotton Association and Uganda Planters' Association invite applications from suitably qualified candidates for the appointment of Secretary to these three bodies. Residence would be in Kampala, the commercial centre of the Uganda Protectorate. Applicants should have had first-class and extensive experience and a keen interest in Public Affairs—a knowledge of law and legal proceedings is desirable but not essential. The appointment would be of a permanent nature, following a six months' probationary period. Remuneration would be substantial and would provide for housing and overseas leave facilities with provision for passages every three years.

Applications, stating age, personal details, including education and past experience, together with copies of references and a recent photograph, should be submitted, in the first instance, to J. L. Leyden, CBE, c/o Uganda Development Corporation, Ltd., 27, Regent Street, London, S.W.1.

B.S.C.(ECON.) LONDON UNIVERSITY

UNIVERSITY CORRESPONDENCE COLLEGE

Provides postal tuition for the above Degree (open to all), which is a valuable qualification for men and women seeking executive appointments in commerce or industry, government or municipal posts. The College, founded 1887, is an Educational Trust. Highly qualified Tutors. Low fees; instalments.—Write for Prospectus of U.C.C. Courses to Registrar, 60 Burlington House, Cambridge.

BUSINESS EXECUTIVE AVAILABLE

Senior Business Executive, with Accountancy and Company Secretarial experience, available shortly, requires responsible position at home or abroad. Age 47. Highest references.—Box 817.

MARKETING RESEARCH.—The expanding activities of this Company have given rise to an extension of the marketing research organisation. There will be very good opportunities for graduate economists in work which will involve a stimulating variety of economic research and as the new positions will carry varying degrees of responsibility applications will be welcome from both new graduates and those with several years' experience in market and/or consumer research. The appointments are pensionable and carry good salaries and prospects. All applications will be acknowledged and the fullest information will be given to those invited for interview.—Apply to the Personnel Manager, British Nylon Spinners Limited, Pontypool, Mon.

CONSULTANT (Senior) required by American International Management Consultants with established and expanding connections in Britain and Europe. Candidates should be qualified Production Engineers or Accountants with extensive factory experience who have demonstrated their ability to earn at least £2,000 p.a. in responsible senior appointments in industry or consultancy. Please give full details of experience, qualifications, age and salary.—Box 821.

ATTWOOD STATISTICS require market research executive to take full charge of the Consumer Surveys Division. Applicants must have statistical training and wide experience of questionnaire design, field work and control, tabulation and presentation. Write, giving experience, qualifications and age and salary required, to Attwood Statistics, Limited, Chantrey House, Eccleston Street, London, S.W.1.

DEATH DUTIES can be drastically reduced if you plan and act now.—Write, in confidence, to Robert A. Thomson, 11 Duke Street, St. James's, S.W.1.

ACCOUNTANT (qualified), age about 30, required by the Beecham Group. Initial appointment as assistant accountant in Head Office (London). The successful candidate can expect to find ample scope for promotion within the Group. Previous commercial experience desirable but not essential, and candidates with a leaning towards general management or administration preferred. Good commencing salary dependent upon age, experience and suitability. Pension and profit-sharing schemes in operation.—Applications, setting out age, education, professional and commercial experience and other relevant details, should be forwarded to the Secretary, Beecham Group Limited, 68 Pall Mall, S.W.1.

MARKETING EXECUTIVE required by Young and Rubicam Limited. Advertising. Responsibilities include analysis of sales figures and consumer research data and preparation of agency recommendations to clients. Essential qualifications are some previous experience in marketing or market research, report writing ability and knowledge of statistical method. Salary in accordance with experience and qualifications.—Apply Marketing Manager, Young and Rubicam Limited, 285 Regent Street, W.1.

The Economist: Annual Air Subscription Rates

Anglo-Egyptian Sudan: £5.10s.	Europe (except Poland): £4.15s.	Israel: £6	Pakistan: £6
Australia: £8.5s. (sterling)	Gibraltar, Malta: £3.15s.	Japan: £9	Rhodesia (N. & S.): £5.10s.
Canada: £21.50 or £7.14s	Hongkong: £7	Malaya: £6.15s.	S. America and W. Indies: £7.15s.
East Africa: £5.5s	India & Ceylon: £6	New Zealand: £9 (sterling)	Union of S. Africa: £5.10s.
Egypt: £5.5s.	Iran: £6	Nigeria, Gold Coast: £5.5s.	U.S.A.: \$21.50 or £7.14s.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland 2d.; Overseas 2½d.—Saturday, February 5, 1955.

UNIVERSITY OF LONDON

A lecture entitled "The Recruitment and Training of the Higher Civil Servants in the United Kingdom and in France: a comparative study" will be given by Professor A. Bertrand (Ecole Nationale d'Administration, Paris), at 5 p.m. on February 11th, at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2.

Admission free, without ticket.

JAMES HENDERSON, Academic Registrar.

THE UNIVERSITY OF MANCHESTER

RESEARCH FELLOWSHIP IN ECONOMIC STATISTICS

Applications are invited for the above Fellowship, tenable for one year, with a possible extension to two years. The Fellowship is of a value within the range £900-£1,200 per annum, together with approved expenses involved in the research. Regulations governing the award of the Fellowship may be obtained from the Registrar, the University, Manchester, 13, to whom all applications should be sent, not later than March 8, 1955.

NATIONAL COAL BOARD

NORTHERN (N. & C.) DIVISION

Applications are invited for a Senior Appointment in the Supplies Organisation. Applicants must have a wide experience in Supplies work and in buying all types of materials and equipment, together with experience in the principles and practice of stock control, stores management and office organisation. Experience in the mining industry or in other engineering would be an advantage.

Applications to the Divisional Establishment Officer, National Coal Board, Northern (N. & C.) Division, Ellison Buildings, Ellison Place, Newcastle-upon-Tyne, 1, not later than February 21, 1955.

THOMAS HEDLEY & CO. LIMITED, Newcastle-upon-Tyne.

Is seeking a man for its advertising department who has had some years' experience in the planning, choice and use of all kinds of media and who is looking for a post of important responsibility. He is likely to be a man of about 30. He should be of good education, preferably with a University degree. He will be working closely with advertising agencies and their media departments and would very quickly become responsible for the planning and choice of printed word media over a wide field. He would be expected to initiate and interpret research in all forms of media and to contribute to the formulation of policy in media buying. The salary is a good one and will be subject to material increases as the man demonstrates his ability. The post is permanent and pensionable and there is a non-contributory life assurance scheme. Letters of application should contain details of age, education and career, including H.M. Forces, and will be treated in complete confidence.—Please write to Personnel Department, Thomas Hedley & Co. Limited, Gosforth, Newcastle-upon-Tyne, 3, and mark envelope "M."

MARKET ANALYSIS. Young graduate (economics or commerce) required by Ford Motor Company Ltd., of Dagenham, Essex, to train for export work. Business experience and knowledge of motor vehicles advantageous. Good starting salary. Non-contributory pension. Reply to Salaried Personnel Department, quoting reference FMA.

DOUGLAS GLASS

BRITAIN'S GREATEST PHOTOGRAPHER

OF MEN

43 Black Lion Lane, W.6, RIV. 7522.

THE B.Sc.ECON. DEGREE of London University is open to all without University residence. It is a valuable qualification for ambitious men and women engaged in accountancy, secretarialship, banking, finance, commerce, public services. Wolsey Hall (est. 1894) provides postal tuition of a high order for the three (in some cases two) examinations, at reasonable fees. More than 1,000 Wolsey Hall students have passed London B.Sc.Econ. (Final) exams, since 1925.—Prospectus from C. D. Parker, M.A., LL.D., Director of Studies, Dept. P17 WOLSEY HALL, OXFORD.

THOSE STERLING BALANCES—are they still a menace to the pound? Bank Earnings and Salaries—is there an incongruity? These are two of the important questions discussed in the February issue of "The Banker." Other articles include Bankers on Inflation—and on their Critics; The Price of Rail Fares; and Brazil after Vargas. Price 2s. 6d. from 72 Coleman Street, E.C.2.

DO YOU WANT MORE BUSINESS? Then cover more territory and make more regular calls with a 1954 self-drive car. No more waiting for public transport. AUTOHALL have a fleet of over 100 1954 cars, all expertly maintained and serviced to meet your requirements. You can also take advantage of our guaranteed re-purchase scheme. Will you ask your secretary to drop us a line for our new, informative brochure.—AUTOHALL, Dept. 2-B, 302-306 King Street, London, W.6, RIV 2881. Telegrams: Autohall. Wespnone, London. Cables: Autohall, London.

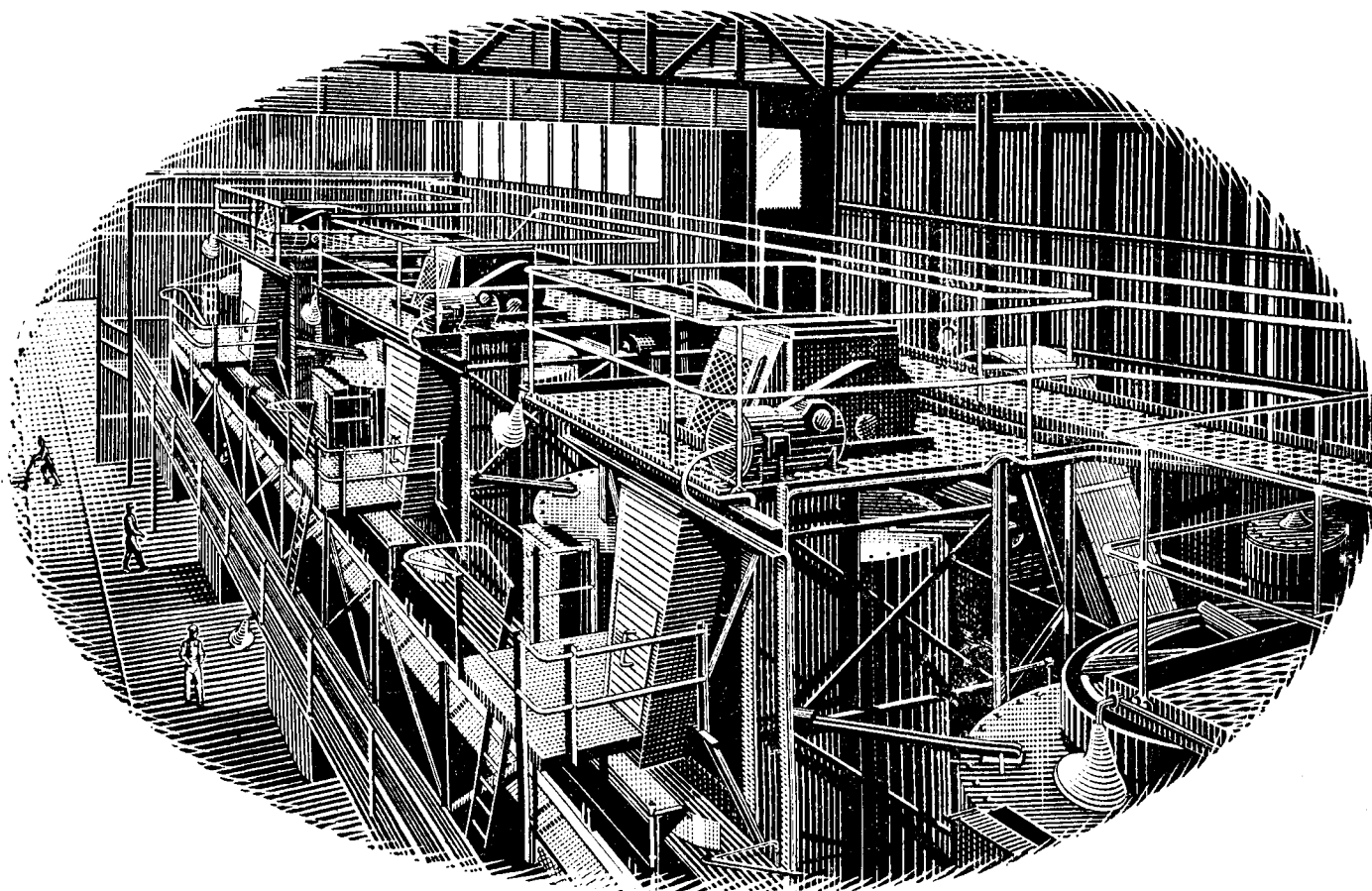
YOUR MONEY will make more money if you spend one shilling weekly on the Investors' Chronicle. Two free issues on request to 30 Grocers' Hall Court, London, E.C.2.

EXPERT POSTAL TUITION

For Examinations—B.Sc.Econ., LL.B. and other external London University Degrees: Law Society; Bar; Accountancy; Banking; Secretarial; Civil Service; Commercial; General Certificate of Education, etc. Also many non-examination courses in business subjects.—Write today for free prospectus and/or advice, mentioning examination (if any) or subjects in which interested, to the Secretary (G 9/2).

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4.

ZINC*from one of Europe's largest smelters*

Chilean Mills through which a mixture of sintered zinc concentrate, crushed coal and binding additives are pulverised together in the process for producing zinc

THE AVONMOUTH works of Imperial Smelting cover approximately one square mile and in addition to the aerial ropeway there are 15 miles of railway sidings within the area. Here for many years Consolidated Zinc have been enlarging and modernizing their various processing methods to keep pace with the increasing demand for zinc and its by-products.

Extensive modernization on the most modern lines has

resulted in higher efficiency and increased production. Although the primary production at Avonmouth centres on that of zinc, many other activities concerned with its by-products occupy a large part of this busy community. Here at one of Europe's largest smelters is the vital link between the many centres of production controlled by Consolidated Zinc in the United Kingdom.

Zinc, Pigments, Chemicals

The formation of The Consolidated Zinc Corporation Limited in 1949 united the bond of common interest between Imperial Smelting Corporation Limited of Great Britain and The Zinc Corporation Limited of Australia. Both companies have for many years been associated in the development of the non-ferrous metal production of the Common-

wealth. Their activities are the production of zinc metal, sulphuric acid and fluorine chemicals in the United Kingdom, the main centre being at Avonmouth, with other works at Swansea, Widnes, Bloxwich, Newport and Seaton Carew. At the Broken Hill mines of Australia are mined the ores of lead, silver and zinc.



THE CONSOLIDATED ZINC CORPORATION LIMITED

United Kingdom: 37 DOVER STREET, LONDON, W.1

Australia: 95 COLLINS STREET, MELBOURNE, C.

The Economist

FOUNDED 1843

FEBRUARY 12, 1955

ONE SHILLING

The Fall of Malenkov

Leader of the Left

Visitors from Italy

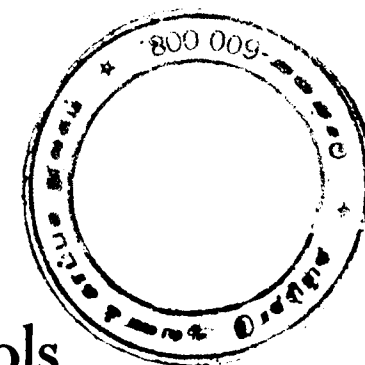
Esteem for Modern Schools

Slow: Road Works Ahead

AMERICAN SURVEY: Narrowing the Far Eastern Gap

THE WORLD OVERSEAS: France without Mendès

BOOKS: Independent Economist



Annual Postal Subscriptions: by ordinary mail £3; by air see page 587

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

VOLUME CLXXIV · NUMBER 5816

110 in the Boiler Shop

IN MATTERS OF sound measurement the word 'phon' will crop up very often, because this is the unit of measurement which acoustic engineers use to assess the loudness of sounds.

Let's look at a few examples of noises expressed in terms of phons. A pneumatic tool nearby would have a phon value of about 105, whilst a quiet street gives only 45; in an express train the reading would be about 80, compared with 20 for a rustle of leaves. In a boiler-making shop, the high rating of 110 makes the noise almost unbearable.

The human ear compares noises on a logarithmic scale so that a noise of 70 phons sounds 50% below one of 80 phons.

Those examples are perhaps sufficient to show the extent to which noise is with us most of the time. But sound, like heat, must be kept in its place, and much can be done in factories and offices to ensure that excessive and unwarranted noise is reduced to a rea-

sonable level. The best way to do this is by sound absorbing treatment of the walls and ceilings because these surfaces intensify noise by reflection. By way of example, the normal painted plaster wall to be found in many offices absorbs only 2% of the sound impinging on it.

Compare this with a modern acoustic tile which has an infinitely higher sound absorption.

Newalls (Reg'd Brand) Paxtile is such a product and has a 75% sound absorption and combines an extremely pleasing appearance with the added virtue of being incombustible and vermin-proof; it also affords effective heat insulation. Our skill and experience and our well equipped Sound Laboratory are entirely at your service to investigate any noise or acoustic problem on which you may need help. *We invite correspondence on this subject and will be pleased to submit suggestions, designs and estimates based on a careful appraisal of your particular problem.*

NEWALLS INSULATION CO. LTD • Washington • Co. Durham

A member of the TURNER & NEWALL ORGANISATION

Offices and Depots at LONDON, GLASGOW, MANCHESTER, NEWCASTLE UPON TYNE, BIRMINGHAM, BELFAST, BRISTOL AND CARDIFF. AGENTS AND VENDORS IN MOST MARKETS ABROAD.



EUCLIDS *in* AUSTRALIA

A fleet of 20 EUCLID Rear Dump Wagons is speeding the construction of the 11,000,000 cu. yd. earth fill dam at Adaminaby—a major undertaking in the great Snowy Mountains Scheme.

EUCLID Wagons are also consolidating the prosperity of Australia by building dams in the Far North of Queensland, in South Australia, on other sites in New South Wales and, on one job alone in Victoria, 48 EUCLID units are showing how earth is moved faster at less cost per yard.

In the Australian Copper Mines, the Tungsten Mines, the Uranium Mines, the Coal Fields and other sites, the EUCLIDS work in the sweltering heat and dust, to snow and ice. Unaffected by these climatic conditions, hundreds of EUCLIDS are playing a notable part in Australian plans for the future.

BLACKWOOD HODGE

Subsidiary Companies Branches Works



and Agencies throughout the World

WILMOT BREEDEN

W. 64485.

across the world

north, south, east and west
the driver of virtually every British car—
and many a foreign one—
receives constant, undemanding service
from the many Wilmot Breedren
components which contribute in no
small way to his comfort and safety.

Wide technical resources,
specialised modern machinery
and the keenness and skill
of our 6,000 workers give these
components a true fitness for purpose
with a reserve of quality against
the abnormal and the unforeseen.

WILMOT BREEDEN LTD

BIRMINGHAM LONDON MANCHESTER GLASGOW

NEW! *This flexible, compact*

VEHICLE CONTROL PLAN

saves

TIME, EFFORT, PERSONNEL, MONEY.

Every detail concerning your vehicles is instantly available on a sheet measuring but a few square inches . . . and, what's more, a system of coloured signals thrusts important information to your notice, such as when urgent attention is needed, or the date for the next routine servicing or any change in fuel or tyre consumption and so on.

Records at a glance

The record's visible edge identifies each vehicle at a glance; a finger-flick and full information about it is immediately visible. Year of make. Date of purchase. H.P. engine and chassis No. Unladen weight. Cost. Value. Capacity. Type of fuel. Oil fuel consumption. Tyre mileage and all other necessary details. Month by month servicing is provided for, including actual details of work done, under headings which provide for almost anything.

Simple—Compact—Easy-to-use

This amazingly efficient vehicle record system is housed in strong and very compact binders, or in small, portable panel form. Either way, a large number of vehicle records can be contained in a negligible space. Any record can be inserted or removed in a second, retaining correct order.

MAINTENANCE CANNOT BE MISSED.

RISING FUEL, OIL and TYRE CONSUMPTION
CAN BE CHECKED BEFORE THEY COST
YOU MONEY.

RÉPAIRS CAN BE DONE WHEN IT SUITS YOU—
NOT WHEN YOU MUST

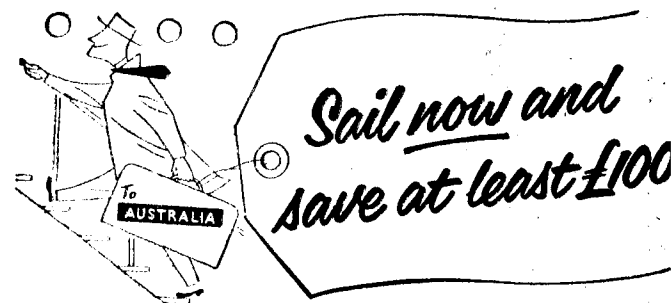
And remember, this system has been devised with the advice of some of the largest operators in Britain. Many others tell us that the ability to keep a correct maintenance schedule saves far more than the modest cost of the system, and in addition they enjoy the advantages of the most rapid, simple and comprehensive method of keeping vehicle records.

Just jot "Vehicle Record" on your letter-head for full details by return. There is also a special Stock Record for spares. If interested, please ask for "Stock Record" as well.

Shannon Systems

VISIBLY BETTER RECORDS

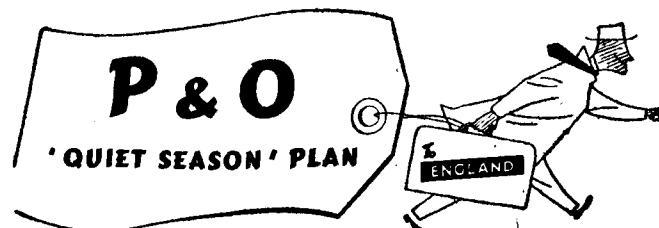
The Shannon Ltd. 848, Shannon Corner, New Malden, Surrey



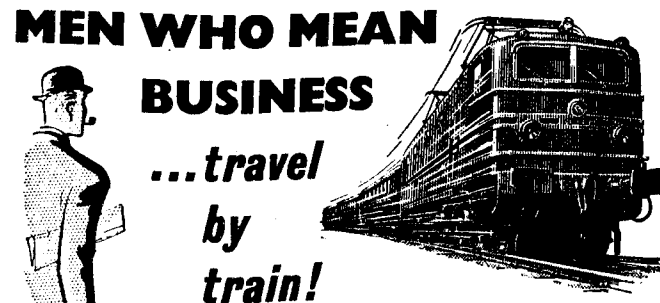
Your trip to Australia and back will cost you less if you travel under the P & O special 'quiet season' plan.

Reduced First Class Fares from £200.

Sailing outwards 1st Feb. to 31st May, 1955.
Homewards 1st Sep. to 31st Dec. 1955 or 1956.



Full details from 14 Cockspur Street, London, S.W.1. WHI: 4444
122 Leadenhall Street, London, E.C.3. AVE: 8000 or local Travel Agents.



Economy, speed and comfort—the three travel essentials for business men—are assured to all who step aboard French Railways. Half-fare cards are typical of the many economies that can be made. New and comfortable high-speed railcars make light of long journeys between major centres. More electrified lines are being introduced throughout the system. Luxury wagon-lits, with cheaper supplements, or couchettes ensure a good over-night sleep.

DAY TRIPS. You can leave in the morning, travel from 350 to 500 Km., have several hours in which to conduct your business and return the same evening, in comfort. Examples: Day return trips from PARIS include La Rochelle, Lyon, Antwerp or Sarrebruck.

HALF-FARE CARDS which entitle the holder to unlimited travel between two particular stations or in a particular zone at half the standard fare can now be purchased without deduction from the basic travel allowance.

OVER-NIGHT TRIPS. You can leave in the evening, travel from 500 to 600 Km., stay the night at an hotel, devote most of the following day to your affairs and return to your headquarters that night. Examples: Over-night return trips from PARIS include Bordeaux, Grenoble, St. Nazaire or Zurich.

SPEED AND PUNCTUALITY. You can be sure of arriving on time for your appointments, for French Railways have an unrivalled reputation for speed and punctuality.

FRENCH RAILWAYS SNCF

Information, tickets and reservations from any good Travel Agent or French Railways Limited, 179, Piccadilly, W.1

CVS-117



HOLLYWOOD goes to Leicester

THERE'S a little old man in Leicester who never misses his Saturday evening at the pictures. He has a very personal interest in most of the films he sees. For every weekday he sits at a bench, skilfully assembling lenses—the very lenses that the vast motion-picture industry cannot do without. He works at Taylor, Taylor and Hobson, whose factory sells £750,000-worth of goods each year, a substantial proportion of them in dollar



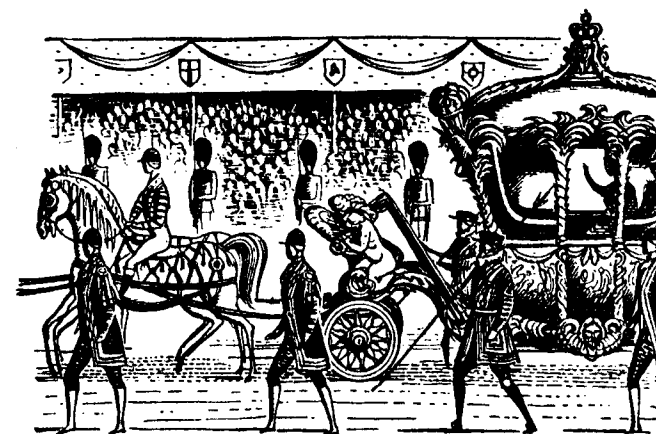
areas; whose lenses are used in 8 out of every 10 cameras in Hollywood—and in cameras throughout the rest of the world. This company is only one of those which form the British Optical and Precision Engineers Group (B.O.P.E.), itself a subsidiary of the Rank Organisation. And last year B.O.P.E. obtained more than 50 per cent. of Britain's export turnover in the varied products which it handles.

STUDIO TO CINEMA

EVERY member company of B.O.P.E. is a specialist in its own sphere. British Acoustic Films produce recording and sound equipment as well as 8 mm. and 16 mm. cine cameras and projectors; Kershaws of Leeds are famous for their cinema projectors, arc lamps and scientific and optical instruments; Gaumont-Kalee Seating add to their

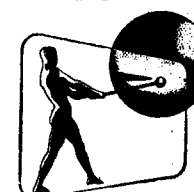
U.K. sales by exporting to all parts of the world, including the United States; Kalee send their curtains and draperies to cinemas as far apart as Jordan and Jamaica.

B.O.P.E. can indeed be proud of an impressive list of achievements through the years. The Everest and North Greenland Expeditions were equipped with B.O.P.E. cameras. B.O.P.E. has equipped between 800 and 1,000 film stages outside Britain. B.O.P.E. supplied a special zoom lens used by the BBC for their Coronation Day TV programme.



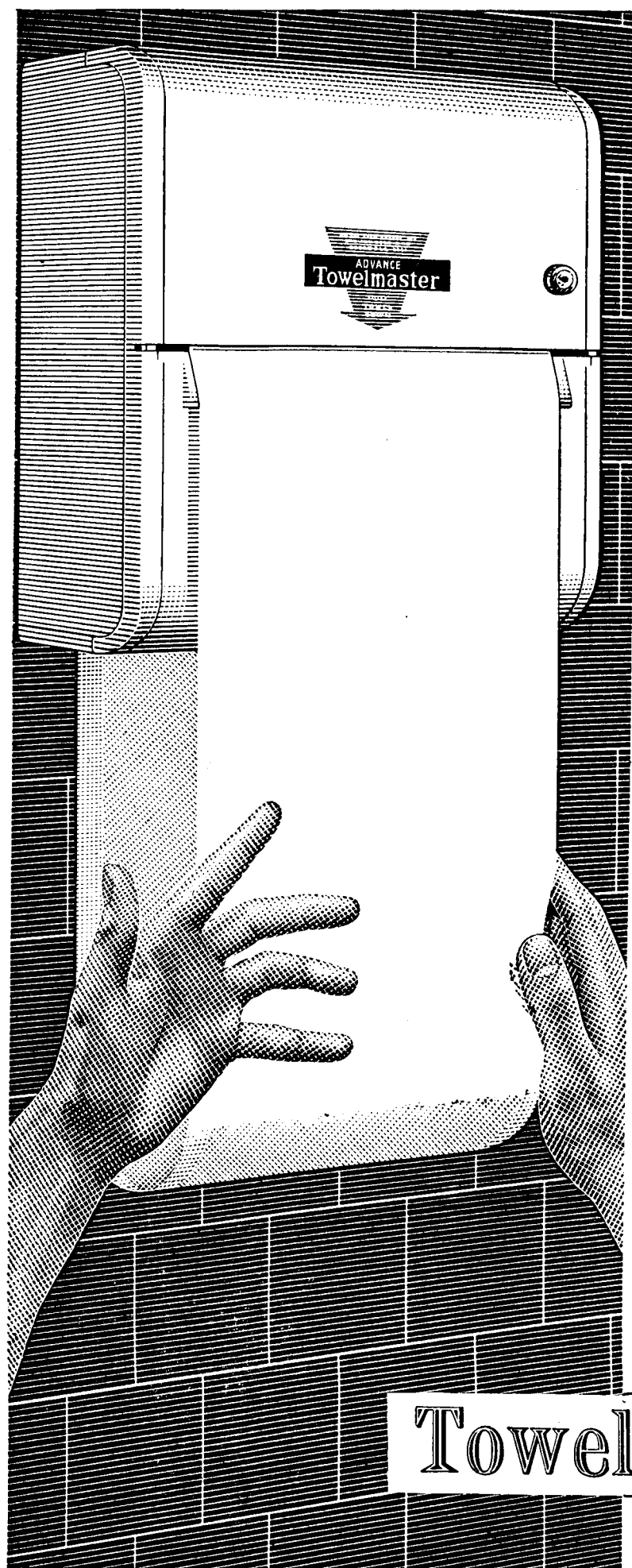
WORLD-WIDE PROJECTION

Winning prestige and earning currency (including those valuable dollars) all over the world, B.O.P.E. is constantly engaged in vigorous research to improve existing products and to introduce new lines. It has played a vital part too as one of the many companies on which the Rank Group is widely based—and which have greatly helped this section of the British Film Industry to make so successful a recovery during the last five years.



THE J. ARTHUR RANK

ORGANISATION LIMITED



A clean soft dry towel for every pair of hands

How does the Towelmaster work?
A pull. Here's a length of laundry-fresh towel, enough and to spare for a really good dry. And as you pull, the used portion automatically winds into a separate compartment of the gleaming white Towelmaster cabinet. Nothing more efficient. Nothing more hygienic.

How much does the Towelmaster cost? 5/- per roll of towelling. Minimum usage only one roll per week. Installation is free. Maintenance is free. No replacement charges. In fact there are no other charges whatsoever.

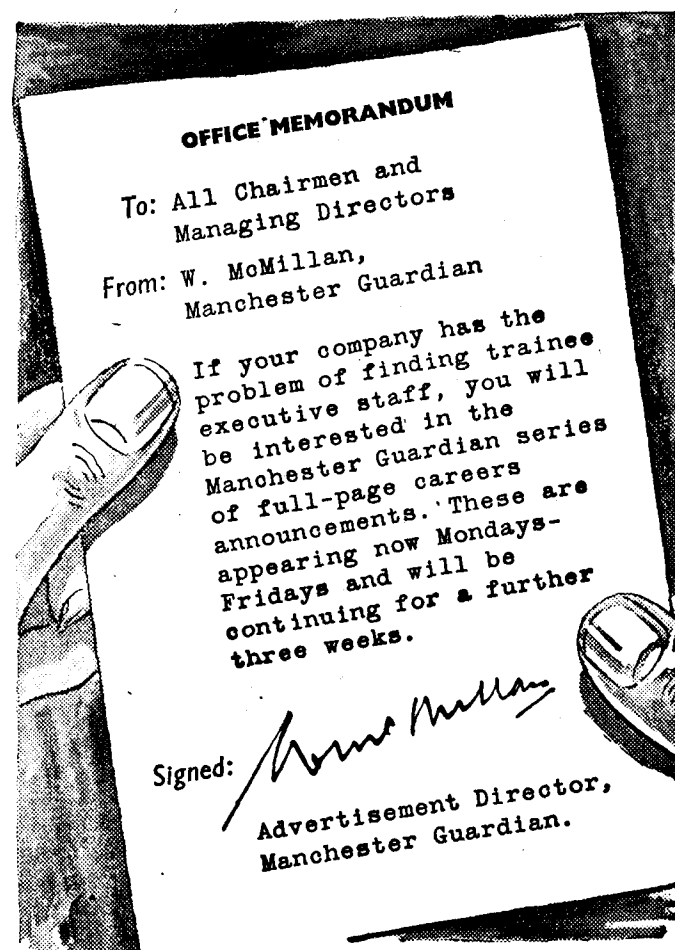
How much is the Towelmaster worth? Those few shillings give 180 pairs of hands an honest-to-goodness dry. Benefit staff and visitors alike. Give you 45 yards of goodwill. And what an infinitesimal price to pay for a clean bill of health!

What are your particular needs?
We'll be glad to discuss them—without obligation.

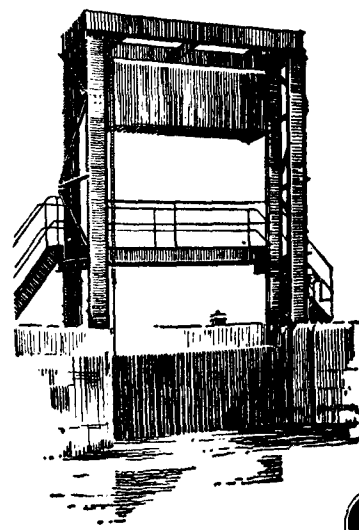
ADVANCE

Towelmaster

Advance Linen Services Ltd. (Dept. T13),
Stratton House, Piccadilly, London, W.1.
Telephone: Mayfair 8886



GLENFIELD CONTROL *in Rivers and Water Courses*



It is important to control the flow in rivers to prevent the damage and devastation caused by floods.

Glenfield Sluice Gates are performing this very function in rivers and water courses throughout the world.

Glenfield
LIMITED & KENNEDY LIMITED, KILMARNOCK

Hydraulic Engineers for one hundred years
HEAD OFFICE & WORKS: KILMARNOCK, SCOTLAND

Fast frequent flights to

- Austria
- Germany
- Greece
- Holland
- Italy
- Scandinavia
- Switzerland

Nice going . . . all the way!

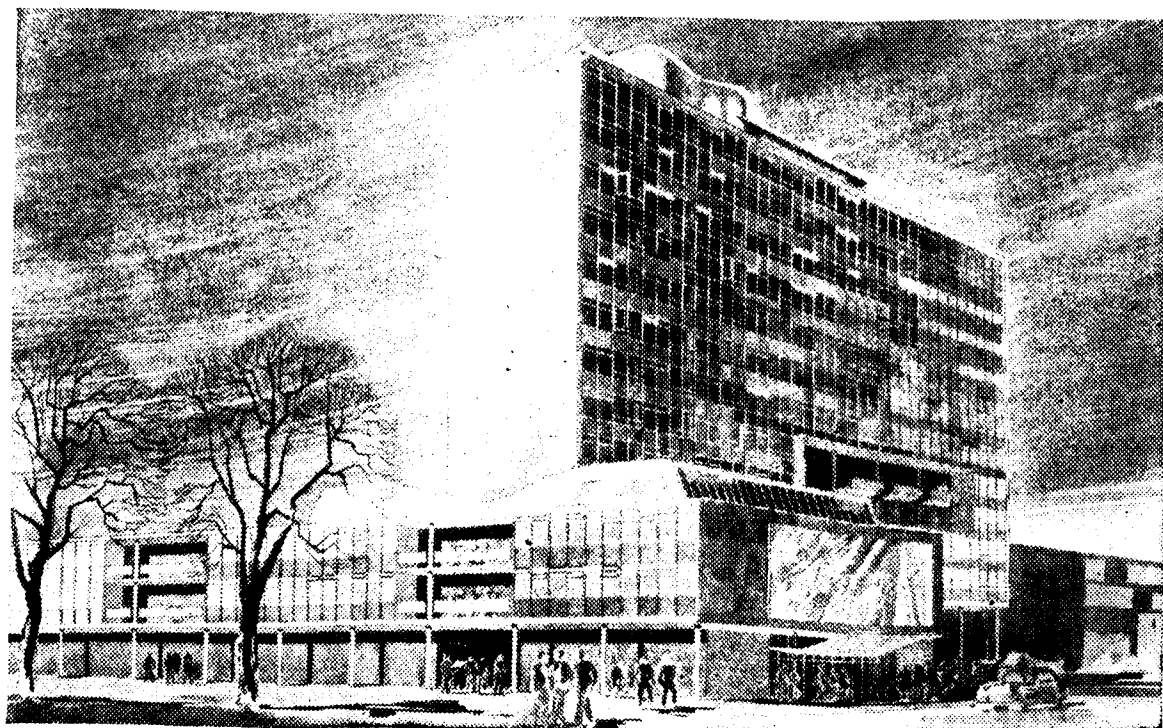
KLM have a talent for making every journey a joy. On all KLM Airliners you sit in comfort, with ample leg room, and you are treated like an honoured guest. You pay no more, of course, just the normal low Tourist fare. When you fly over to the Continent by KLM — it's a holiday all the way.

Details of KLM flights and fares are always available from your Travel Agent or KLM Royal Dutch Airlines, London, Birmingham, Manchester, Glasgow and Dublin.

KLM
ROYAL DUTCH AIRLINES

Beauty that's good for business

WALLSPAN



The use of Wallspan for Outer Walls offers your architect greater scope and opportunity in the design of any new building you contemplate. Wallspan can give you an impressive, colourful building that will retain its beauty—and its value—through the smoke and grime of the years.

Why Wallspan gives you a Building you'll be proud of. Nowadays the weight of a building is borne by the structural frame. The outer walls, which provide the setting for windows and doors, are essentially protective and decorative, keeping the weather out and the warmth in and giving the building a suitable facade.

With Wallspan, the facade can be far more colourful and graceful, far more imaginative in design. For Wallspan outer walls consist of a grid of aluminium alloy which is bolted to the frame of the building. Into it are fixed windows and doors and the grid is completed with any of a wide variety of beautiful panelling materials, which can be faced in glass, stone, metal, wood and so on, each in a choice of colours. So the use of Wallspan gives your architect completely new opportunities to design not only a building you'll be proud of, but one that will keep its beautiful appearance and its value.

No maintenance. Wallspan walls need neither pointing nor painting. They can be kept clean by an occasional wash-down by the window cleaners.

More Floor Space and More Warmth. Wallspan grid members can be as little as 5 inches thick, carrying panelling about 2 inches thick, compared with the 11 inch thickness of traditional walls. Thus you get extra rentable floor space all round every floor. The walls, moreover, are not only weather-proof and durable, but can easily be constructed to offer 50 per cent more heat-retention than cavity brick.

Walls up in DAYS, too. Finally, Wallspan walls are so simple to erect, they can be put up in a matter of days.

It will be worth your while to discuss with your architect the use of Wallspan in any new building you are planning—office, factory, shop, store, warehouse, school...

WALLSPAN CURTAIN WALLING

WILLIAMS & WILLIAMS

Reliance Works · Chester

You'll be using your building sooner - much sooner - if it has Wallspan walls

There is
vacant accommodation to

SOUTH AFRICA

on the

DOMINION MONARCH

sailing from Southampton on

April 1st, 1955

for Cape Town, Fremantle, Melbourne,
Sydney and Wellington

Quadruple screw motor vessel 26,500 tons,
carrying 500 passengers **FIRST CLASS ONLY**

Shaw Savill Line

11A Lower Regent Street, London, S.W.1

Telephone: Whitehall 1485

Telegrams: Savill Piccy London

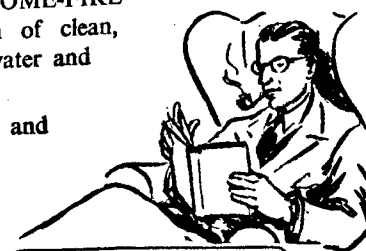
OR YOUR LOCAL TRAVEL AGENT

Do you know modern OIL-FIRED heating?

The "HOME-FIRE" with its thermostatically controlled heat and absence of dirt is an essential luxury in the modern residence.

Why not convert your small independent boiler to oil firing and banish for ever the drudgery of carrying fuel buckets and clearing ashes? The "HOME-FIRE" offers the cheapest form of clean, labour-free heat for hot water and central heating.

Send now for full details and name of nearest dealer.



Nu-way "HOME-FIRE"

OIL BURNER

Installed in your small independent boiler with 150 gal. storage tank from under £100 complete.

£47.10

NU-WAY HEATING PLANTS LTD.

(Box 164) DROITWICH.

BACKED BY 25 YEARS' EXPERIENCE



Write to Roneo Ltd., 17 Southampton Row, London, W.C.1. Tel: Holborn 7622

To make the office a better place to work in

Roneo's interest in solving office problems extends far beyond the provision of equipment. Time and time again Roneo's advice has resulted in the finding of a simpler, more efficient solution at much less cost. Whether you are a small or large business, starting from scratch or reorganising, call in Roneo.

**FILING AND RECORDS
DUPLICATORS
STEEL DESKING & EQUIPMENT
OFFICE PLANNING
LIBRARY & BANKING EQUIPMENT
STEEL PARTITIONING**

call in

RONEO

and do the job PROPERLY



For MARINE INSURANCE

You'll be on good terms with

THE NORTHERN ASSURANCE COMPANY LIMITED

LONDON
1 Moorgate



ABERDEEN
1 Union Terrace

Founded 1836 Group Assets over £58,000,000

FIRE • LIFE • MARINE • ACCIDENT • MOTOR • HOUSEHOLD • PENSIONS • ENGINEERING • TRADE RISKS

The Economist

FOUNDED 1843

FEBRUARY 12, 1955

ONE SHILLING

The Fall of Malenkov	511
Leader of the Left	513
Visitors from Italy	515
Esteem for Modern Schools	516

NOTES OF THE WEEK

No Cease-fire Yet; Dilemma over Talks; No Railway Inquiry; Subsidy Up the Sleeve; Neither Mendès nor Pinay; Pakistan Uncrowned; Not with a Bang?; Smog in the House; Marginal Lancashire; Federation or Apartheid?; Househunting in the Welfare State; Polish Policemen Reproved; Boomerang in Algeria; Communists and the ILO; Off the Runway; Indo-China's Refugees; Copper-belt Compromise?; Bargains in Books. 518

LETTERS TO THE EDITOR 529

BOOKS AND PUBLICATIONS 530

AMERICAN SURVEY

Narrowing the Far Eastern Gap 537
Disjointed Chiefs of Staff; The Informer; State of the Judiciary; Banking Giants in the West; Capitol Hill Irregulars; Welfare Funds in Trouble; Conserving Oil at a Price; Shorter Notes.

THE WORLD OVERSEAS

France Without Mendès 545
Year of the Sheep in Japan; Budget for Khrushchev; Education for the African; Costa Rican Post-Mortem; Problems for the High Authority.

THE BUSINESS WORLD

Slow: Road Works Ahead 555

BUSINESS NOTES

Shunting Backwards; Malenkov's Markets; £10½ Million for General Electric; The Budget Surplus; Money Rates Without Tiers?; Extra Recruits for Industry; Rio Tinto's New World; London Calls the Copper Tune; Yankees on Tap; Self-Service at Woolworths; Property Boom Subsiding; Tyre Prices Up; Canadian Dollar Weakens; Brazil Retreats Again on Coffee; South Africa's Gold Sales; France Repays; Ladies and Gentlemen . . . ; Pause in Coarse Grains; Take Your Partners; The Midwife of Invention; Assam Gets the Vote; Gold in 1954; Bilateralism in Colombia; Top Dogs; Shorter Notes. 557

COMPANY NOTES AND SECURITY

PRICES 570

STATISTICS 573

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

The Fall of Malenkov

THE countless unfortunates who have undergone Communist methods of interrogation must often have wondered how their tormentors would stand up to the relentless pressure for a confession if the roles were reversed. On Tuesday they learnt that even the head of a Soviet government could be reduced to public recantation. Georgi Malenkov was not merely stripped of his power under the eyes of the whole Supreme Soviet, the Moscow diplomatic corps and a fair number of press correspondents. Under the same startled gaze, this master-manager listened to the reading of a confession in which he accused himself of failure in management; and his abject humiliation was completed when he admitted "guilt and responsibility for the unsatisfactory position in agriculture." The man on whom that responsibility really lay, Nikita Khrushchev, promptly nominated a new prime minister; and this turned out to be not the veteran with agricultural experience for whom Malenkov had seemed to be making way, but the "political marshal" and defence minister, Nikolai Bulganin. Next day the fallen premier gratefully accepted the obscurity of a new role as minister for power stations.

Malenkov's confession included a warning to all good Communists that they must ignore the "slandorous speculation" in the West which his fall was bound to provoke. Undoubtedly, for all who live under Communist rule, the only safe attitude to adopt until the dust has settled will be that of the three wise monkeys. In the free world, however, the technique of seeing and hearing nothing is less developed, and speculation is already universal. From a welter of questions, three must be selected for immediate consideration. First, is this the end of the struggle for power that began nearly two years ago, when Stalin was brought to his deathbed? Second, what does the new palace revolution mean for the Soviet peoples? Third, what are its implications for the world at large? Only a very bold man would offer definitive answers at this moment; but it is already possible to suggest a tentative reply to each of the three questions.

The first can fairly safely be answered in the negative. The air is, of course, full of protestations that there will now be an end to all divisions in the Soviet leadership. Malenkov himself was made to say on Tuesday that the Communist Party's central committee was "monolithic in its unity and solidarity." These hard-worked phrases are employed whenever the Kremlin is at loggerheads; they mean no more than they did on the eve of Beria's fall, or when Khrushchev assured western correspondents, just twenty-four hours before Tuesday's abrupt events, that all reports of rivalry between him and Malenkov were mere wishful thinking.

Khrushchev himself seems a most unlikely personality to remain at the top of the Soviet hierarchy for long. Ebullient and incautious in speech, meddlesome in action, and lacking the theoretical equipment that is the pride of every high-ranking Communist, he has also earned a deal of unpopularity in circles ranging from the peasants

whom he once tried to force into "agro-towns" to the bureaucrats whom he is now exiling to the steppes. Moreover, it is unsafe to assume that Bulganin will serve him as a mere figurehead. The two men may well work together successfully for some time, as they have done in the past. But the point must be made that it is no mere clash of personalities that torments Soviet political life; it is a clash of factions and of rival hierarchies.

The fact that less blood is shed nowadays does not mean that the Byzantine intrigues and secret shifts of power between groups have become any less acute. The Soviet system looks more civilised when a prime minister and a trade minister "resign" and later appear, tamed but intact, at public functions. But it is doubtful whether their position now differs much from that of persons who, under Communist law, receive "suspended" death sentences and can hope to survive only if they work a frantic passage back into favour. And it will be astonishing if no changes at lower levels follow Malenkov's fall. This week a victory was marked not only for Khrushchev's personal adherents but for all the Party stalwarts who have come to regard Malenkov as the champion of their natural rivals, the technicians, factory managers, and governmental bureaucrats. Malenkov had inclined towards business efficiency and the freeing of the managerial class from the paralysing grip of their Party watchdogs. Now Stalinist orthodoxy is reasserted, and Khrushchev is herding the bureaucrats off to a bleak pioneering life on the steppes. The Party must evidently lean heavily on the support of the army; Bulganin is the instrument and Zhukov the symbol of this partnership. But at present the army seems content to play sleeping partner, while the once powerful police corps is no longer a challenger for power. This, then, is the hour of the Party diehards of the most orthodox Stalinist stamp.

★

For the peoples of the Soviet Union that is a cheerless fact. They now face disappointments both in the economic field and in the psychological and political atmosphere in which they must live. Before the Supreme Soviet met, the press campaign against light industry, Khrushchev's speech to the Party central committee and the removal of Mikoyan had all served warning that the high hopes encouraged in 1953 were dead. Priority for heavy industry, and specifically for defence, is resoundingly reasserted; the pledges of plentiful consumer goods by 1955-56 are scrapped; and forced saving through state bonds is restored to the scale of two years ago.

It is equally clear that Ehrenburg's "thaw" in the sphere of personal and psychological relations was premature. Social and mental discipline is not going to be relaxed; if anything, it is to be tightened, and it would not be surprising if a new "vigilance" cam-

paign, like that which was staged in Stalin's last days on the basis of the fictitious "doctors' plot," is soon arranged. And will even the provision of scapegoats suffice to work off the spleen of a nation which, since 1953, has lived largely on promises? There are those who claim that "the Russian loves the whip"; but the past two years have revealed the extent of his long muted discontents. How quietly will he accept the postponement of the better times that were promised him for this year or the next? Not even his new masters can tell.

★

They will, indeed, have to steer their way very cautiously along the new economic course they have charted. The problem of feeding a rising population remains acute. It will not be made easier if the peasant is denied the inducement of more and better manufactured goods for which to exchange his produce. The drift to the towns has been on a massive scale, as Khrushchev has revealed; and neither the zealous young Communist nor the uprooted bureaucrat is a good substitute for the peasant when dumped in inhospitable Western Siberia. Again, however threatening the increase in Soviet spending on arms may look, it must be conditioned by the planners' painful awareness of their subjects' impatience for more peaceful benefits. It is still far from clear whether the shift to higher defence expenditure in last week's budget was much more than an unveiling of an existing reality; Soviet budgets traditionally show a large percentage of unidentifiable expenditure. The Red Army marshals may now be staking their claims, but the economic planners face a more difficult problem which, bluntly put, amounts to this: can Russia secure any dramatic increase in its armed strength without overstraining its economy and the forbearance of its docile people?

It is remarkable, in the light of these and other considerations, that so many commentators have hastened to conclude that Malenkov's fall must mean a "tougher" Soviet line in international affairs. Already a myth is being built up around the fallen premier; it is said that Sir Winston Churchill has lost his opportunity of doing business round a table with a reasonable man, that western intransigence has forced Russia on to a new and probably fatal path, that the door is no longer open for negotiation. Yet there is ample evidence against this argument.

First, for all Malenkov's "soft" words, he never at any point offered any real concession to the free world; when negotiation got down to brass tacks he proved as unyielding as any Party diehard could wish. "Soft" talk was a vital gambit for any man who had to step into Stalin's shoes at a moment when Russia faced the possibility of "panic and disarray"; and Khrushchev uttered as much of it as Malenkov. But the only actual Soviet moves in the post-Stalin period that could be

called "soft" were calculated attempts to break up the unity of the free nations, and in particular to isolate America. It is significant that the only alluring Soviet offers lately made were to the Japanese and the West Germans; and they were undoubtedly made with Khrushchev's blessing.

Secondly, the new regime has lost no time in showing that it has not closed any doors that were open in Malenkov's time. Khrushchev told western correspondents on Monday that Russia had "no points of issue with America that cannot be solved." He spoke at length of co-existence, and even added, with characteristic boldness, that he favoured the release by China of the imprisoned American airmen. Next day Molotov, in a speech that was certainly blunt and brutal in its general tone, took care to say that the improvement of relations with the United States was "fully possible," and specifically held out once more the idea of a four-power conference on Germany. There may, indeed, be good tactical reasons for the new government to make a show of more "softness" than its predecessor, if only to remove the impression of Byzantine absolutism left by Tuesday's charades. The "tough" elements in Molotov's speech to the Supreme Soviet may have been primarily intended for domestic consumption; if the Russian people are to be disappointed of their hopes, it will obviously be necessary to show them that the fatherland is in danger—and Khrushchev seems to find no difficulty in combining such warnings with friendly chats to visiting journalists from the West.

Leader of the Left

WHAT is Mr Attlee up to? In the last few weeks he has made what many outsiders have interpreted as deliberate attempts to bring disagreements about Formosa, defence, and general foreign policy into the centre of the electoral stage. There is nothing necessarily wrong in this. If he made quite sure that the ripples that run out from his statements were kept within the limits of what he himself believes, if he were merely trying to out-act Sir Winston Churchill in the role of peacemaker within the framework of the strong policy to which both are committed, one could sit back and applaud his art—although with the necessary comment that this week's news from Moscow may make the art more difficult. Mr Attlee no doubt believes that he is fulfilling both conditions. From the touchlines, and at a moment when bipartisanism in British foreign policy has again become more than usually important, it can only be said that fulfilment seems a very close thing.

It should be admitted at once that anxiety has arisen not so much from Mr Attlee's own statements, as from the interpretation that he has allowed to be given to

For the free nations, the most important lesson to draw from Malenkov's fall is surely not that the age of "co-existence" is now over, but something far more fundamental—a lesson about the essential nature of the Communist system itself. On Tuesday, two cherished illusions were destroyed in one blow. The idea that there is any kind of democratic element in the Soviet political system was disproved in blindingly clear fashion when the 1,300 members of the Supreme Soviet meekly and unhesitatingly accepted a change of government forced upon them by backstage intriguers who did not even trouble to make out a convincing explanation. And the idea that Communism offers an easy road to economic plenty for any backward country vanished in the same puff of smoke. The fall of Malenkov and Mikoyan was a portent for all of Asia and Africa; and it is to be hoped that the record of the past few months will be studied carefully enough for all to see that in Communist practice the well-being of the people is at the mercy of the arbitrary and doctrinaire decisions of the men at the top. On Tuesday the Soviet rulers revealed in melodramatic manner that their promises of quick progress towards a better life ought not to be believed even by the most gullible; and they presented a glimpse of intrigue and absolutism that must give pause to anybody who imagines that a firm and lasting settlement can be reached merely by sitting down at a table with the current occupant of Stalin's throne. While so vast a power can pass in so abrupt and furtive a manner into such impulsive hands, what justification have the free nations for relaxing their vigilance?

them. This was very evident in the first of his recent *démarches*—the interview that he gave to the *Daily Herald* on the Formosan problem at the beginning of last week. He declared then that Chiang Kai-shek should be exiled, Formosa neutralised, and a plebiscite held to determine what sort of government the Formosans want. Although there was a certain anti-American, and electorally orientated, bravado in this utterance, it is undoubtedly an expression of the policy that Mr Attlee believes to be the best that could be achieved. But—quite apart from doubts about the moment at which he chose to expound it—Mr Attlee should surely take very seriously the fact that there has already been misunderstanding, even in the circles that are closest to him, about what he actually said.

In a speech at Lancing last week end, Dr Edith Summerskill is reported to have interpreted Labour's policy as meaning that "the workers of this country will not support the claims of a discredited dictator against the workers of the recognised government of the People's Republic of China"; this isolated comment comes very close to a claim that the British people

believes that Formosans should be handed over to Communism, whether they want it or not. Dr Summerskill is admittedly about as much in touch with the temper of this country as she is with the traditions of Druse communities in Israel; but the point is that she is not a Bevanite, and that she undoubtedly thought she was expounding the new Attleeite line. Mr Attlee should ponder on these and similar utterances of his closest supporters. At the very least, they suggest some failure in public relations within his most intimate ring.

★

The second occasion on which Mr Attlee has been advertised as taking the initiative—the speech he made to a private Labour party meeting last week—was an even more peculiar affair. The main lines of this widely misquoted speech now seem to be clear. Mr Attlee started from the premise that it would be folly for Britain to expect the next war to be anything short of total. From this he argued that, as the only defence against the H-bomb is the threat of retaliation in kind, Britain must have its own stockpile and its own strategic bombers; it should not rely solely on the Americans. He apparently criticised the Government for not moving in this direction more quickly, and he is reported to have developed a number of detailed suggestions, such as the abolition of aircraft carriers and the reduction of the army to smaller, more mobile units.

Much of this is arguable; even the main thesis could be said to take too little account of possible local wars. But it was little more than a claim that the man who fought at the Dardanelles, like the man who fought at Omdurman, recognised the dominance of the H-bomb. As such, it was a gloomy speech; and it duly horrified the pacifists and Left wingers, who started plying Mr Attlee with questions. What about disarmament, he was asked? Certainly disarmament was vital, he answered, but nothing short of total disarmament would do. He did not think it possible to have disarmament only in atomic and thermo-nuclear weapons. Thankfully the Left grasped at this utterance; and, on the basis of these brief answers to questions, largely ignoring the thoughtful half hour speech which went before, the world has been given to believe that Mr Attlee has launched a new disarmament drive. In the present stage of election planning, it is not altogether surprising that the weaker-nerved Labour members have seized on this interpretation; but it is surprising, and disturbing, that Mr Attlee has done nothing to refute the attitude, or the emphasis, which they have so blithely invented for him.

The third doubt that he has allowed to arise concerns his attitude to European defence. For some time now, the Bevanites have been fighting a rearguard action, trying to swing the party over to a policy of calling for a delay in the ratification of the Paris agreements in order that four-power talks on German unity can be

held. Mr Attlee himself, they claim, virtually embraced their policy in his speech on November 18th, when he suggested that if ratification took a long time—and provided that the West made clear that it was determined to ratify in the end—there would be no harm in starting talks before ratification was actually completed. Sir Anthony Eden was duly horrified by this—and so were some of the moderates in the Labour party. The Bevanite proposal for immediate talks came before a meeting of the Parliamentary Labour party on Wednesday; it was duly defeated by 93 votes to 70, although apparently with remarkably little help from the platform. Both Mr Bevan and the platform are said to have emphasised that their difference was only about the right tactics, which the news from Moscow made more than ever obscure. Mr Attlee himself is reported to have dealt with his speech of November 18th by simply ignoring it.

★

When these various incidents are analysed in detail, they do not suffice to prove the charge that Mr Attlee is being deliberately irresponsible; they do suffice to raise the suspicion that he is not showing any great strength. He cannot justly be accused of aggressively inventing slick, sensational and dishonest formulæ in order to cement the party; he can be accused of allowing them to be attributed to him. And this is likely to involve him in a danger that he may not at present realise. This danger is not the obvious one that his present attitude is much less electorally propitious than left-wing newspapers are leading him to suppose: voluble bleating about universal disarmament will not win many uncommitted votes. Nor is Mr Attlee's principal danger simply that of annoying the Americans. If he should come back to power, this annoyance would be temporarily inconvenient; but, as any Labour government that returned to office within the next twelve months would follow a bipartisan foreign policy, he would get over the inconvenience in time. Instead, the real danger lies in the situation that would face him in the contingency that now seems most likely to arise.

That contingency is that Labour may face another five years of Opposition after the next election. In that case, the party is almost certain to swing left in domestic policy; and it may well be that the main task of most of the remaining years of Mr Attlee's and Mr Morrison's political lives will be to try to prevent it from swinging left in foreign policy as well. This means that Mr Attlee must be an active leader, and not a ventriloquist's dummy who allows himself to be widely saddled with statements which—on close analysis—he turns out not in fact to have made. In the last few weeks he has come very close to this latter role; now that world opinion is swinging like a weathercock in response to the news from Moscow, it is to be hoped that he will seize the opportunity for a fresh start.

Visitors from Italy

PERIPATETIC prime ministers are becoming the fashion. In Italy's two neighbour countries, M. Mendès-France and Marshal Tito have each set recent examples that might have been expected to look attractive in Rome. But next week's visit to London by Signor Scelba and his Foreign Minister, Signor Martino, is being made at Britain's specific invitation rather than Italy's request, and it will in fact be Signor Scelba's first major trip abroad for many years; he came to power a year ago, having made his name from 1947 to 1953 as Minister of the Interior under De Gasperi. And, although the visit takes place at a moment of quiet improvement in Italy's domestic situation as well as in Anglo-Italian relations, there are plenty of heavy clouds in the background which the British and Italian ministers will do well to consider together.

★

One is certainly the present European situation and the possible collapse of Western European Union (WEU) following the fall of M. Mendès-France. Italy took a lesser but effective part in helping to draw up the London and Paris agreements last autumn, and Italian opinion has been as realistic about their necessity and the possible outcome of their repudiation as any in Europe. Those Italians—and they have been many—who believed sincerely in European integration under some form of increasingly supranational authority have temporarily sunk their ideals and accepted the WEU as the best of a bad job. Those who are criticised on other grounds for being right wing and nationalistic have equally accepted it, and the upshot has been that the Italian lower house is among the first in Europe to have ratified the new agreements.

Compared with the French, the role that has so far fallen to the Italians in postwar Europe has been a minor one. Admittedly, their country ended the war in the confused and confusing position of ex-ally as well as ex-enemy. Admittedly, Italy does not lie athwart the strategic axis of Western European defence—though its importance in the Mediterranean is as vital as it was in the last war. But it cannot be said that, in spite of the long wrangle with Yugoslavia over Trieste, the Italians have so consistently blocked the path to western unity as have the French. It is not Italy's quarrel with Germany that has defied solution and still holds the whole Atlantic community up to ransom; Italian political neuroses have played no part in encouraging Mr Molotov to think up a new conjuring trick every weekend; no Italian has assumed since the war that, whatever he does, the world automatically owes his country the status of a great power. And while the Italians have perforce accepted their lot in the new world of the last few years, Signor Scelba, when he

arrives in London, will in no sense come cap in hand. He will represent, so far as British policy in Europe is concerned, a country with which the continuance of French instability and the growing influence of western Germany make a closer relationship more and more politically desirable.

A surprising feature of the present international scene is the failure of the West European powers to speak as a team. It might have been supposed that the emergence of the two giants, Russia and Germany, would have forced the Europeans to sink their differences and to think as one. But in spite of much postwar idealism in what, for want of a better word, may be called the European movement, they have remained divided, as much on the old problem of Germany as on the new one of relations with Russia. To a considerable body of opinion on the continent, including many Italians, no small part of the blame rests on the British. They, it is felt, have clung to their lifeline to Washington with a jealousy which, although it may be understood, is regarded as having sacrificed the interests of Europe to those of Britain. To the British, on the other hand, the boot often seems to be on the other foot; without a firm Anglo-American alliance, the chances of making Nato work look slim. Now, the arrival in London of the Italian ministers represents a new opportunity to bury some of this past, and to lay useful foundations for a period in which, if the Paris agreements may not after all be ratified, the cohesion of Western Europe will again be severely tested.

★

British relations with postwar Italy have by no means always been smooth. They made a bad start over the question of the African colonies. But since the settlement of the Trieste dispute last autumn, there has been a considerable thaw. And at the moment the governments in London and Rome see moderately eye to eye on the most immediate of the general items they will discuss next week. These include acceptance of the principle of an arms pool in order to humour French opinion, even if little can at present be done to implement it; the need to complete ratification of Western European Union before there can be any question of reopening talks with the Russians about German elections; and the scale and scope of the German military contribution when it comes to be made. On the broader front, and arising out of German rearmament, Signor Scelba and Signor Martino may be expected to sound the British on their latest views about the use and deployment of atomic and thermo-nuclear weapons; on the effects of this week's electrifying changes in Russia; on the wide series of current diplomatic negotiations about Formosa; and on British reactions to the situation in the Middle

East, following the Anglo-Egyptian agreement on the Suez Canal zone and Iraq's proposed treaty with Turkey.

On the narrow front of direct British and Italian common interests, one of the main subjects is likely to be a review of events in the former Italian colonies in Africa—Libya, Eritrea and Somaliland. In independent Libya there are still 40,000 Italians, whose economic position, while at present good, could at any time become a political issue. In Eritrea, the safeguarding of local Italian interests under the federal arrangement with Ethiopia, while working adequately, cannot be taken for granted. In Somaliland, where the Italians are to give up their UN trusteeship by 1960, there is already some question of a greater Somaliland movement involving the neighbouring British territories, one of which is Kenya. On all these questions, the Italians feel an understandable need to seek British goodwill and, if necessary, support.

For those in Britain who may pause to wonder what their two visitors really represent in terms of Italian politics, both present and future, the answer is mixed, but moderately reassuring. Signor Scelba's government has given the country a year of greater stability than at one time seemed possible after the elections of 1953 and the fall of De Gasperi. And, compared with the past, Italy is at present more prosperous than it has ever been. Moreover, in the recently published ten-year Vanoni Plan a clear effort is being made to tackle the country's long-term problem of over-population and under-employment. Although the Communists polled six million votes at the elections, they have since lost a little ground in the industrial north and the party is patently split with serious internal dissensions; this

week's events in Moscow are reported to have stunned Signor Togliatti, and they may well strengthen a new challenge to his leadership.

Signor Scelba cannot, on the other hand, count on more than some three months of power. Under the constitution he will have to resign when a new President of the Republic is elected in the early summer; and the choice of the next prime minister is wide open. The recently elected leader of the Christian Democrat party, Signor Fanfani, recognising that to the left he inevitably comes up against the ramparts of Signor Nenni's Socialism, is reputedly seeking to buttress the centre's slender majority by support not so much of the leaders but of the voters from the right—a course which is not, however, popular with the Saragat Socialists and the Republicans. Meanwhile, the present government is accused of *immobilisme* in internal affairs, and Italy's basic political dilemma remains. While the Right is too strong to permit real social reforms, the opposition to a frankly reactionary policy is far too powerful to let in an effective right-wing coalition.

These circumstances certainly lead to criticism of Italy in Britain, just as there are always elements hostile to Britain in Italy. But the removal of the Trieste dispute from the political calendar has made the task of any moderate government in Rome much easier, not only in its relations with Belgrade — and these have lately blossomed surprisingly—but also in dealing with London. The opportunity of Signor Scelba's visit should provide a new measure of understanding with Italy. In the last resort it should never be forgotten that absence of such an understanding played havoc with the western alliance in the last world war.

Esteem for Modern Schools

“WHAT school do you go to?” “Oh, just a school, not a grammar or anything like that.” So answered a fifteen-year-old on being interviewed for a job. If she had been readier with her educational jargon she would have said that she went to a secondary modern school. But implicit in her deprecating answer is a very commonly held opinion about the way in which British secondary education is organised: that grammar and technical schools take all the children who are worth bothering about at the age of eleven, while secondary modern schools are a wastepaper basket for the rest. Vigorous efforts have been made by Ministers of Education and by some local authorities to counteract this view. Sometimes they talk as if pupils were “selected” for the modern school as being best suited to their particular gifts; more often they plead for time before judgment is passed. But after ten years it is surely not too early to inquire whether these schools are turning out to be mere wastepaper baskets, or whether

the absence of preconceived standards, forms and purposes is a challenge that is being triumphantly met.

The secondary modern school was brought to birth by the Education Act of 1944; that Act said nothing about the organisation of secondary schools into three types—grammar, technical and modern—but it in fact set it up. Today the secondary modern schools are three times as numerous as the grammar schools and twelve times as numerous as the technical schools. They have 48,000 teachers and over a million pupils—seven out of every ten children in secondary schools. The lines on which they were to be run were suggested in a Ministry of Education pamphlet, *The New Secondary Education*, published in 1947. According to this they were to provide “a good all-round education not focused primarily on the traditional subjects of the school curriculum, but developing out of the interests of the children.” Subjects, the pamphlet suggested, should not be taught in watertight compartments, but

in relation to each other and to the interests and experience of the children: to take a simple example, arithmetic should be related to shopping and the keeping of accounts. Practical subjects such as handicrafts, housecraft, music and art were conceded an important place; and external examinations were firmly declared to be unsuitable for the modern schools, because of their cramping effect on the curriculum.

★

On this agreeable road, towards a destination obscured in a pleasant haze, the modern schools started out, and at first they had little idea where they were going. Their task was not made easier by the fact that many had inherited dismal old elementary school premises, where the overcrowding and the absence of libraries, craft and science rooms and playgrounds made a mockery of the new ideals. Critics were not slow to say that they merely prolonged elementary schooling without any visible benefit to the children. They were blamed for everything from illiteracy among national servicemen to juvenile delinquency.

Lately, however, some of them have been rising in the world. For one thing, about one in four are now housed in glittering new buildings—and by 1960 about a third of the secondary modern children will be in schools built since the war. But even more important is the change in their outlook. They have begun to find for themselves the sense of purpose that was lacking in those first admirable but nebulous notions about free personal development. For the most part this purpose is frankly vocational. Taking a leaf from the book of the secondary technical schools, a number of modern schools have begun to offer to their older children “biased” courses, in which vocational instruction occupies anything up to a third of the teaching time; and traditional subjects, in order to stimulate interest, are linked to vocational study as far as possible.

Some schools run only one or two of these biased courses related to the type of industry that is found in the neighbourhood; in large towns, such as Southampton, this system works well because each school can have its own specialities and a pupil can easily be transferred to one that offers the particular course he wants to take. London, too, has different specialities in different schools, and is issuing prospectuses to parents so that they may have some element of choice. Typical courses for boys are in engineering, building and printing; in some of the rural schools they can take agriculture, horticulture and market gardening. For girls there are courses in catering, dressmaking, housecraft, nursing—and even shorthand and typing, although this is usually looked upon with less favour because to do it effectively takes up so much school time.

Some of these courses last until the age of sixteen and culminate (in spite of those earlier warnings) in an external examination, such as the Royal Society of Arts' or Pitman's diplomas in shorthand and typing, those of

the British Red Cross and General Nursing Council, and qualifying examinations for apprenticeships in HM Forces and Dockyards. At present the only public examination which can be taken in state schools by children of under sixteen is the General Certificate of Education; but the National Union of Teachers and some local authorities are pressing to be allowed complete freedom in this matter. That proposal has its attractions, for examinations are the linch-pin of school-days—to a greater extent than those who are not directly concerned with teaching usually care to admit. But it also has its dangers. It is one thing to use a little vocational instruction as a means of stimulating children's interest in other subjects; it is quite another to have fourteen-year-olds concentrating on some narrow qualification in time that should be spent on a broader education. And to allow them to take such examinations before they reach the school leaving age would encourage them to leave as soon as they reach it. As it is, more and more children are finding it worth while to stay on at school. In 1954 24,000 pupils in modern schools were over the leaving age, 2,000 more than in 1953.

★

The question of whether children should be allowed to take certain external examinations before the age of sixteen needs to be handled flexibly. But there is one other examination proposal that should be treated with less sympathy. This is the idea that the modern schools should have a leaving certificate—a piece of paper that employers would accept as being more “objective” than head teachers' reports. Local experiments with leaving certificates related to the actual courses in the schools are to be welcomed. (South-west Hertfordshire has one for modern school children in general, Harrow one for those over sixteen who have done advanced courses.) But to introduce such a system on a national scale—or to start a junior GCE, as the Cambridge Syndicate has suggested—would be rash at this stage. It is far more important to seek an increase in the growing number of modern school children who take courses leading to the GCE at ordinary level. The modern schools have so far (contrary to British educational tradition) been attending mainly to the needs of the less intellectual—and there was certainly a balance here to redress. It is time to make better provision for the average or above-average child—whom, be it remembered, no school outside the state system would allow in the craft rooms for more than a small fraction of his time.

This is the more urgent now that it has been proved beyond doubt that the selection tests operate in an arbitrary way on the borderline. About a quarter of those who win through to grammar schools turn out to be unsuited to that type of education, and equally children are left in the modern schools who would have done

well at a grammar school. It is essential that modern school children who show unexpected promise should have followed a curriculum that makes transfer to a grammar school a good deal easier than, for the most part, it is now. It is essential, too, that intelligent children who are not transferred should be able to get the kind of education that they would have got at a grammar school. This overlap in curriculum is particularly badly needed in those areas where the proportion of grammar school places is low; and it is becoming more necessary everywhere because, as the "bulge" in the school population moves into the secondary schools, the proportion taken by the grammar schools may well fall from its present 20 per cent to something like 17 per cent of all places in secondary schools.

To blur the distinction between themselves and the grammar schools, and to give their pupils something—whether it be vocational or academic—that they can get their teeth into, is now the aim of the best secondary modern schools. But so far only about one in three or four of the modern schools are offering these opportunities. Too often they plod along the path of the old elementary school, sweetening the "extra year" with courses in civics and visits to this and that. The wide variation in quality is due to the varying attitudes of local authorities. Some are so conservative

that their thoughts can hardly rise above the three R's. Some are so progressive that they cannot leave the cloudland of free personal development for *terra firma* such as the GCE. Some are loth to shoulder the expense of the extra teachers needed to provide a variety of courses in modern schools, and perhaps lack the administrative ingenuity to do so economically.

The Minister of Education, unfortunately, is not in a position to put a bomb under councils such as these, but he might at least spur them on. This could be done in two ways. First, his school inspectors could help to spread enlightenment if they were less inhibited about making odious comparisons, and less wedded to the notion that each school must work out its own salvation according to its own particular circumstances. Secondly, his department could produce a pamphlet, like the 1947 pamphlet on secondary education, describing what was being done in the modern schools by the more energetic and successful authorities. The advantage of this would be that it would teach not only the local authorities, but some of the public too. And thus the modern schools would benefit from a rather better understanding of their purpose and a greater confidence in their work; while those that are still mere wastepaper baskets might have the salutary experience of facing angry ratepayers and outraged parents. There are some parents who should be very outraged indeed.

Notes of the Week

No Cease-Fire Yet

As the Formosa treaty clears its first hurdles through the American Senate this week, the US Seventh Fleet is helping to evacuate the Tachen islands. These two events symbolise a process of consolidation in Formosa, which continues in spite of the absence of any clear American policy; in spite of the uncertainties of the Russian hold over China; and in spite of the obvious difficulties of Sir Anthony Eden and the Commonwealth prime ministers in knowing whether it is worth attempting to organise a conference outside the United Nations or not. Formosa itself and the Pescadores unquestionably remain under the American shield. By embarking on a complete evacuation of the Tachens within fourteen days, however, Washington has clearly started a movement which, even if it is not at present intended to do so, may end by clearing the Nationalist forces out of the other coastal islands as well. Can this consolidation be completed without either trigger-

happy Communists starting a war, or without Nationalist morale collapsing? Even if it can, are there any chances that China will then accept the *status quo*? And, if not, should a conference be called now to deal with the situation before it gets any worse?

There can be no cut and dried answers to any of these questions. The most that can be said is that the chances of avoiding any sudden or violent change in the balance of forces in the China Seas seem to be growing. If so, it would be unwise to rush into a conference merely for the sake of showing activity. Having given the free world a fright and having tied America's relations with the Nationalists into knots, the Communists' obvious gambit would now be to exploit the position by proposing a conference on unacceptable terms. Indeed, if Russian pressure or other reasons have dissuaded the Chinese for the time being from hotting up the actual shooting in the Formosa Straits, they might well be expected to enlist Moscow's help in trying to push their refusal to talk to the Security Council a stage further. They could let it be known that, while they might talk outside the UN, they would still do so only as long

as the Nationalists were not present. For the free world to fall for a bait of that kind would not only be to admit much of the Communist case; it would also put the Administration in Washington in an impossible political position with both American and Nationalist public opinion.

Dilemma over Talks

ALTHOUGH an immediate conference on Formosa could well do more harm than good, at least an informal and confidential meeting of representatives from both sides seems bound to be necessary sooner or later if the present deadlock is to be resolved without wider fighting. For the Chinese show no sign of giving up their propaganda about Formosa, even though they have so far avoided interfering with the American forces off the Tachens; Chou En-lai, indeed, has gone to the extent of claiming publicly that the island will fall this year. Nor are the Americans likely to stage a Dunkirk from Quemoy or the Matsus, unless the situation sharply disintegrates further. Although the truth appears to be that Washington has genuinely not yet made up its mind, there is known to be real alarm that the Nationalists' morale might suddenly collapse if they were forced to retreat any further. And for the Americans any abandonment of Formosa itself is not to be contemplated.

For the British, the continuing risk that the dispute may explode into a more serious conflict contains its own dangers. Probably at no time since the war has a British Foreign Secretary been confronted with such a frightening gap between the path of enlightened self-interest and the mood of the country. The essential need to stand by America has never been more unpopular than it is on the question of backing Chiang Kai-shek, and the Government cannot afford to ignore the fact. While it is true, therefore, that a conference with the Russians and Chinese would need careful preparation and handling, a genuine effort to bring about a cease-fire would rally much needed political support to the Government's side. Admittedly a conference with the Communists on the lines of Panmunjom or Geneva is impracticable if Peking will not talk to the Nationalists, and is to be positively avoided if London and Washington cannot enter it united. But the Commonwealth's role is certainly to promote informal negotiations along the lines which, it seems, are already being followed.

No Railway Inquiry

OF the two principal Government speakers in the first of the Parliamentary debates on transport policy, one deserved sympathy and one was irritating in the extreme. The one who deserved sympathy was Mr Harold Watkinson. Faced by organised interruptions from the Opposition—which had been riled by the nice things some trade union leaders had said about Sir Walter Monckton, and which had decided that this new boy should be subjected to skilled bullying by the school—he presented a bad case remarkably well. Although he emphasised that the railways have cut

down their redundant staff by 17,000 this financial year, he said the House would agree that there is "much that can yet be done."

The Government does not intend to hold a public inquiry on this point, but will leave the task of further cutting to the Transport Commission and the unions, "provided only that the industry shows itself able to put its own affairs in order. That is a very important qualification." This is certainly the right policy, and the right qualification. The only trouble is that the qualification is unlikely to be fulfilled so long as the Government still believes—as Mr Watkinson indicated that he does still believe—that the most politic course in the face of any threatened railway strike is to scuttle behind the skirts of some *ad hoc* body of conciliators. There is not much point in having an able team at the Ministry of Labour if labour policy itself is always to be delegated—at moments of real crisis—to any lawyers, industrialists and trade unionists who happen to be free for a few days, and who are willing to come under fire.

Subsidy Up the Sleeve

IN contrast to Mr Watkinson's performance, the most annoying feature of the transport debate was the way in which Mr Butler was allowed to display an extraordinary sleight of hand. With great solemnity, and amid loud Tory cheers, he announced that there will be no Exchequer subsidy for the railways. Instead, the Government believes that the Transport Commission will be able to balance its books by the time the fifteen-year modernisation programme is completed. In the meantime the commission will have no difficulty in finding the cash to cover its capital outlay and current deficits, because it will be able to borrow on the market—the Chancellor said he wanted "to stress the words 'on the market'—subject to the normal Treasury guarantees and with the "normal Government support and encouragement."

This is semantic juggling. If the Transport Commission is to consume more resources than it earns—in other words if it is to run a current deficit—for fifteen years, then of course it will be getting at least a temporary subsidy from the taxpayer. The principle is not changed by the fact that the money actually handed to the commission will come from a gilt-edged issue, which will be largely taken up "in the normal way" through switches by the Bank of England and the National Debt Commissioners out of current lending to the Treasury—so that the Treasury will have to make up for the money thus denied to it either by inflationary credit creation or (eventually) by tougher budgetary policies than it would otherwise pursue.

In present circumstances, this traditional method of aiding the nationalised industries is probably the wisest way of financing the railways' capital outlay; it may even be sensible to agree that such borrowing should also cover a short-term current deficit, although the Chancellor's suggested time interval of fifteen years shows remarkably little faith in the probable progress of staffing economies and the efficacy of the new charges scheme. But Mr Butler should not be allowed to get away with the claim that a subsidy is not a subsidy because it is called by some other name.

Neither Mendès nor Pinay

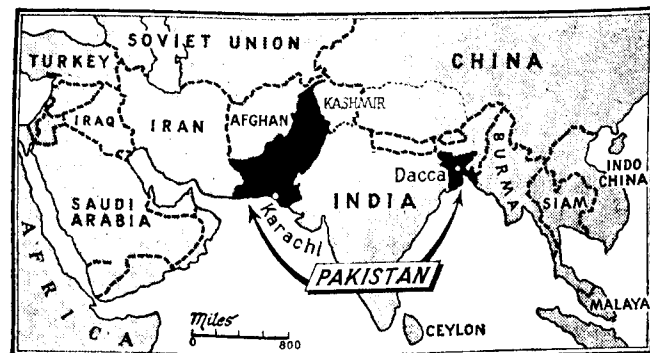
A FULL two years ago, when the "third force" experiment in France was clearly failing, an attempt was made to cut through the tangle of party politics with the suggestion that the real Left and the real Right should coalesce each around one moderate leader, and confront the country with the simple choice, "*Mendès ou Pinay?*". The past week has demonstrated the parties' inability to shake off their habits and inhibitions so successfully. M. Mendès-France has fallen; M. Pinay has tried to assemble an alternative coalition, but on Thursday he was forced to abandon the attempt. His failure proved the proposition that M. Mendès-France had not been brought down because he had carried his radical policies too far for the taste of an Assembly still inclined towards the right. In fact, the late prime minister was turned out of office by an unsavoury coalition of Communists, diehard spokesmen for the settlers in North Africa, unforgiving devotees of the EDC, and individuals embittered by the sharp personal conflicts of recent months. His defeat revealed no sign that an alternative government existed, and M. Pinay has now confirmed the extent of the vacuum.

France is thus again left without a government at a moment when the international situation as well as the critical state of affairs in North Africa urgently requires one. It also faces the possibility of a drift back into the condition of *immobilisme* out of which M. Mendès-France wrenched it last June. As an article on page 545 shows, it was the very dynamism of the late prime minister's policies that raised up such a variety of hostile groups against him. A stopgap ministry may well be formed without much further delay; but what prospect does that hold out that France can continue to play on the international stage the vigorous role to which it began to be accustomed during M. Mendès-France's rule? The outlook for the final ratification of the Paris agreements on Western Union is darkly overcast; and it seems at present that France's friends cannot even hope that last week's events have worked off the political spleen accumulated in the past seven months.

Pakistan Uncrowned

PAKISTAN'S decision to become a republic has been known too long for the announcement in the Commonwealth Prime Ministers' communiqué to be anything more than a formality; the importance of their statement rather resides in the warmth with which they have all welcomed Pakistan's continued association with the Commonwealth and the fact that they thought it worthwhile at this juncture to re-emphasise the Commonwealth's "unique" significance. "Among its members are countries of importance in all quarters of the globe. Its strength and influence in the world today are derived from this and from a common outlook which, in spite of differences of geography, religion and race, evokes a broadly similar response to most international problems of the day." Pakistan clearly desires to share the benefit of the day-to-day inter-Commonwealth exchanges on policy, which is evidently none the less tangible for being hard to define.

It is true that Pakistan's decision will thus make little difference to the Commonwealth as it is; but Pakistan's experience as a "crowned republic" over the past six or seven years has nevertheless helped to define the Commonwealth relationship. Pakistan deliberately remained a dominion after India had become a republic, and evidently expected some preferential treatment to accompany this "closer" relationship with Britain and other countries, especially in regard to the Kashmir dispute. In fact, Pakistan received exactly the same consideration as India, and the Commonwealth judged the dispute on its merits strictly and unofficially, no attempt being made to interfere on Pakistan's side. There followed a period in which Pakistan began to feel more self-consciously a Moslem



power. Religious influences gained the upper hand at Karachi at a time when Britain and Egypt were on bad terms. Though a more secular view is now in the ascendant in Karachi, and Anglo-Egyptian relations are far better, in the blueprint for an Islamic republic which has meanwhile emerged from the Constituent Assembly there is now no place for a British and Christian monarch as head of state. But the Queen remains for Pakistan, as for India, Head of the Commonwealth and therefore a figure of great, and probably growing, constitutional importance. In Mr Gordon Walker's phrase, the Commonwealth is becoming an association of realms and republics—and there may be more states in both categories before its evolution is complete.

Not with a Bang?

IN the matter of newspaper headlines, the Commonwealth prime ministers were almost as eclipsed as Mr Malenkov on Wednesday. But their final communiqués were hardly the stuff of which banner headlines are made, and they would not have aroused much excitement even if the news from Moscow had not been so overshadowing. Apart from the more obvious Churchillian touches, the phrase that caught the eye most quickly was the reference to "the overwhelming superiority of the western powers in nuclear weapons" as being the world's best assurance of peace at present. But, just as the communiqué was being published, Mr Molotov was telling the Supreme Soviet that "with respect to hydrogen weapons, the United States and not the Soviet Union is among those who are lagging behind," and that in atomic armament generally Russia was level with the United States. It was pure coincidence that

these two claims should be made simultaneously; but that certainly does not make the contrast any the less thought-provoking.

Molotov did not touch upon the problem of delivering Russia's hydrogen bombs upon their essential targets; and it may be assumed that it is in this respect that the western world's confidence is best founded. However, the West's gravest cause for alarm may well be identified in Soviet psychology rather than in Soviet technique. Molotov's speech also contained a passage in which he boasted that in the event of a third world war "it will not be world civilisation which will perish" but only "the already rotten imperialistic social system." In recent months there have been signs that the Russian rulers were awakening to the universal peril which world war with the new weapons would bring in its wake; while parts of the Soviet press have continued to assure the public that it had nothing to fear, other organs have struck a more sober and realistic note by introducing the implications of thermo-nuclear destructive power to their readers. Yet the words uttered on Tuesday by the man who had served Stalin and Malenkov as foreign minister, and who will now presumably serve Bulganin and Khrushchev, imply that the grim truth has not yet been brought home in Moscow as fully as it needs to be.

Smog in the House

THE Government has promised to introduce a Clean Air Bill this session, and MPs seemed ready to undertake last Friday that they will delay it as little as possible—for example by questioning whether or not it is a good one.

Marginal Lancashire

IN last week's by-election in the Cheshire constituency of Stockport South both parties polled almost exactly the same proportion of votes as in the general election of 1951. At almost every meeting there were questions about the "threat of Indian competition" to the cotton industry, and the Indians' tariff barriers against taking British textiles in return. Although Stockport is not really a cotton district, there is some reason to suppose that this "threat" may have done something to prevent the swing towards the Conservatives that has occurred in most recent urban by-elections. In Lancashire itself, some Labour members believe, the current swing may be to the left.

The economic background to this invasion of Indian textiles into Lancashire was discussed in *The Economist* last week. The political background is shown in the accompanying table. Of the sixty-odd Conservative seats that could have been lost by a three per cent swing to Labour at the last election, seven are in Lancashire; another dozen depend heavily on that other source of Tory

uneasiness—the agricultural vote. Of the sixty-odd Labour seats that could have been won by the Conservatives with a three per cent swing in 1951, nine are in Lancashire (and one in a textile area in Cheshire); while another two or three depend largely upon the agricultural vote. These estimates are based on the old constituency boundaries, but the recent boundary changes do not seem likely to change the broad picture much.

It is not quite true to say that the cotton workers and the farmers hold the fate of the Government in their hands. But it is not surprising that Mr Gaitskell hastened to proclaim in the House this week that Indian competition with Lancashire was "very unfair"; and that Mr Low, speaking for the Government, agreed that it "appears to be" so—with the apparent implication that the Board of Trade will take action soon, if the Indians do not lower their tariffs.

MARGINAL SEATS IN LANCASHIRE

Labour seats that could be lost by a swing of:					
1 per cent		2 per cent		3 per cent	
Preston South	.. ..	Droylesden	.. ..	Ashton-under-Lyne	
Chorley	.. ..	Huyton	.. ..	Eccles	
Liverpool, Kirkdale	.. ..	Rossendale	.. ..	Accrington	
Stalybridge & Hyde*					
Conservative seats that could be lost by a swing of:					
1 per cent		2 per cent		3 per cent	
Rochdale	.. ..	Preston North	.. ..	Manchester, Blackley	
Bolton East	.. ..	Bury, Radcliffe	.. ..	Oldham East	
		Liverpool, West Derby			

* Cheshire seat, but in area affected by textiles.

When the Bill comes, it will almost certainly seek to enact the two principal legislative changes proposed by the Beaver Committee. First, the emission of industrial smoke—which, at present, can be dealt with only if it causes a nuisance—will become an offence, probably within three years of the Bill's passage. There can be little objection to this, especially as Mr Sandys is fortunately to be given time to hold a few more hurried conversations with the interests particularly affected. Moreover, the most welcome feature of last week's debate was that members seemed ready to agree that the cost of removing this nuisance should be placed on the industries themselves—and through them on the consumer—not on what the Beaver Committee tended to regard as the bottomless purse of the Exchequer.

Secondly, the Bill will strike at the ordinary householder—by generalising the power to set up smokeless zones (which local authorities have hitherto only been able to declare by passing separate private Acts) and by establishing partially smokeless zones, which are to be called "smoke control areas." It is this impact upon the householder that is going to cause much more controversy than MPs realise. Although the fuel efficiency experts, who were largely responsible for writing the Beaver report and priming MPs for last week's debate, know how to make fires without smoke, there is remarkably little evidence—from the rather unhappy experience in trying to set up smokeless zones to date—that they know how to force other people to make them. It seems probable that the principal emphasis in any controls will have to be on diverting supplies of smokeless fuels to the chosen areas (which, initially, will have to be few in number), with consequent strains and annoyances for those whose equipment is fitted to burn nothing else but smokeless fuel in other parts of the country. Moreover, if supplies become really short, it will be very difficult—in the new circumstances—to correct the shortage by a rise in

price; some of these fuels are too cheap at the moment, but politicians will not like telling people in the smokeless zones—at one and the same time—that they have got to burn these fuels and that they will have to be made more expensive.

The Ministry of Housing and Local Government has already had experience—in the Town and Country Planning Acts—with legislation that is excellent in theory but incredibly difficult to implement in practice. It is to be hoped that it recognises exactly how complicated this new legislation will have to be; at the moment the pressure of politics upon it is merely to introduce some sort of legislation, and in a very great hurry.

Federation or Apartheid?

KENYA settlers have long been accused of being critical of the Colonial Office and their own administration without ever putting forward constructive alternative proposals for Kenya's political future. This charge can no longer be levelled, if the blueprint for linking Kenya through Tanganyika with the Central African Federation put out by the committee set up by the "Truce Conference" (between the European parties) is held to be constructive. Uganda will be thankful to be left out of it, and this omission represents a considerable modification of the Kenya settlers' dream of an East African Federation; but Tanganyika will not relish being made the link in a Nairobi-Salisbury Axis.

Something can perhaps be said for breaking up entities like "Kenya" and "Tanganyika" into federated states more closely associated with regional and ethnic interests; there is certainly much to be said in general for federations of more than three or four large units. The trouble with the settlers' plan is that it reveals too nakedly the motives behind it. While its authors concede that in African provinces the provincial legislature should be dominated by Africans, it insists that there must be European guidance for the time being; and though Africans would be the majority in the one white province, it is clear that this would be run entirely in the settlers' own way. The committee concedes that the central government would have to have representatives of all races—but no doubt prefers an enlarged version of the Central African federal legislature to the Kenyan legislature where, under the Lyttelton settlement, there are Asian and African ministers. The plan, it appears, is for European control at the centre, European domination in any white province, and European "guidance" in the black provinces. This is a very different thing from trying honestly to work out a harmonious pattern of race relations in the one country for which the settlers have real responsibility and in which they face a challenge to prove their qualities of leadership—Kenya.

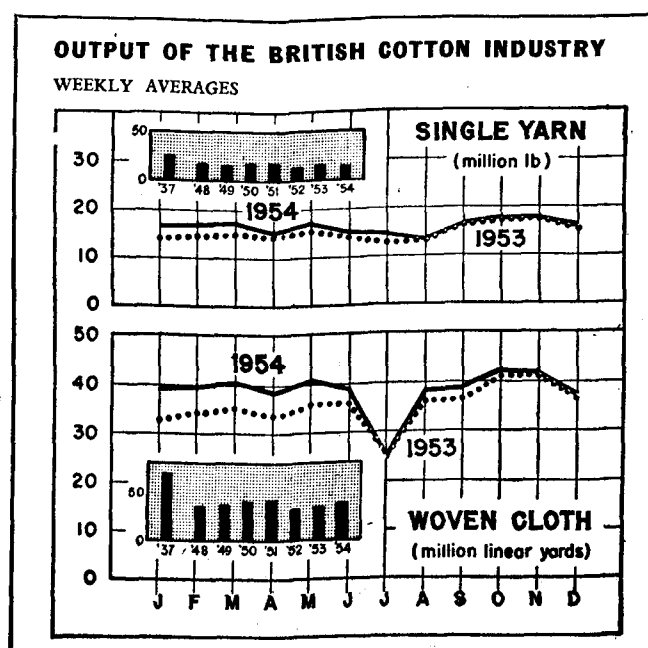
It was for this purpose that the United Country Party was formed, some of whose members however have endorsed this escapist federal plan. Mr Blundell did not endorse it; and it is to be hoped that he and his followers will hammer out something more sensible and liberal to put before the European electorate at the election in 1956. His difficulties are great. He is assailed for backing the

amnesty offer to Mau Mau, and he may face a new uproar when the Royal Commission's views on the White Highlands are published next month. But the task of white leadership in Kenya is unflinchingly to educate a well-off, privileged, individualistic, class and colour-conscious but frightened white community to present-day African—and global—political realities.

Househunting in the Welfare State

THE Requisitioned Houses Bill, published last week, will bring some relief to long-suffering landlords, but very little and very late. It will free all requisitioned houses by 1960, about five years earlier than seemed likely at the existing rate of progress—but still fifteen years after the end of the war. It will make local authorities less inclined to hold on to such property in the meantime—by transferring to them, after April 1, 1956, 25 per cent of the cost, which hitherto has been borne wholly by the Exchequer; but it will not provide much incentive, because the councils will still find this a cheap and easy way of housing their people.

Moreover, while the Bill gives only a gentle spur to local authorities, it provides no inducement whatever to sitting tenants to find themselves other places in which to live. Their rents are usually uneconomically low, and the local authority will not be able to move them until it has found them somewhere else to live, just as nice and at the same sort of rent. If they hang on, they may get one of the new council houses that are being reserved to rehouse the occupants of requisitioned houses. If, at the end of five years after this Bill becomes law, the council has failed to find them a suitable home, or to persuade the landlord to accept them as statutory tenants, or to lease the house itself, they will still have nothing to fear. When all else fails the council will be empowered by the new Bill to purchase the house at the market price for vacant possession.



The pious hope is expressed that compulsion will not be necessary, since many owners are known to want to sell.

Perhaps the most important part of the Bill is that the owner who wants his house back in order to live in it himself—or even to sell it if he badly needs the money—will now be able to go to court, just as the owner of a rent-controlled house can do. If the court decides that his hardship is greater than that of the dispossessed occupant would be, it may grant him vacant possession. But how utterly inappropriate today is this criterion of greater hardship. What of the rights of property, and of the need to encourage better utilisation of house space by resort to the market mechanism? The Government boasts of its achievements in housing, of a record number of 348,000 houses built in 1954, and of a stock of houses greater per head than it was before the war. This last statistic shows why the waiting lists remain: they remain because rent control and requisitioning ensure that the supply of houses goes less far than it could, because the displeasure of sitting tenants would be more costly in votes than is the present inconvenience of those without a house—and of landlords.

Polish Policemen Reproved

IF this week's changes in the Kremlin herald a switch in Soviet policy, it goes without saying that eventually the satellites will tag along behind. But they will not be in a hurry to do so. Whatever happens in Russia it will not be easy for them to carry out immediately any sharp reversal of the softer domestic line, especially in the security field. It is only in recent months that a milder security policy has been put into effect in most of the satellites. In particular, it was only last December that the Poles carried out a reorganisation of their security services closely modelled on the one carried out by Malenkov nearly two years ago. General Radkiewicz, for ten years head of the Ministry of State Security, was transferred to a minor post, and the ministry was divided into a Ministry of Internal Affairs and a Committee of Public Security which was put in charge of a member of the party politburo and made directly responsible to the Cabinet.

The purge of the Polish security services that inevitably accompanies these changes is still under way, and the ideas on which the changes are based, which have already been set out in the party press, were reaffirmed only the other week by Mr Bierut in a report to the central committee of the party. Briefly his case was that the security organs had grown above themselves; they had perpetrated "glaring violations of the rule of law" (which had now been put right), avoided party control, and behaved as if they were superior to everyone else. In future they are to be strictly controlled by the party and are to concentrate on genuine enemies of the regime instead of occupying themselves, as in the past, with party deviationists "who display temporary wavering or distrust"; it is known that, as in Hungary and to a lesser extent elsewhere, many of these culprits have now been released from gaol and rehabilitated. Mr Bierut suggested that with the gradual political and social transformation of the country, the scope for repressive action was smaller than it used to be. This line obviously redounds

to the credit of the regime, which will not hasten to make nonsense of it. How true it is is another matter; but the Communists are doubtless reckoning that the skilful propaganda use of the danger of a rearmament Germany will help to strengthen their position at home.

Boomerang in Algeria

LAST week's Communist vote against M. Mendès-France may turn out to be a mixed blessing for Moscow—an asset in Europe but a liability in Africa. The vote was cast in order to overthrow an advocate of German rearmament, but it also threw over the man whose name has since June become a byword among Africans. M. Mendès-France has come to be regarded by them as the only Frenchman capable of taking action to promote the kind of French Africa in which they wish to live.

The chief Algerian nationalist party, which is the *Mouvement pour le Triomphe des Libertés Démocratiques* (MTLD), approached the Communists before the vote and asked them to abstain in order that M. Mendès-France might survive. This request, though reasonable in that the Communists endorsed M. Mendès-France's North African policy, could not be met because it was overridden by a contrary instruction from Moscow. Since then, Moslems in Algiers have been passing round word that no good nationalist buys *Alger Républicain*, which is the local Communist newspaper. The wave of emotion that produced this gesture is unlikely to last, but the incident is one that Africans may well recall at moments of stress, not only in Algeria but farther south.

Communists and the ILO

ONE of the latest victims of the cold war is the International Labour Organisation. The reappearance of Communist delegates at its conference last June gave rise to some stormy debates; and the same thing, only more so, marred the proceedings of its recent European regional conference. Although many workers' delegates were loth to accept the presence of Communist delegates from trade unions that are notoriously neither free nor independent, the latest difficulties arose out of the employers' opposition to the admission of Communist "employers" delegates on the conference's technical committees. The conference eventually accepted a compromise by which these delegates should be allowed to sit on the technical committees with the right to speak but not to vote. The employers thereupon decided to boycott these committees, while continuing to join in the other work of the conference.

The employers' uncompromising stand makes the outlook for the ILO a troubled one. Admittedly the presence of Communist employers' (and workers') delegates, who are, in effect, just extra mouthpieces of their governments, threatens to undermine the ILO's tripartite organisation.

Admittedly, too, the influence of the employers' group may be weakened if some of its members line up with the workers' group—as the Communist employers' delegates may well do. (The employers, however, will weaken their own influence even more effectively if they continue to absent themselves from the technical committees.) But if Communist states are accepted as members of the ILO, it is absurd and illogical to expect that they will remain content with what amounts to second-class membership.

Many delegates, however, feel that no good will come of the Russians' return to the ILO fold, and that in a divided world the organisation had better abandon its aspirations to universality. But it is far-fetched to say that the Communists can disrupt and destroy the ILO even if they wanted to, which is by no means certain. Their speeches and behaviour so far suggest that they have realised, rather belatedly, that in the ILO conference hall they have an excellent platform for their propaganda, and that in the ILO corridors they have many splendid opportunities of preaching the Marxist gospel to gullible dele-

Matthew Arnold's Poetry

POEMS. By MATTHEW ARNOLD. *Second Series.* Longmans, Paternoster row.

All writing now is necessarily ephemeral. Words, whether used by poets or philosophers, are but the signs of things, and things now change so fast, or events succeed each other so rapidly, modern knowledge extends over such a wide field, in every part of which new products are continually rising into sight and compelling attention, that the words used, or the notices taken to-day, must necessarily be swept away by the words we must use to-morrow or the day after. The ephemeral nature of literature of which some persons complain is, therefore, the necessary consequence of the present enlarged condition and rapid progress of society; and it is likely to become so more and more, day after day, till we have nothing else than periodical and ephemeral writing. Hence the most stirring of our poetry now relates to passing events, and is published in newspapers. Mr Matthew Arnold, however, who has obtained somehow a considerable reputation, seems to imagine that his words, which have no relation whatever to the events of the day, are to live. He writes poetry on theory, and as his theory of nature and man happens not to be ours, we can only condemn his poetry as meaningless and worthless words. To us it is worse than meaningless and worthless; it is false and disgusting. We open this new series of his songs, and we find in it stories of gods, charms, and old sayings, that may possibly be historical, but are very doubtful. In spite, therefore, of Mr Matthew Arnold's hereditary claim to distinction, and in spite of the praise he has obtained, we decide, without further investigation, on putting aside his book, as merely adding to the worthless books of the same kind with which the world is already encumbered. That he has a great command of language nobody can doubt, but so have fishwives, spouters at public meetings, and most writers; and it is not the command of language which can recommend them to our notice, but the use they put it to... and so we bid... Mr Arnold adieu till he writes about something we can comprehend and believe.

The Economist

February 10, 1855

gates from underdeveloped Asian and African countries. Yet to turn them out of the organisation, at any rate at this stage, is to set up another barrier to east-west understanding, and to deny that the Communists might possibly benefit from their contact with western ideas. This is a very slender hope, but to stifle it at birth is a counsel of despair.

At its meeting later this month, the ILO's governing body is to consider a proposal that there should be an inquiry into the advisability of amending the organisation's constitution so that workers' and employers' delegates who are not free and independent should be excluded. But if such an amendment were fully and fairly applied, it might do far more to disrupt the organisation than the presence of Communists within it. Before it is considered seriously, it might be just as well to make a careful inquiry into what exactly its effect would be.

Off the Runway

IT is hardly surprising that engineering workers at London Airport have resolved to strike unless Mr J. R. Peters, a dismissed shop steward, is reinstated by next Monday. When the Peters affair started just before Christmas, it seemed that British European Airways acted with exemplary speed and firmness. They dismissed 317 maintenance engineers who, in defiance of the management's instructions, had held a meeting in working hours; but they allowed the men to re-apply for work, provided they signed a document accepting the constitutional agreements.

Doubt about BEA's wisdom crept in when Mr Peter Masefield, the Chief Executive, repeated day after day, by loudspeaker and in person, his exhortations and explanations to the men. It was strengthened when it became known that Mr Peters was to be the only applicant not to get his job back. This seemed to be asking for trouble, since the unions are highly sensitive to the victimisation of shop stewards; but BEA was certainly entitled to judge whether it was worth taking the risk. At this point, however, the management began to abrogate its function. Mr Peters's first three appeals against his dismissal had been rejected. Then the chairman, Lord Douglas of Kirtleside, issued a honeyed statement about the need for impartiality, and appointed an independent tribunal. This, he announced later, declared that "BEA was justified both constitutionally and morally in issuing the notice to Mr Peters among others"—as if it confirmed his decision. But what else had the tribunal said? The point at issue was not whether Mr Peters was rightly dismissed in the first place, but whether it was right that he should be the only one not to get his job back.

Belatedly Lord Douglas published the report—and there in the final paragraph was a recommendation that Mr Peters should be re-engaged. The tribunal had been uneasy that he should be the only exception, particularly as all the other shop stewards were re-engaged; it was not even sure that he was "the sole or even the primary cause of the events which led to the calling of the unauthorised meeting on December 17th." To call for an impartial view and then reject it is to confirm the belief, which the tribunal was rightly anxious to scotch, that Mr Peters is being victimised. Faced by this storm, Lord Douglas has had one

GLYN, MILLS & CO.

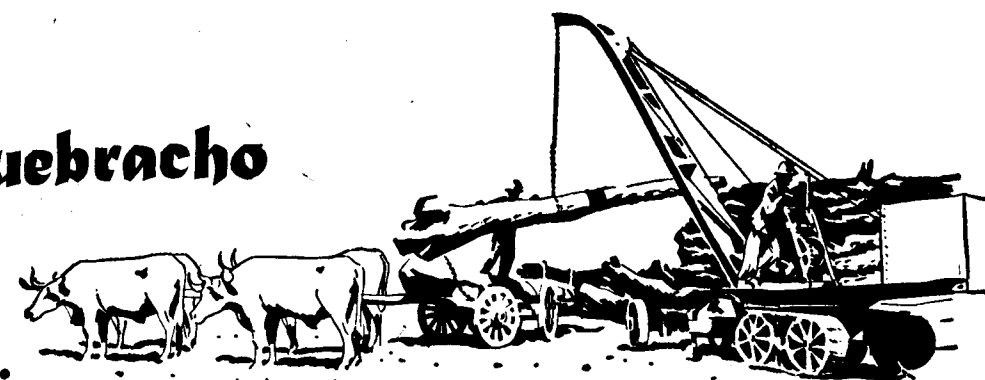
BANKERS



HEAD OFFICE: 67 LOMBARD STREET, LONDON, E.C.3

ASSOCIATED BANKS: THE ROYAL BANK OF SCOTLAND; WILLIAMS DEACON'S BANK LIMITED

Quebracho



Glance down the list of Britain's imports from Latin America and you will find quebracho extract. The quebracho itself is a tall hardwood tree which grows in the northern forests of Argentina, taking a full century to reach maturity. Its extract, a valuable tanning agent, is shipped to world markets from Buenos Aires, where the Bank of London and South America has long been established. You will find quebracho mentioned from time to time in the

Argentine section of the Bank's *Fortnightly Review*.

This publication is an invaluable guide for all who wish to enter Latin American markets, whether as buyers or as sellers, for it summarizes the latest reports on trading trends, import regulations and exchange control received from our 51 branches in South and Central America.

We shall be glad to send you a specimen copy, on application to:—

The Research Department (SECTION 35)

BANK OF LONDON & SOUTH AMERICA LTD

HEAD OFFICE: 6, 7 AND 8 TOKENHOUSE YARD, LONDON, E.C.2

MANCHESTER: 36 CHARLOTTE STREET • BRADFORD: 19 SUNBRIDGE ROAD



UNA BENDICIÓN...

OLD MARÍA sits making her lace. As stitch follows stitch she gives thanks for the electricity that lights her work. "Electricity", says María, "is *una bendición para el hombre* — for the benefit of Man."

Up at Los Peares, in the Province of Galicia, work is proceeding on a new hydro-electric power station. It is generating electricity for the growing industries in the North of Spain.

The electrical plant is being supplied by The British Thomson-Houston Co. Ltd., one of the nine famous A.E.I. companies. The equipment includes three huge generators, transformers, switchgear and control gear, much of which is already running.

A.E.I. are Associated Electrical Industries whose Companies make everything electrical from a turbine to a torch bulb.

AEI

for progress through electricity

Associated Electrical Industries are a family of companies:

The British Thomson-Houston Co. Ltd.
Metropolitan-Vickers Electrical Co. Ltd.
Birlec Ltd.
The Edison Swan Electric Co. Ltd.
Ferguson Pailin Ltd.
The Hotpoint Electric Appliance Co. Ltd.
International Refrigerator Co. Ltd.
Premier Electric Heaters Ltd.
Sunvic Controls Ltd.

suggestion to offer: that there should be yet another impartial inquiry. This is how not to manage industrial relations.

Indo-China's Refugees

THE proportions of the humanitarian problem arising from the resettlement of anti-Communist refugees in Indo-China are now becoming apparent. By the beginning of this month their number had reached 613,000, and it was expected to grow until the final evacuation of the Haiphong enclave by the French in May. Although most of them are Roman Catholics from the bishoprics of Phat Diem and Bui Chu in the Red River Delta, many are Buddhists and others still of no particular denomination, united only by a common determination not to live under Viet Minh rule.

Despite generous aid from the United States, France, Australia and other countries, the problem of resettling so vast a number of refugees has not unnaturally proved overwhelming. Fewer than one third of the refugees have been resettled so far, the majority in the rice villages of the Mekong delta, although a few thousands have been sent to the potentially rich but undeveloped lands in the hills of southern Annam. The remainder are still herded in camps in the Saigon region.

The difficulties largely arise from a shortage of agricultural implements and, above all, of trained technicians and medical personnel. A quarter of the refugees are suffering from various diseases, including beri-beri and malaria, and there is an immediate need for doctors or surgeons with teams of competent nurses. The nursing teams already sent by the International Red Cross and by the Red Cross of twenty countries are more than fully occupied, and the need for further help appears urgent.

Copperbelt Compromise?

THE way to agreement on African advancement on the Rhodesian copperbelt has now been opened: the secret and compulsory ballot, held among European mineworkers by their union, has shown a majority in favour of opening some European jobs to Africans. The Rhodesian Selection Trust companies have responded by withdrawing their notice to the European Mineworkers Union to terminate the agreement under which Africans were effectively debarred from advancement "having regard . . . to the stage which negotiations on the Rhodesian Selection Trust plan for African advancement have now reached." In fact two plans are under discussion, and the European Union has asked the companies to combine them. The plan to set aside one per cent of European jobs for Africans for five years has been put forward by the Anglo American Corporation; the Rhodesian Selection Trust's plan starts from the premise that such a rigid numerical limitation of the jobs to be opened to Africans

fails to remove the colour bar. Instead it proposes to create a ladder of "diluted" jobs between the unskilled African level and the skilled European level; and that when an African shows himself capable of doing a European job as well as a European he will get European pay and allowances (other than housing). This is the meaning of the phrase "equal pay for equal basic work." On the other hand, the Selection Trust would guarantee to find other work for Europeans whose jobs were "diluted."

Whether the European Mineworkers would prefer this plan, which does away with the colour bar, decides advancement strictly on individual merit, and judges the African sternly by European standards of productivity, may be doubtful. The Rhodesian Selection Trust plan offers the African most, though the Belgian method of paying both Europeans and Africans proportionately to an assessment of productivity on a Belgian home "norm" would offer far more. Meanwhile, the African strike for higher pay for all Africans continues, and has so far been sustained by remarkable discipline. It is, perhaps, a crucial exercise in black solidarity. Africans will be glad enough of either advancement plan; but their leaders' objective is a powerful and possibly politically-minded union, and higher pay that will force the companies to a more productive use of—and therefore training of—Africans in industry.

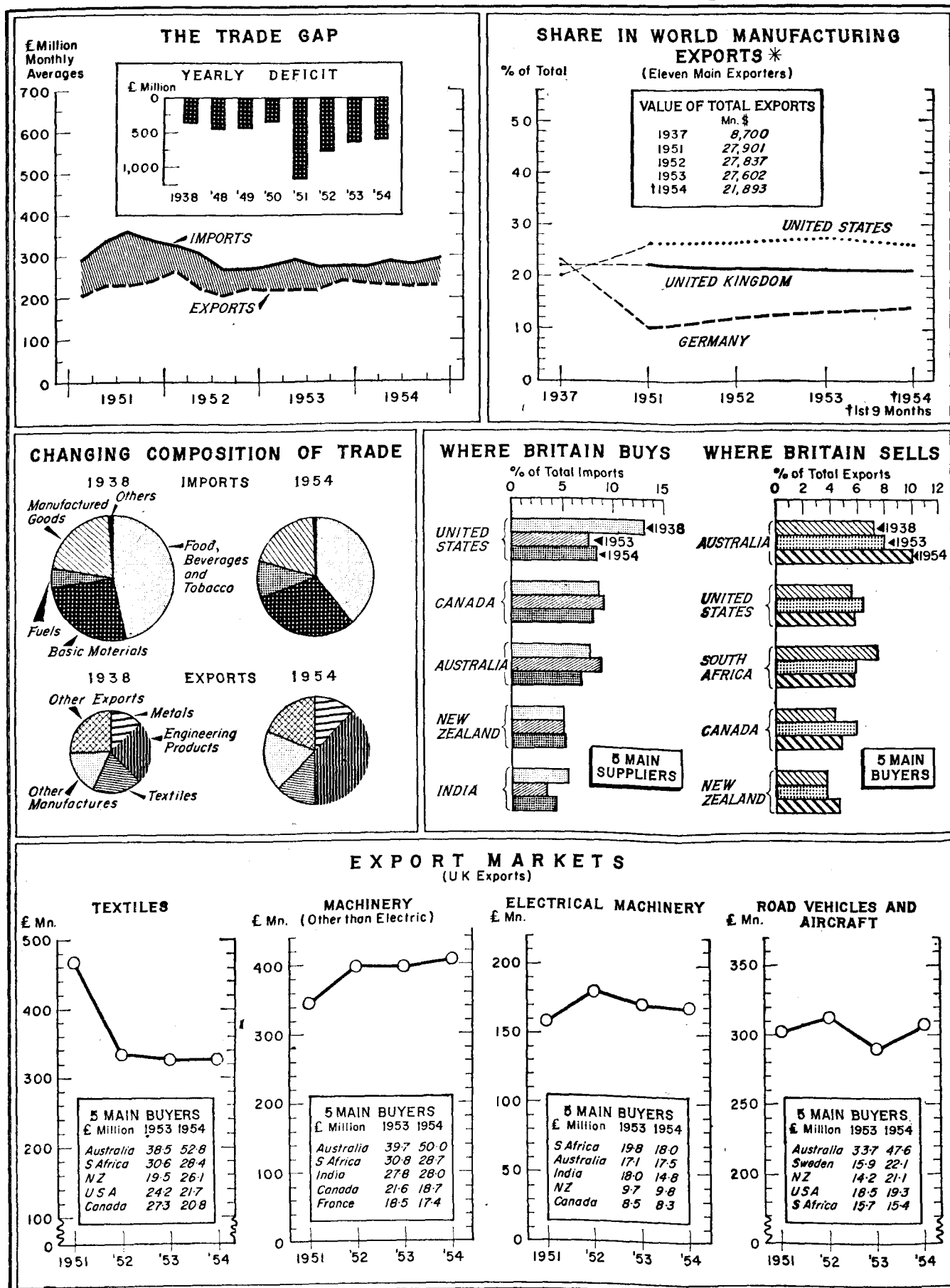
Bargains in Books

THE week after next will see the beginning of an event hitherto unknown in Britain—a nationwide book sale, in which about 700 bookshops, and book departments of stores, will be taking part. Books that have been in retailers' stocks for more than a year will be reduced in price by at least a third, and publishers' stocks will be on sale at half price or less.

The first reaction to the book trade's announcement of the sale may be surprise that one has not taken place before. Yet the trade itself is not altogether convinced about the merits of a sale. Booksellers and publishers alike regard it rather as a desperate expedient to meet a desperate situation: the overstocking that has resulted from the end of the wartime boom in book sales and the steady rise in the output of new books. Quite apart from the amount of booksellers' capital that is thus tied up, this huge unsold stock presents physical difficulties because it takes up space that might be given to books that are readily saleable.

The hesitation that is felt in some quarters about the sale—which the trade is careful to call experimental—is provoked by the suspicion that it does not go to the root of the matter. It may stimulate an artificial increase in demand for the ten days of the sale, but it seems at least as likely that this will be followed by a period of stagnation as by the inculcation of a book buying habit in the general public; and stocks will rapidly rise again as long as the inexorable increase in book production continues—there is every sign that the coming spring publishing season will be as heavy as its predecessors. There is some force in the view that greater discrimination by publishers would do more to meet the book trade's long-term difficulties than ten days of hothouse sales.

The Trade of the United Kingdom



* German figures relate to all Germany in 1937, but Western Germany only after the war. United States Special Category exports of strategic materials are excluded.

Letters to the Editor

Millions for Cinderella

SIR—Should we not think twice before accepting the conclusion that new capital for the railways should be raised at a fixed rate of interest with a Treasury guarantee? We are always being told that the nationalised industries must be conducted as commercial enterprises. What commercial enterprise raises all its capital by prior fixed charges? (Incidentally, what degree of competition can there be between industries, some of which do not have to compete for capital?)

The success of the Transport Commission's plans must be highly speculative. Already one of the railways' difficulties is the payment of interest on their stock. Is it wise to tie another obligation round their necks which has to be met, profit or no profit? There seem to me to be two alternatives; either to let the Transport Commission go to the market without a Treasury guarantee; or for the Exchequer, i.e. the nation, to subscribe for an equity issue by the railways.

The first alternative is almost certainly impossible, especially as the railways are already saddled with their fixed obligations under the initial Nationalisation Act. It would, however, be most interesting to see how the market, with all its experience, rated the chances of the railways. It might also mean that if the railways were freed of their remaining "common carrier" obligations and subsidised for such lines or services as are required for other than strictly economic reasons, we should get a railway system reformed and reduced to a scale at which it would pay. The second alternative seems, however, much more realistic than the provision of money at a fixed rate of interest. If the nation wants to take over the ownership of the railways it should take the risks (and benefits) of ownership.—Yours faithfully, J. GRIMOND
House of Commons

Brand Names v Kite Mark

SIR—This Group went on record last week as welcoming wholeheartedly all manifestations of consumer interest and desire for knowledge regarding textiles. It publicly offered to co-operate with responsible consumer organisations on the basis of investigating with them ways to increase the knowledge of the public, coupled with a readiness to give the fullest information about the members' products.

It is amazing that in your issue of February 5th you brush aside this posi-

tive attitude by describing it as "guerrilla warfare" and "a counter move" against the British Standards Institution Advisory Council on Standards for Consumer Goods.

I here state categorically that this project by the Group is not conceived in any way as an act of hostility towards the new BSI Council. As we understand it, the BSI Council is concerned with standards for consumer goods; it does not contain manufacturers' representatives but its views will be considered by the BSI Industry Standards Committees.

This Group seeks to undertake quite a different task. It wants to make full information available to consumers, to receive at first hand constructive criticisms from them, and to encourage face to face discussions between manufacturers and consumers. By this means, we hope to bring about both mutual understanding of problems and rapid action to deal with them. This, we believe, is a job which needs to be done and we believe that our Group is a suitable body to embark on the task. It comprises the "household names" in the textile world; it does not fix or enforce prices; members, as a condition of membership, accept an obligation to replace faulty goods. We hope our example will be followed in industry generally.

We want to extend the modern practice of "joint consultation" into the consumer field. In a free economy, an informed and discriminating body of consumers, exercising a wide and intelligent freedom of choice, is the greatest incentive to manufacturers to maintain and raise the quality of their goods.—Yours faithfully, HOLLENDEN
The Branded Textiles Group

Resentment on the Farm

SIR—I often wonder why we should continue to favour the British farmer and the reasons you give in your issue of January 29th do little to enlighten me. "Partly," you say, "it is a matter of honour"; but how much money would the farmers have made if they had been allowed to exploit food scarcities when they could, and for how long are we going to go on making it up to them? "Partly," you say, "it is a matter of sentiment"; but "the most lovely countryside in the world" would be still lovelier if our agriculture were pastoral rather than mechanical.

"More basically," you say, "agriculture is subsidised as an insurance"; but in 1939, when a claim was made on the land, the stored-up fertility was of

immense value and one wonders whether, in another emergency, we should not miss this reserve grievously. It may be said that between the wars farmers lost the "know-how" and may do so again if they are not encouraged by subsidy to produce anything and everything; but surely it would be more sensible to spend the insurance premium on a scheme specifically designed to preserve the know-how. For example, units of high farming could be maintained by the Government throughout the country and from these propaganda could be spread if we should again have to depend abnormally on our own production. Such units would be much less expensive and would perhaps give better benefits than our present insurance policy.—Yours faithfully, Kingussie T. G. STOBIE

Cottons for Lancashire

SIR—You diagnose Lancashire's difficulties as "the problem of the big but contracting industry that has lost its bulk markets for cheap goods." I disagree. A decade has elapsed since these markets were lost, largely as a result of tariffs being raised, notably by India. Since the 1920s, when 50 per cent of the total export value of cotton goods was accounted for by grey and bleached cloths, the trend has been towards the export of goods with a higher conversion value. At the moment a further movement in this direction is severely hampered by the operation of the iniquitous purchase tax. This was reflected in the Christmas and New Year stoppages, which were more marked amongst the firms in the fine section of the trade.

A second difficulty is the big fluctuations in home demand. The home market now absorbs between 70 and 80 per cent of production. These fluctuations are the result of the growth of large buying units whose orders inevitably have a substantial influence on general activity. Some progressive firms, however, have taken these difficulties in their stride. One famous Lancashire concern exports 75 per cent of its output and rations its customers.

On the other hand, the picture is not so black as many managers and union leaders paint it. Man-made and synthetic fibres are growing in importance, and in price and technical know-how the scales are weighted in Lancashire's favour. Furthermore, there is a marked growth in the industrial uses of cotton, which now account for more than one-quarter of the total output of cotton goods. If Mr Butler's target of a doubled standard of living in twenty-five years is to be attained, the distant future could be bright.

That rests with the cotton leaders; they must be prepared to adopt twentieth-century methods of industrial organisation. At present only 10 per cent of the operatives in spinning and weaving are re-deployed, and only 6 spinning mills out of 500, and 43 weaving sheds out of 1,200, are on double-shift working. Simultaneously, the

price-fixing arrangements with which Lancashire is riddled must go; they are not stabilisers, but built-in rigidities.

One is forcibly reminded of the speech made by John Bright over one hundred years ago to the members of the Manchester Exchange: "I have come here and attended 'Change for the last two years, and I have asked myself, 'What kind of men are these that I see here week after week on the Manchester Exchange, crawling about, grumbling at bad trade, and yet not daring to lift their hands against the cause?'"—Yours faithfully,
Bolton

LYNDON H. JONES

Control in Central Africa

SIR—The overriding reason for European control in Central Africa is the wise development of natural resources and the prevention of their waste. It will be a long time before Africans can be trusted not to squander the soil. In Central Africa the prestige of political participation counts for more than wise control of land. By forcing our own ideas of democratic education down the throats of Africans we have created pseudo-European social and political ambitions amongst them. By introducing a low-level cash economy in place of unadulterated subsistence we have created insecurity and discontent.

A supreme effort is now required to connect the African sense of security with the security of the soil—a love of the land as land, which he has never possessed, and which the example of the European's planter-mentality has done little to further. Soil-conservation is suspected by many Africans as a surreptitious method of stealing the land for the European's future extractive benefit. An atmosphere of trust must be created in which white leadership in landscape control and development is willingly and obediently respected. In return Africans must have settled homes and security of tenure through forms of freehold or life-hold.

In densely populated areas such as the Southern Province of Nyasaland it will be impossible to continue the present policy of employing thousands of low-paid casual workers, who stave off hunger by maize-growing on adjoining treeless Trust Land. The result of this will be landscape destruction and revolt. The aim must be to settle much smaller, better paid, well-fed, full-time workers in cottage-garden villages on European mixed estates; to evacuate the surplus population to farm settlement areas and decentralised industries in other parts of the Federal territory; and to retire the exhausted steep Trust lands to forest. Supreme statesmanship will be needed to carry out such sweeping measures. They can only become possible by engendering in Africans a confidence that the whole vast Federal area is their potential homeland, the soil and water resources of which can only be safeguarded and intensified by willing collaboration under European leadership.

—Yours faithfully,
Shaftesbury, Dorset

ROLF GARDINER

Books & Publications

Independent Economist

THE INTER-WAR YEARS AND OTHER PAPERS.

By Hubert Douglas Henderson.
Oxford University Press. 473 pages. 42s.

FEW economists of equal standing are as difficult to place as Sir Hubert Henderson. Few economists, for that matter, have achieved so high a reputation while publishing (in book form) so little. The parenthesis is important, for Henderson was in fact a prolific writer whose output looks small in the bibliographies only because so much of it took an ephemeral form. The present volume, in which the late Sir Henry Clay gathered with great editorial skill a selection of these ephemera, both explains his reputation and records qualities of sense, wisdom and penetration which would otherwise have become merely an oral legend. Selections from the *Nation's* leader columns, memoranda to the Economic Advisory Council of the 1930s, addresses and reviews dating from Henderson's period at All Souls, Treasury papers, lectures and articles, document a development that reflects at once the preoccupations of economic theory over three difficult decades and the reaction to events of a keen and strategically placed intellect.

Henderson was a thoroughly independent and thoroughly unfashionable economist; an inveterate cross-bencher. He was an internationalist to the core, but he maintained, both in the early 1930s and the postwar 1940s, the necessity and expediency of tariffs and discriminatory trade agreements. "The idea," he wrote in 1949

of forming an effective Free Trade area, with a uniform treatment of imports from countries outside it, is only really feasible between countries that are prepared to unite politically, and to unite not in a loose federation but under a highly centralised form of government.

He was a liberal, distrusting centralised power and respecting market forces; yet his famous address to Section F of the British Association in 1950 is the classic statement of the case against the "dash for freedom." Indeed, a connecting thread uniting the greater number of the themes here treated—structural unemployment in the 1920s, international economic breakdown in the 1930s, the foreign exchanges, fiscal policy, postwar reconstruction, inflationary pressure—is a recognition of the market's limitations, its "fair-weather" characteristics. Market forces can cope with, or smoothly bring about, small

changes; they work admirably at the margin; they are indeed essential allies of deliberate policy. But they are wasteful, even actively perverse, instruments to which to entrust the cure of major disequilibria. This is the moral drawn, in particular, from the history of the 1931 crisis, and applicable to the postwar world with which Henderson's later essays are concerned.

The Keynesian moral, on the other hand, is uncompromisingly rejected; rejected, indeed, with puzzling vehemence. Reading nearly twenty years later Henderson's essay on the "General Theory," one is paradoxically struck both by the keen judgment which pinpoints weaknesses later revealed (the unrealistic working assumption of the closed economy, the over-rigid emphasis on mathematical identities, the neglect of the time factor, the ignoring of all specific transfer problems) and by the perversity with which the critic misses the whole central point of the savings-investment relation. In 1944 he returns to the attack, dealing with questions of policy rather than of theory, attacking the use of deficit financing as a stabilising measure: "If the state is spending as much as it is collecting, it is not withdrawing purchasing power; and if productive resources are none the less being unused, that indicates a defect of economic organisation, not of financial policy." (One need not be by any means a committed Keynesian to wonder at this piece of question-begging.) The way to stability is through particular adjustments, especially through mutual adjustment to the postwar realities of foreign trade; look after relative prices, including the rate of interest and the foreign exchanges, use quantitative and other controls to supplement the forces of the market in expediting adjustment, get rid of inflation, balance (but do not over-balance) the Budget, and aggregate supply and demand will look after themselves.

It is always refreshing to find an economist who, unsustained by any childlike faith in the Hidden Hand, boldly stands up to the Keynesian bulldozer. Nevertheless, if postwar history has amply justified Henderson's criticisms, it has justified their object even more thoroughly. It is primarily because of the success (even if merely incidental to the excess) of Keynesian policies that such adversaries as Henderson have been in a position to say "I told you so."

High Table Talk

HISTORICAL INEVITABILITY.

By Isaiah Berlin.
Oxford University Press. 78 pages. 6s.

MR ISAIAH Berlin is the Coleridge of our day. His conversation pours out in multitudinous splendour, racing through all fields of knowledge, taking each of a dozen languages in tow and gathering itself to a torrential monologue. To listen to Mr Berlin, as he darts back and forth in his tower rooms at All Souls, is to hear a bright march of ideas, images, doctrines, convictions and shafts of wit. All too rarely does Mr Berlin allow his words to be held fast in print; his complete works are tape-recordings. But when he does publish them, the page comes to life with his voice and even the footnotes have the sudden pause, the sense of other vistas left regretfully to one side: "The 'logic' of various human studies has been insufficiently examined, and convincing accounts of its varieties with an adequate range of concrete examples drawn from actual practice, are much to be desired." Who, save Coleridge or Mr Berlin, would have written that footnote?

The present pamphlet, an expanded version of a lecture delivered at the London School of Economics, is the finest thing Mr Berlin has produced so far. The thought is incredibly dense and the long sentences only gradually yield their accumulation of insight. The object of this essay is to show that relativism and determinism are "conspicuously fallacious interpretations" of historical experience. Mr Berlin is combating the *reductio ad absurdum* in relativist argument and the arrogance that lies at the root of determinism. He challenges all those vast abstractions that certain historians, from Hegel to Spengler and Toynbee, have thought to force on the live fabric of history.

But Mr Berlin is addressing himself to a wider end. His essay is a magnificent assertion of the reality of human freedom, of the role of free choice in history. He scorns those who would impose on man the myth of necessity and social law "that will absorb and integrate us into its limitless, bleak, neutral texture, which it is senseless to evaluate or criticise, and which we resist to our certain doom." One can only hope that Mr Berlin will, in future, go on to demonstrate in actual practice that liberal, empiric and yet profoundly spiritual conception of history at which he hints in his present sally.

Down with State Schools

THE EDUCATIONAL REVOLUTION.

By Colm Brogan.
Frederick Muller. 192 pages. 10s. 6d.

MR BROGAN is against all this education. He is even a bit dubious about the value of literacy—which "may be used for or against freedom, for or against decency." He is extremely dubious about the raising of the school-leaving age to fifteen. "By

the age of eighteen Nelson was an experienced and battle-hardened seaman, Pascal had invented a calculating machine, and Chatterton [this will settle it] was dead." That children should be selected for the grammar school regardless of class disrupts the working-class family, he says; besides, it wastes grammar school places on children who leave early because they cannot face the hatred that the stupid and uneducated feel for their intellectual superiors. Here at least the facts are on Mr Brogan's side, and many will echo his wonder that whereas no man is considered antisocial if he buys his boy a bicycle, he must on no account buy him a place at a grammar school. But just as one is catching up with Mr Brogan he is off again—this time with the proposal that "the bottom 20 per cent" of grammar school entrants should have to pay fees, on the theory that people value only what they have to pay for.

As for the secondary modern schools, Mr Brogan seems to think that they have succeeded only in giving the children better manners and worse morals than they used to have. And who is responsible for all this chaos? Why, the teachers' training colleges as much as anyone, and the Ministry's inspectorate—where heads are stuffed with rubbish about "projects" and free activities, to the detriment, in Mr Brogan's view, of reading, writing and counting. He thanks God that the independent schools at least—the small private schools as well as the public schools—are able to carry on without any nonsense about compulsory registration, since this part of the "authoritarian" Education Act has not yet come into force. When he writes of comprehensive schools Mr Brogan disappears for a moment right round the bend. Kidbrooke's assembly hall reminds him of the Supreme Council of Soviets. "To the enthusiasts of this blighted experiment the Red Flag might seem an inspiring introductory tune, but for the spirit and secret purpose of the place, Horst Wessel might be more appropriate."

Reading Mr Brogan is like listening to a favourite uncle, whose discourse is rich, provocative and blimpish, yet seasoned here and there by common sense; but with whom it is a mistake to stay too long, since the dear old boy says everything at least twice, and amusement at his forthrightness may finally give way to exasperation at his excesses.

Germany in the Round

MODERN GERMANY: Its History and Civilisation.

By Koppel S. Pinson.
The Macmillan Company of New York. 652 pages. 35s.

THIS volume by an American historian attempts to trace the internal history of Germany, including economic and intellectual developments, from the late eighteenth century to the present day. It thus covers a wider field than

earlier works by Anglo-American historians, who have concentrated on the course of political history. It also compares favourably with these by giving copious and interesting extracts from political and other writers of the time, and by balanced judgments on such controversial issues as the revolution of 1848, the policy of Prussia and the Prussian Junkers, the influences of Wagner and Nietzsche, the role of Ebert and the Social Democrats.

The *Leitmotiv* of the book is the theme of German unity and liberty; the author warns us that, having to choose between liberty and unity, "most Germans always decided in favour of unity," and that "the problem of German unity transcends and overshadows all other issues." He clearly tries to avoid the bias of earlier writers. There is a wealth of detail on the industrial and intellectual changes, on population movements, on trade unions and political parties, on literature and philosophy. In all this the author has been more successful in reviewing the nineteenth than the twentieth century. The few pages on the internal history of the Weimar Republic are especially thin and biased. It is, for instance, quite incorrect to say that "in not a single school text of republican Germany were there any readings to indicate the responsibility of General von Ludendorff and the General Staff for the acceptance of the armistice terms"; this ignores, for example, the very widely used textbook by Franz Schnabel.

From the Government Bookshops

Overseas Economic Surveys

A popular series designed to help the British business man assess the potentialities of overseas markets. All commercial and economic fields are covered and full information is given on types of goods in demand, developments in production and other factors likely to affect the export trade of the United Kingdom.

Recent issues include:

Cuba (June 1954)	4s. 6d. (4s. 9d.)
Ecuador (March 1954)	2s. (2s. 1½d.)
Portugal (June 1954)	4s. 6d. (4s. 9d.)
Rhodesia & Nyasaland (May 1954)	5s. (5s. 4d.)
Switzerland (July 1954)	4s. 6d. (4s. 9d.)
Uruguay (May 1954)	3s. 6d. (3s. 8d.)

Prices in brackets include postage

H.M. STATIONERY OFFICE

York House, Kingsway, London W.C.2; 423 Oxford Street, London W.1. (Post Orders: P.O. Box 569, London S.E.1); 13a Castle Street, Edinburgh 2; 39 King Street, Manchester 2; 2 Edmund Street, Birmingham 3; 109 St. Mary Street, Cardiff; Tower Lane, Bristol 1; 80 Chichester Street, Belfast; or through any bookseller

FAIRER SHARES

by
**J. Spedan
Lewis**

Founder of the
John Lewis Partnership

'This is a suggestive, intelligent, and highly practical approach to the sociology and politics of industry; and the experience of co-operative experiment bears out Mr. Spedan Lewis's conclusions to the hilt.'

—THE ECONOMIST

'In this book he has raised crucial questions of industrial organisation that, willy-nilly, will have to be considered by Britain.'—NEWS CHRONICLE

8s 6d net

STAPLES

NATO

THE FIRST
FIVE YEARS
1949-1954

LORD ISMAY

A book by Lord Ismay
SECRETARY GENERAL OF NATO

A complete survey of
NATO's history, its
organization, its
achievements; includ-
ing the London and
Paris Agreements
292 pages 9s. 6d.

Distributed in the United Kingdom by
HER MAJESTY'S
STATIONERY OFFICE
P.O. Box 569, London S.E.1

THE ECONOMIST, FEBRUARY 12, 1955

It is equally wrong to assert that, in the field of foreign policy, "in terms of aspirations and ends there were, apart from the Communists, no appreciable differences among the various parties and groups in Weimar Germany," a statement which appears elsewhere in the still more absurd form of "the ever present unity on foreign policy among all political groups in Germany." It further seems strange that a historian should maintain that "we learned a great deal about the origins of World War I from those of World War II," or that "the burning of books by political opponents harked back . . . ultimately to Luther's burning of the papal bull in 1520." It is a pity that hardly any historian dealing with modern Germany can free himself from such sweeping generalisations. These and other errors mar a work which has many merits and which avoids many of the pitfalls of the pro-German and anti-German schools.

Literary History

ILLUSTRATED HISTORY OF
ENGLISH LITERATURE: Volume II,
Ben Jonson to Samuel Johnson.
By A. C. Ward.
Longmans. 270 pages. 25s.

IT is impossible to consider the second volume of this book alone, because it awakens a continual urge to delve back into the first and the kind of appreciation which is a lively anticipation of the third. It covers a period of almost two hundred years, during which writing and publishing became established professions; journalism and the novel were born; the art of satire perfected; and Boswell and Gibbon produced their masterpieces.

One of the satisfying things about Mr Ward's judgments is that they are never isolated. He ensconces his subjects three dimensionally amid the political and social exigencies of their times, leaving the assessment of their work, in terms of its intention and possibilities, to the critical fair play of the reader. The chapter on "The Pursuit of Urbanity" shows, in miniature, the excellence of this method. It would be difficult to find, in equal compass, a better or more human analysis of satire. Avoiding that simplification of the past which draws hard and fast lines between "periods," he treats the development of poetry and prose as a continual flux of action and reaction. Jonson's aim is shown to be the restoration of the inviolability of the three unities against the encroachment of the wide ranging Elizabethan dramatists, and his method the use of comedy as a corrective of human follies. His Comedy of Humours, an extension of the old Moralities and a forerunner of the novel, leads, through Congreve, to the Comedy of Manners of Goldsmith and Sheridan.

Similarly, the descent is traced, from the *Ars Poetica* of Horace, through the *Ars Poétique* of Boileau, to Pope's "Essay on Criticism," not as a mere exercise in literary genealogy, but in order to peg attention to the salient pur-

pose of the writers, who considered poetry as an art in which the content must submit to the form. Mr Ward then shows how this intellectualised method fails in emotional tragedy, where the heroic couplet is "not capable of enlargement to the full scale of the human spirit's need for communication."

The author uses his gift for graphic simile in a way which opens fresh possibilities for discussion, while his quotations are enticing and exactly applicable. It is his conviction that the permanent benefits of reading come through enjoyment. This, then, should be a beneficial book indeed.

Commune of Wood Ants

THE EVOLUTION OF AN INSECT SOCIETY.

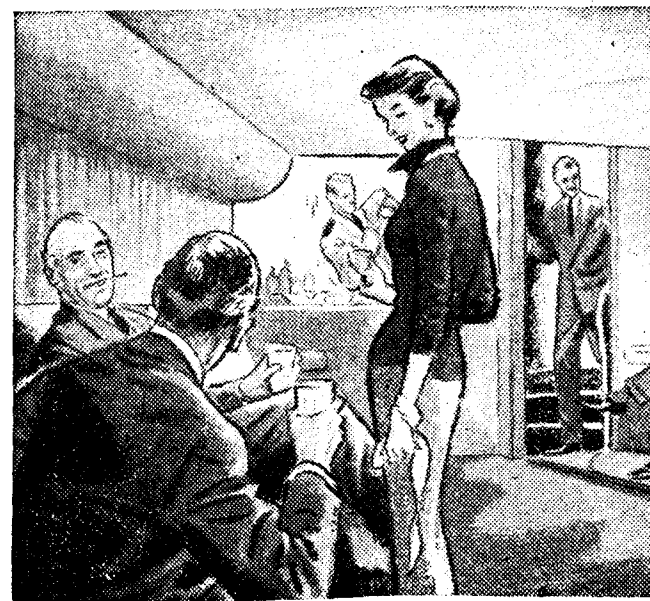
By Derek Wragge Morley.
Allen and Unwin. 215 pages. 18s.

THE popularity of ants as a topic for books on natural history is due in part to the ease with which slick parallels between ant and human societies can be drawn. There have been books using aspects of ant behaviour to justify Fascism, Communism, Capitalism, Individualism, and a host of others, their writers apparently quite content to straddle the gap between superficial generalisations about ant behaviour and the tentative hypotheses of human sociology. Here is a book about ants whose author resists this temptation and is content to write about ants for their own sake—at any rate until the last few pages.

It begins, and concludes, with a commune of five separate but friendly nests of wood ants in Surrey. The intervening chapters give an account both of these ants and of the evolution of their society. The ramifying effects of caste-differentiation on the economy of the nest, the development of the young, the relations with other species, and the internal organisation of the community are traced—and the result is an absorbing picture of this universe on a Surrey heath set against its long-forgotten but still influential evolutionary origins.

In drawing this picture, Mr Morley uses three main sources of evidence. First, the fossil record: ants have, for instance, been preserved in an extraordinary state of perfection in drops of resin which cozed from Baltic conifers over fifty million years ago. Second, comparisons with other present-day species which have evolved either a less complex or a slightly different type of society from the wood ants; these permit hypotheses about the stages the wood ant community could have passed through (though the author too often writes about how it did). And third, least dramatic but most fascinating, Mr Morley's own observations on the wood ant commune itself. These combine to give a story well worth pondering on—a story which, although it may bear no lessons for our own society, does add to it a little perspective.

THE ECONOMIST, FEBRUARY 12, 1955



Only B.O.A.C. offers
double-decked
Stratocruisers
on First and Tourist Class
transatlantic services!



FIRST CLASS

Luxury "Monarch" services now from London to New York direct or via Boston; to Montreal direct or via Prestwick; to Bermuda, Nassau and Montego Bay.

TOURIST CLASS

"Coronet" Tourist services soon from London to New York or Montreal via Prestwick; to New York via Prestwick and Boston; to Chicago via Prestwick and Montreal.

Spacious Stratocruiser airliners soon will be used exclusively on all B.O.A.C. transatlantic services! Choose the "Monarch" for extra luxury, incomparable cuisine, impeccable service. Fully-reclining seats . . . delicious meals served from silver trolleys . . . spacious lower deck cocktail lounge. No extra fare, but slight additional charge for private berths. Or plan to fly "Coronet" and enjoy the finest transatlantic Tourist travel—at much less cost!

Fly now—pay at leisure! Ask about the B.O.A.C. Ticket Instalment Plan—10% down, the balance by monthly instalments!

Consult your local B.O.A.C. Appointed Agent or B.O.A.C. Airways Terminal, Victoria, S.W.1 (VIC 223); 75 Regent St., W.1 (MAY 6611); or offices in Glasgow, Manchester, Birmingham and Liverpool (see your Telephone Directory for details).

B.O.A.C. TAKES GOOD CARE OF YOU

FLY B.O.A.C.

BRITISH OVERSEAS AIRWAYS CORPORATION

Seller's Market in Scotland?

UP AND UP goes Scotland's purchasing power in Scotland—faster than in the rest of Great Britain. Up goes employment: 2,228,000 in 1953. Up goes production: total Scottish production in 1953 was 18% higher than in 1948. Up goes the demand for all kinds of consumer goods. And up goes the number of new customers won by advertisers in the Daily Record.

Success through Scottish national media

For the success of any promotion in Scotland, intensive advertising is essential. This is owing to the relative thinness of readership in Scotland of the English national newspapers. Readership of English morning papers in Scotland is only 61% as against an average of 83% in England and Wales. Obviously, the difference must be made up. No less than 1,370,000 Scottish adults never read an English morning newspaper. (This figure is taken from the I.I.P.A. readership survey.) The Daily Record, Scotland's largest circulating, completely Scottish morning paper, offers advertisers the most rewarding means of reaching the Scottish customer.

Increased effort in Scotland wins big sales. You reach an assured and profitable market when you advertise in the . . .

Daily Record

Kemsley House
London

Kemsley House
Glasgow

Sleep
well
content

Of the things that a man may reasonably do to secure his own creature comfort, there are few simpler, and none more sensible, than taking a drop of Scotch whisky on the way to bed. You are leaving to-day for tomorrow. Take your leave graciously and pleasurably. Wish yourself well. Choose a whisky soft with great age, soft as a benediction.

For its gentleness and lasting glow White Horse whisky has long been famed. Trust a White Horse to carry you smoothly across the borderland of sleep. It knows the way.

WHITE HORSE
Scotch Whisky

MAXIMUM PRICES:— Bottles 35/-, ½-Bottles 18/3, ¼-Bottles 9/6, Miniature Bottles 3/8, as fixed by the Scotch Whisky Association.

The Basis of European Union

EUROPEAN UNION AND UNITED STATES FOREIGN POLICY.
By F. S. C. Northrop.
The Macmillan Company of New York.
239 pages. \$4.75, 33s.

PROFESSOR NORTHROP is interested in the movement towards European Union as an experiment in sociological jurisprudence. He holds that the treaties establishing the Council of Europe and the economic, military and political institutions of the six-power European Community are designed to introduce a supranational positive law. However, no supranational law is likely to be effective where the component nations do not possess what Mr Northrop calls "common living-law norms." The living-law, or inner order of European national societies, can best be determined by examining the quantitative statistics "which specify how these peoples group themselves with respect to their personal, religious, political and economic beliefs." Living-law is illustrated in political life by the complexion of parliamentary parties, which on the European Continent derive from certain transnational religious and secular philosophical traditions. It is the new role of creative statesmanship to discover "latent living-law resources" and express them in new supranational political forms.

Mr Northrop believes that six-power European Continental Union is realistic policy because the political living-law of the proposed Continental European Community is in fact dominated by Christian-Democratic, Socialist, Roman Catholic Liberal and Protestant Liberal philosophies, in which one and all share a belief in political pluralism and in the rule of law and a predisposition towards supranational sovereignty, attributable to Stoic Roman legal mentality reinforced by continental Rationalism. The nations that are members of the Council of Europe, on the other hand, possess no such common living-law. The group of fourteen powers exhibits no less than four kinds of Christianity as well as the religion of Islam. Moreover, there are in it twenty-three normative political groupings, including such "foreign bodies" as British Socialism, the Irish Fianna Fail and the Greek Rally. No supranational positive law, Mr Northrop asserts, can possibly come out of such a mixed bag. In the event the only sphere in which the Council of Europe has been able to secure some transfer of sovereignty from the member nations is that of human rights. This rather insignificant transfer does, however, at least show, as the preamble to the statute stated, that the fourteen member nations subscribe to the principles of individual liberty, political freedom and the rule of law.

Justice cannot be done to Mr Northrop's argument within the space of the present review. His book is most valuable and important because it adds another dimension to the current rather

poverty-stricken debate on the need for European Union. The author's insistence on the necessity of the new association of peoples is the more impressive because he attributes it not to economic and military necessities (which, he states, never in themselves constitute the potentiality of union), but to an immanent historical predisposition. Here the contention that the German Federal Republic is at present blessed by its separation from the living-law of Prussia has special weight, however awkward its public admission may be for diplomats. Mr Northrop's argument for European Union could be reinforced by the psychological theory of nihilism, which holds that European societies are invaded by revolutionary beliefs only when existing institutional forms no longer express their creative and conative energy. In this sense France's predicament is the most dramatic, for this prototype of the nationalistic society remains unhappily poised between the European future dictated by its own universal idealism and nostalgia for its heyday as a nation-state. However, it must be said that Mr Northrop is unfair to General de Gaulle, whom he describes as being "for a strong one-party chauvinistic France and opposed to Franco-German collaboration generally." The General's argument against European Union has been that a France disintegrated into lifeless political sects cannot muster enough strength to have a real voice in the Union. General de Gaulle is perhaps mistaken, but he cannot justly be lumped together, as a political monist, with German neo-Nazis and Italian neo-Fascists.

Mr Northrop writes also of the philosophical deficiencies of American foreign policy which has been prone to emphasise short-term military and economic desiderata at the expense of Europe's political "living-law potential." The result has been a decrease in European confidence in the Republican administration. This is one of the most telling sections in a subtle and persuasive book.

Shorter Notices

ALL ABOUT AIRCRAFT.

By D. M. Desoutter.
Faber. 483 pages. 25s.

This book probably comes as near as one can get to an exposition of aerodynamics and air matters for the non-technical; which is approximately three-quarters of the distance to absolute clarity. It is not Mr Desoutter's fault that "the general reader who seriously wants to gain an understanding of this rapidly expanding human activity" may have to work extremely hard to do so. Not that there is anything in this book that could not be followed by a sixth former; it is their parents, with less mental resilience, who might be tempted to skip the opening chapters and concentrate on the reference sections. These include an illustrated directory of modern aircraft of the type that aviation journals do so well.

A "popular" reference book on a subject of this kind is dangerously close to a contradiction in terms. A technically less

knowledgeable author might have written a more easily readable book—but those who do persevere with Mr Desoutter, or who make judicious use of the index to inform themselves about the more willfully obscure topics of aviation small talk, can be confident that what they do learn will be accurate.

★

A HISTORY OF THE UNITED STATES. Second Edition.

By D. C. Somervell.
Heinemann. 332 pages. 15s.

The author of Professor Toynbee's famous abridgement is a historian justly known for his wide-ranging knowledge and curiosity, and it was only to be expected that Mr Somervell's versatile pen would sooner or later be drawn to the history of the United States. "Sooner and later" would perhaps be a more accurate way of putting it, because the present history was in fact originally issued in 1941 and now reappears "revised, reset and re-illustrated" in a format considerably more attractive than its original battle-dress. Mr Somervell has not felt that his original book called for any re-writing and, understandably, though perhaps regretably, has "resisted the temptation to bring it up to date." Nevertheless the book retains its pristine virtues undimmed by the lapse of thirteen crowded American years. It is eminently readable; it makes the rough places plain; and it conveys to the reader much of the charm and fascination which the theme obviously has for the author.

One is sometimes impelled to take issue with some of his judgments. Is Yankee-doodle a "feeble and well-forgotten" tune? Was Joseph Smith, the Mormon, just an "absurd character"? Certainly Franklin Roosevelt was never a "senator." And perhaps when the Chief Engineer of the United States army calls the government of the District of Columbia "uniformly excellent" that is neither news nor evidence. But these are trivia. What is more important is that Mr Somervell has written a book which will introduce many people to American history in a pleasant, winning and sensible way.

★

THE HISTORY OF KIRKSTALL FORGE

By R. F. Butler. Distributed by Kirkstall Forge Engineering, Ltd., Leeds.
William Sessions. 278 pages. 63s.

This second edition of the story of Britain's oldest ironworks, the forge founded by the Cistercian monks of Kirkstall Abbey about 750 years ago, contains new material amplifying the history of the ironworks under some of the earlier families that controlled its development. Its authors, the late Hugh Butler and Rodney Butler, the present managing director, were members of the latest of these owning families, whose association with the forge dates from 1779; in 1949 the concern became a public company, although the controlling interest was retained by the Butler family. The largest section of the book, as before, deals with the development of the works—and of the industry, with the gradual shift of balance from the iron trade to steel—during the nineteenth century; the elaborate documentation that has been provided from the company's records makes this section in particular a valuable exercise in what the Americans have come to call "entrepreneurial history."

In Singapore or around the world... here's what we can do for you!



... SERVING COMMERCE AROUND THE WORLD ...

OVERSEAS BRANCHES: London • Manila • Tokyo • Yokohama • Kobe • Osaka • Bangkok • Guam
REPRESENTATIVES: New York • Mexico City • Milan • Paris • Zurich • New Delhi. Correspondents throughout the world
BANK OF AMERICA (INTERNATIONAL), New York, a wholly owned subsidiary; overseas branch, Duesseldorf

Want to know the price of rubber in Singapore? Or the latest quotations on wool in Sydney? How many dollars to Iraqi dinars in Beirut? Chances are we can tell you. Our International Banking Department is constantly receiving and evaluating daily reports from its men in all parts of the world...in every important center of world trade. And if there's something you don't know—and we can't answer—we'll find out. For information, telephone, wire, or write to Bank of America, International Banking Dept., 300 Montgomery St., San Francisco, Calif.

Bank of America
NATIONAL TRUST AND SAVINGS ASSOCIATION
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

JOHN LAING AND SON LIMITED

Building and Civil Engineering Contractors

COUNTING THE COST

Message for Chief Engineers and Executives responsible for new construction

WHEN YOU CONSIDER A TENDER do you know what the job will really cost? Will the work be finished on time? How much will the delay cost your Company if your new works goes into production six months late? Will there be heavy maintenance costs and production hold ups after completion of the work? Plainly, the lowest tender is not necessarily the cheapest; reliability, efficiency and quality have, in the long run, a value to be taken into account.

The time to evaluate these questions is before the contract is placed. A tender's worth is not shown by price alone. What is behind it in reputation, in experience and skill, in plant capacity? Pre-planning, method study, targetting, the right use of heavy

plant and small tools, all these have an important part in the scientific approach to the problem of construction.

John Laing and Son Limited are always pleased to be called in during the initial stages of design, when experience and advice can often effect the greatest saving in time and money. In this way they can bring their full capacity to bear on a job right from the start. Behind their tender is a reputation valued far higher than the price of any contract—a reputation which the Company intends to maintain by giving complete satisfaction, not only when the contract is signed, not only on completion, but for the years to come.

Great Britain, Canada, Union of South Africa, Rhodesia

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.

Narrowing the Far Eastern Gap

Washington, D.C.

IF the evacuation of Nationalist Chinese troops and civilians from the Tachen islands is completed without mishap, the intricate policy initiated by the President in his message nearly three weeks ago will have achieved its most immediate purpose. The Administration decided to force the pace over Formosa in order to avoid drifting into an even more dangerous situation, one in which the Seventh Fleet would have found itself watching with arms folded while General Chiang Kai-shek's men on the Tachens went down fighting gallantly against overwhelming odds. The pressure for American intervention might then easily have overborne the sound strategic arguments against tying the Seventh Fleet to a prolonged engagement with strongly defended Communist bases remote from Formosa itself.

But, having decided to be bold, the President and Mr Dulles are trying to make the gamble more worthwhile by playing for multiple stakes. One of the most important of these is the narrowing of the gap between American and British policies in the Far East. Formosa is the one place in the world which the Americans are obliged to fight for without the guarantee of help from their principal allies, who might not even treat a Communist attack as aggression. This therefore made Formosa an obvious target for an adventurous Communist attempt to isolate the United States. On the other hand the United States could not possibly retreat from its obligation.

For this two reasons are normally given. The first is that, while the Americans do not need Formosa as a base for themselves, Communist possession of it would pierce the "great island barrier" on which the American defence system in the Pacific relies. The second is that, while few now think, so it is said, that General Chiang could reconquer the mainland, many think that it would be useful to have an alternative Chinese government in being for use if and when the Chinese rebel against the Communists. But there remains a third, and more profound, reason. The United States is in a deeply pacific mood, but at the same time many people are worried at the moral implications of this mood. Americans naturally feel some sense of shame whenever free people are relinquished to Communist rule, but the peculiar significance of Formosa lies in its being the one place in the Far East threatened by the Communists which it is clearly within the power of the United States to defend. However pacifically inclined they may be, Americans cannot make excuses to themselves for any dereliction in this case.

Three features of the President's message to Congress, however, provide signposts to the route which the Administration is trying to keep open. It leads to a closer alignment with British policy, a temporary relaxation of relations with the Communists, and an ultimate settlement. In the first place the American case was presented in terms of "national interest" rather than in the "moralistic-legalistic" fashion so much deplored by Mr George Kennan and others as an impediment to sensible bargaining. Secondly, the message contained several references to the United Nations, including an invitation to it to assume jurisdiction—a procedure which would shift on to other members of the world organisation the burden of suggesting the terms of a bargain that could not very well originate from the United States. Thirdly, the message explicitly declined to extend the area of the American guarantee beyond Formosa and the Pescadores, which are in any case covered by the defence treaty with General Chiang's government that in practice "releases" that sagging Prometheus to his rock. Quemoy and Matsu were therefore left as bargaining counters in case the United Nations or other mediators made progress with negotiations for a cease-fire.

One of the main objectives of the American manoeuvre was that the determination and ability of the United States to deny Formosa to the Communists should be accepted as one of the realities of the situation by America's allies and the neutrals as well as by the Communists. After that it would be much easier for American opinion to achieve a corresponding access of reality regarding Communist China. The solution of "two Chinas," with China and Formosa both recognised and both members of the United Nations, while obviously at present unacceptable to large sections of American opinion, is already being actively canvassed in inspired articles in the American press.

★

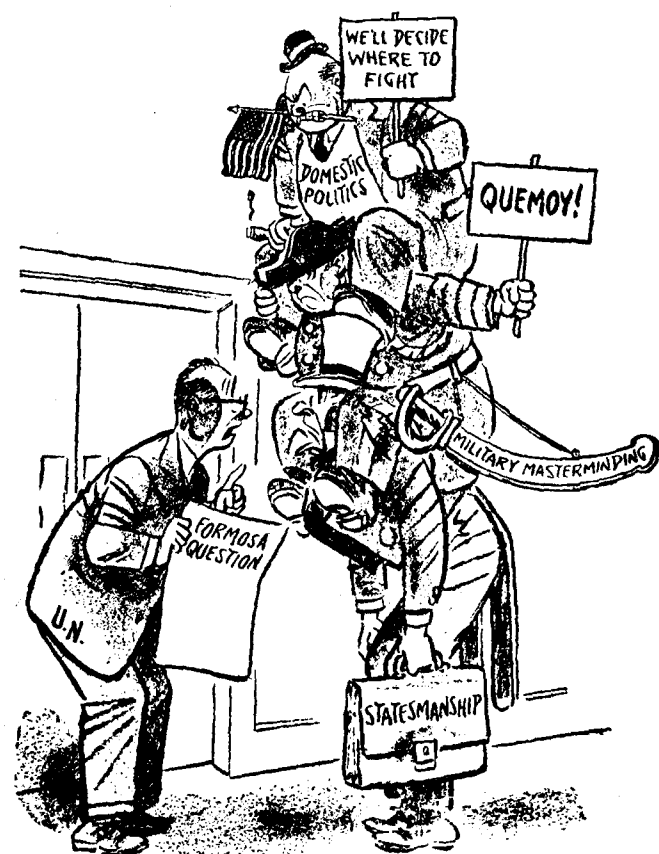
The reaction of American public opinion to a situation that might bring the country rapidly into war has been surprisingly slight. While trusting the President, people generally seem confused by the complicated manner in which the policy was launched, in three related stages.

First, there was the presidential message; although this emphasised the precision of the American commitment, which was intended to keep the Communists from drawing false conclusions from the abandonment of the Tachens and so blundering into war, the message yet remained vague

about American intentions in Quemoy and Matsu. It mentioned the United Nations favourably and referred to "positions and actions" that were "related" to an attack on Formosa that might involve an American military reaction.

Secondly, there was the official briefing of the congressional leaders and the press, which underplayed the role of the United Nations; it made it clear that, so long as the Communists were keeping up their propaganda for the forcible "liberation" of Formosa, Quemoy and Matsu would be "related positions" which the Americans would defend. It also strongly inferred that the United States might even strike first at mainland ports and jet airstrips if

"Could I See You Alone a Minute?"



Herblock in the Washington Post

preparations were obviously far advanced for an attack on the remaining offshore islands.

Thirdly, there was the extremely active canvassing, in advance of the message, of allied and neutral governments, emphasising the references to the United Nations, the exclusion of Matsu and Quemoy from the permanent American perimeter and the willingness of the United States to make concessions for the sake of a cease-fire, provided the Communists damped down their "hate campaign" against Formosa and refrained from molesting the coast-trailing Seventh Fleet during its delicate mission to the Tachens.

The wholehearted support of Senator Knowland, which was achieved by the tough talk in the private sessions, was needed not only to give the Communists the impression of national unity behind the President but also to induce General Chiang to agree to be rescued from the Tachens

without a specific guarantee for Matsu and Quemoy. To the Nationalists the offshore islands are much more invasion routes to the mainland than advance guards of their own defence; to give them up would symbolise the abandonment of any hope of return, something which the Nationalists, unlike Washington, are as yet very far from doing.

The greatest risk that is being taken, apart from the Tachen evacuation itself, is that the Chinese Communists may be set on involving the United States in an embarrassing war. In that case the President's message and its inspired interpretations are telling them that they need not go to the trouble and expense of an expedition against Formosa. Quemoy will do, provided the propaganda about Formosa is kept up, and the Americans might even be manoeuvred into striking the first blow on the mainland ports before the junks actually sail for the island.

On the other hand if it is possible, through London, Moscow or Delhi, to induce the Communists to negotiate, the Americans have shown by their advanced diplomatic preparations that they are much more ready than they were at Geneva to make creative use of the traditional differences in Far Eastern policy between them and their allies. Despite the boorishness of the initial Chinese response, the loosening up which President Eisenhower is trying to achieve in the Formosan situation may still provide an opportunity for a further experiment in the art of British negotiation from American strength.

Disjointed Chiefs of Staff

BY 394 votes to four, the House of Representatives voted this week to extend military conscription for a further four years. In the face of the Far Eastern crisis, the Senate is expected to follow suit rapidly. But the bare fact that voluntary enlistments will not suffice to maintain America's armed strength in the coming years is the only point on which all strategic planners and government agencies are in agreement. When it comes to determining the size of the armed forces, the relative strength of the different services or the role of new weapons, Congress, the Chiefs of Staff and President Eisenhower have different, and often contradictory, views. This great debate has been going on since 1949, when admirals clashed bitterly with airmen over their respective responsibilities in a future war. In the last few weeks, with President Eisenhower's decision to reduce the size of the army and with the developments around Formosa, fundamental disagreements have again become of urgent significance.

President Eisenhower, taking "the over-all responsibility that is borne by the Commander-in-Chief, and by him alone," has decided to cut the army by 140,000 men, reducing it to a total of 1,027,000 by July, 1956. The President based his decision on budgetary considerations, on an evaluation of new weapons and on the view that a long period of cold war called for a flexible reserve programme rather than a vast standing army. Testifying before the House Armed Services Committee, General Ridgway, the Army Chief of Staff, dissented strongly. In answer to congress-

AT NO EXTRA COST

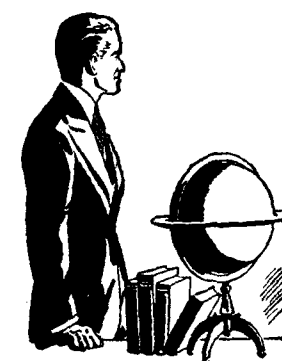
Fly to Bermuda

ON YOUR TRIP TO NEW YORK

At no extra cost you can fly to Bermuda, via any international airline, on your first class fare to New York.

So when business is over in New York, enjoy a holiday in Bermuda. You can travel light—buy clothes, even rent or buy sports equipment in Bermuda. Remember, you'll be in the sterling area. Bermuda is only three hours from New York, and there are frequent daily flights. Bermuda's sunny days, sandy beaches for loafing, sports and pleasant social life will do wonders for you.

For Complete Information See Your Travel Agent or
BERMUDA TRAVEL INFORMATION OFFICE
Regent House, 89 Kingsway, London, W.C.2



WORLD-WIDE
BANKING
NETWORK

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



THE HANOVER BANK

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

LONDON . . . { 7 Princes Street, E.C.2
15 Carlos Place, W. 1
NEW YORK . . . 70 Broadway

Econometrics points the way!

American economic activity for 1954
accurately predicted by means of
econometric models . . .

. . . models based on principles developed in

A TEXTBOOK OF ECONOMETRICS

by Lawrence R. Klein

Remember how, early in 1954, many economists and businessmen were jittery about a major slump in the American economy? From "severe recession" to "perhaps a depression". Predictions in many cases based on hunches, intuition, personal judgment. At the same time a forecast was made based entirely on econometric methods.* The one who made the forecast, Dr. Lawrence R. Klein, used as his tool econometric models developed in his *Textbook of Econometrics*—the first self-contained text on the subject. Now it can be told how, in the face of doubts from newspapers and other sources, Dr. Klein's forecast of a "mild downturn" was the one that proved correct. This accuracy points up once again the effectiveness of the truly scientific approach to forecasting the one that proved correct. This textbook, designed for both graduate and undergraduate courses in economics, made possible in *A Textbook of Econometrics*. This textbook, designed for both graduate and undergraduate courses in economics, shows how to build and measure relationships among economic variables and noneconomic factors which influence human behaviour. It covers econometric models of the economy as a whole and of individual sectors, and is unique in showing how to use time series, sample survey, and other cross section data for the treatment of econometric problems.

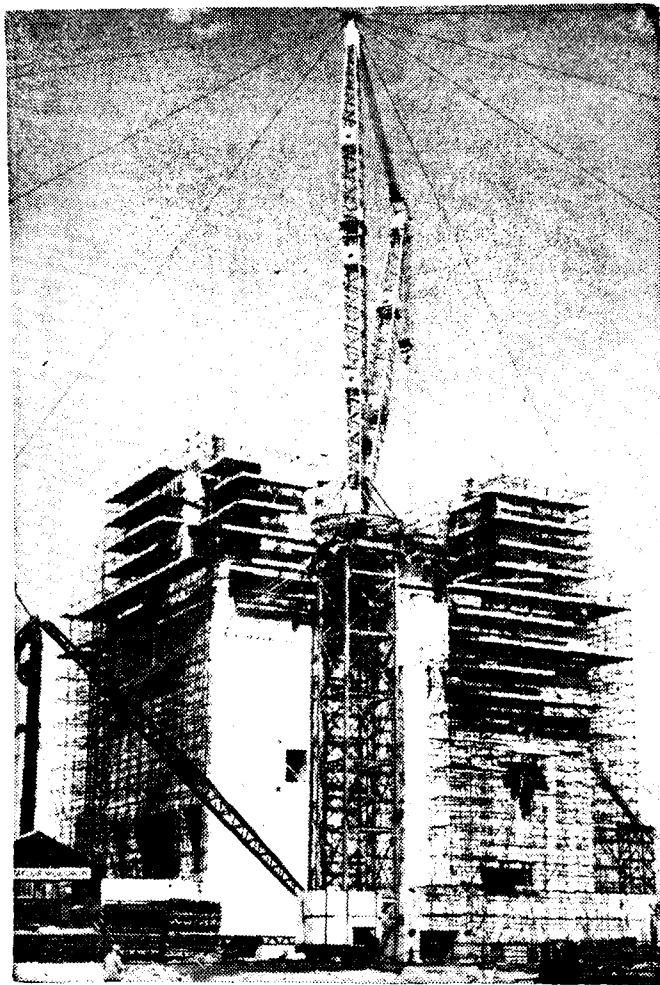
* See the January 7, 1954 issue of The Manchester Guardian Weekly.

Write for full information

EVANSTON
ILLINOIS
U.S.A.

Row, Peterson and Company

WHITE PLAINS
NEW YORK
U.S.A.



Photograph shows the huge concrete structure of one of the Thermal Reactors during construction

BRITAIN'S FIRST ATOMIC ELECTRICITY GENERATING STATION
The civil engineering and building work at Calder Hall is being carried out by Taylor Woodrow for the United Kingdom Atomic Energy Authority

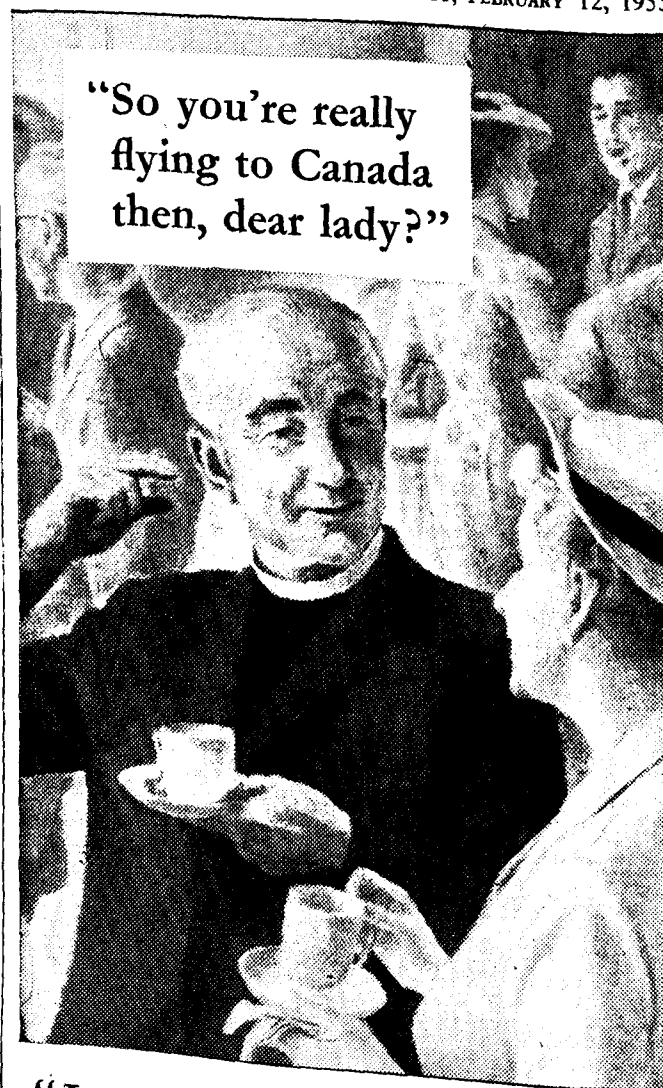
**'When we build,
let us think that
we build for ever'**

John Ruskin

TAYLOR WOODROW

Building and Civil Engineering Contractors
10 Park Street London W.1 GROsvenor 8871

From the very beginning of any scheme, clients and consultants will find that it pays—in terms of economy and speed—to call us into full collaboration



**"Just like the film stars, vicar.
By TCA Super Constellation,
the last word in luxury,
I'm told."**



Direct service to Montreal and Toronto
TCA Super Constellations offer the most frequent service from London and Glasgow overnight to Montreal and Toronto, with same-day TCA connections to take you across Canada and to major U.S. cities. Only by TCA can you travel from Britain to Canada in these magnificent Super Constellations in which you have the choice of either luxurious First Class or exceptionally comfortable Tourist accommodation.

TCA Viscount Services within Canada
Early in 1955 TCA are introducing the famous Viscount turbo-prop aircraft on selected inter-city routes. This service will soon be extended to some important U.S. cities as well.

FIRST CLASS
Fully-reclining Siesta Seats, superb cuisine, fine wines, attentive staff.

RETURN FARES*
London to Montreal £220.18.0.
London to Toronto £236.19.0.

TOURIST
Spacious cabins, specially-designed seats, complimentary meals.

RETURN FARES*
London to Montreal £149.1.0.
London to Toronto £162.13.0.
* Approved IATA off-season fares.

If you travel before the end of March you can get the benefit of TCA's low off-season fares. Your Travel Agent will tell you how much you save.

BEST TO CANADA



Ask your Travel Agent

TRANS-CANADA AIR LINES
ONE OF THE WORLD'S GREAT AIR LINES

Serving Europe, Canada, U.S.A., Bermuda, Nassau, the Caribbean and Mexico

sional questioning, he stated that the proposed cut would jeopardise the defensive position of the United States and not that nuclear weapons required more ground forces and not less. The President promptly retorted that General Ridgway's views and scope of command were "in a sense, parochial." Open disagreement between a top-ranking military figure and the President is, since the days of General Pershing, a recurrent feature in American politics, but it is paradoxical that it should be so wide at a time when the President is himself a former Army Chief of Staff.

During subsequent testimony, it became clear that President Eisenhower had prepared his military programme in consultation with his Director of the Budget and the Secretary of the Treasury, rather than with the Joint Chiefs of Staff. Owing to internal differences, the latter body has lost influence. Its chairman, Admiral Radford, has long advocated a much tougher military line towards Communist China, whereas General Ridgway has argued that all local wars are, ultimately, land wars and that the Army is not ready for one. Increasingly, President Eisenhower has had to make decisions in person and there is little doubt that Congress will accept his views after a period of heated debate. But at a time when America is staking so much of its prestige in the Far East, revelations of unpreparedness and indecision in Washington can be costly.

The Informer

ALTHOUGH he is only twenty-eight, Mr Harvey Matusow has led a busy life. He joined the Communist party in 1947 and began informing the Federal Bureau of Investigation on its activities in 1950. A year later he was expelled from the party and became a star witness before numerous congressional committees and government agencies. Altogether, he testified against about 180 persons and was instrumental in the conviction of a labour leader in Texas and of thirteen leading Communists in New York. At one time, he was attached to Senator McCarthy's staff. Last week, Mr Matusow entered the literary field. In a pre-publication conference about his forthcoming book, "False Witness," he declared that he had frequently given false testimony and that, in one instance, Senator McCarthy's celebrated assistant, Mr Roy Cohn, had coached him. He also charged the Senator himself with supplying information that both knew to be spurious. Mr Matusow admitted that he had been well paid for his work but thought that, on balance, his book would also earn well.

This whole shoddy business underlines the role of the professional informer in the work of Congress and the Department of Justice. It is distasteful but true that informers are a necessary part of any judicial machinery, but it is quite another matter when they become salaried and acclaimed adjuncts to the law. As Mr Matusow candidly admits, being an ex-Communist is a highly organised and profitable business in present-day America. In an atmosphere of suspicion, moreover, testimony of the kind he has manufactured is often accepted without adequate corroboration.

Mr Matusow has now been summoned before the Senate Internal Security subcommittee and the Department of

Justice is re-checking every case in which he gave evidence. The possibility that he is a double agent now working for the Communists to discredit the machinery of justice cannot be excluded completely. It does look, however, as if the reddest faces in the next few months are not going to be among accused leftists. One of the men whom Mr Matusow admits having lied about is Professor Owen Lattimore. This offered the Department of Justice a graceful and expedient excuse for dropping the perjury charges against Mr Lattimore that have been dragging on since 1951. Neglecting this opportunity, the department has announced that it will appeal against the latest dismissal of much of the indictment by Federal Judge Youngdhal. He has twice dismissed the indictment against Mr Lattimore because it failed to confront the accused with definable charges. If the matter ever comes to trial, Mr Matusow may display his latest version of a double somersault.

State of the Judiciary

THE Chief Justice, Mr Warren, was not responsible for the suggestion that the holder of his office should make a regular report to Congress, in person, on the State of the Judiciary, as the President does on the State of the Union. He has now, however, announced his willingness to co-operate if Congress passes the necessary resolution. But the removal of doubts about his attitude does not remove doubts about the resolution's fate; while it is sponsored by members of both parties, the opposition, strong even in the judiciary committees themselves, is also bipartisan. It would hardly be suitable to proceed with the resolution were it to involve the judiciary in an open dispute on the floor of the legislative chamber.

Indeed, one of the objections to the resolution is that it would bring the Chief Justice into the political limelight and would foster any presidential ambitions he might have. This suspicion is encouraged at the moment by Mr Warren's political past, although his friends insist that he has now no interest in a political future. The other objection to the resolution is that it would transgress the separation of powers; it is argued that if the founding fathers had wished to provide a bridge between the judiciary and the legislature, they would have built it into the Constitution, as they did the links between the executive and the legislature.

But the founding fathers would certainly not have approved the present congestion in the federal courts, so serious as to amount in some cities to a denial of justice. There were over 78,000 cases left pending on July 1, 1954, nearly as many as had been dealt with during the previous legal year. This scandalous situation could be brought home to Congress and to the public by a Message on the State of the Judiciary in a dramatic way that is impossible under the present system. Now the judiciary can explain its problems directly only to the congressional subcommittees responsible for providing funds for the courts—and always only too ready to cut them. In 1953 Congress authorised thirty new federal judgeships but appropriated funds to staff only fifteen new courts. Nevertheless lack of judges and legal clerks is not the only reason why in southern New York—admittedly the worst district—a period of almost four years

on an average elapses between the filing of a suit and a decision. This is one of the places where some judges treat themselves to annual holidays of three or four months; elsewhere there are worse examples of slackness. However, it should at least be possible to find more competent candidates for the federal bench if Congress raises judicial salaries, as it seems likely to do at this session, for the first time in nine years.

Banking Giants in the West

FROM A CORRESPONDENT IN CALIFORNIA

TRADITIONALLY, the United States has relied for its banking facilities on single units. National banking laws confine branch operations within state boundaries and most states impose restrictions on multi-office banking. Ten states, of which Illinois and Texas are the most important, forbid the establishment of any branches at all. The fear that branch banking on a large scale would allow huge monopolistic aggregations of capital has found expression in continuous opposition to branch banking by legislators and by many bankers.

Nevertheless, branch operations have continued to gain. Since 1910, the number of separate banking firms in the nation has dropped by one-half while the number of banking offices has kept pace with the growing population. In the last two years there has been a spreading rash of mergers between chains, of which the one proposed between the Chase and Manhattan Banks in New York is the most recent example. Large banking chains have also been swallowing up small single-office banks and converting them into branches and now many large single-office banks have begun to branch out in self-defence. In the year ended last June, the number of banking firms in the country declined by 83, compared with an average annual decrease of 41 in the preceding 13 years, while the number of branch offices increased by 450, compared with a previous average gain of 166 a year.

The recent rush to branch out is most pronounced in the Far West, where state-wide banking is permitted, and where the success of large-scale branch banking has been spectacular. In California, where the Bank of America has established the world's largest private financial institution on a branch-banking base, the trend is especially strong. Within the last year, every major bank in San Francisco has set about acquiring new branches—including several institutions which had formerly been vigorous critics of branch banking. The whole movement has been sparked by competition between two former affiliates, the Bank of America and the Transamerica Corporation.

This intense rivalry between the two Californian giants is ironic. Originally, the Transamerica Corporation was formed solely for the purpose of acquiring banks for integration into the Bank of America. The latter's founder, the late A. P. Giannini, had dreams of a private banking empire to span the world and Transamerica was to be its nucleus. When hostility from government agencies made

THE ECONOMIST, FEBRUARY 12, 1955

it seem prudent to arrange a formal separation between the two banks, Transamerica's holdings of Bank of America shares were distributed to its own shareholders so that a close community of interest continued.

In March, 1952, the Federal Reserve Board ordered Transamerica to sell all its holdings in 47 independent commercial banks in the Far West. This order, founded on the Clayton Anti-Trust Act, was set aside by the courts in November, 1953. In the midst of the Federal Reserve Board's proceedings against Transamerica, the Bank of America had bought 23 banks controlled by its affiliate, and the indignant Federal Reserve Board forced a temporary halt in the transactions. Once the suit was dropped, however, it was expected that Transamerica would stick to the original sale. Instead, it has retained the 23 banks and made them the core of its new First Western Bank and Trust Company.

The Bank of America, cloaked in outraged decency, has appealed to the emotions of shareholders by relating that the ruthless directors of Transamerica brushed aside a personal plea from Mrs Claire Giannini Hoffmann, the sole surviving child of Mr Giannini. But his mantle is actually being assumed by Mr Frank N. Belgrano, Jr, the aggressive head of Transamerica. He is a former commander of the American Legion and is obviously on the warpath for as many bank scalps as possible. Under his leadership, Transamerica seems to be pacing the nationwide drive for bigger and better bank chains.

In November, Transamerica consolidated all the California banks under its control—plus several newly-acquired ones—into a single statewide system. Although still dwarfed by the Bank of America's 458 branches and more than \$9 billion in assets, the new institution ranks as one of the twenty-five largest banks in the nation and is the only one besides the Bank of America with branches in both northern and southern California. Earlier, Transamerica had consolidated all of its smaller banks in Oregon into branches of its First National Bank of Portland, thereby launching a three-way race, with the Seattle First National Bank and the United States National Bank in Portland, to become the largest bank in the Pacific Northwest. Since then, all three have been buying and building new branches.

In California, single office banks are becoming a rarity. In 1954, their total number declined by more than 40, leaving only about 114 which have neither been absorbed by branch systems nor opened branch offices of their own. There are some 1,100 branch bank offices in California, more than in any other state and over one-sixth of the nation's total. Most of the state's small banks have had for open competitive bidding. It was acquired for a handsome price by the American Trust Company of San Francisco, whose officials frankly admit their chief concern was that Transamerica might swallow it instead.

In the past single-office banks in large cities have maintained "branch systems" of their own by forming correspondent relationships with a number of banks in other towns. The large bank provides its correspondents with advice and assistance on loans, investments and other management matters, and they in turn keep sizeable deposits in the large bank. Many of today's mergers are taking place

THE ECONOMIST, FEBRUARY 12, 1955

between correspondents, both because close ties have been formed and because formal absorption is the best way to insure against loss of valuable business to acquisitive rivals.

The spread of branch-banking is by no means without opposition. The wholesale failures of holding companies and banks in the late nineteen-twenties and early nineteen-thirties are still remembered. Proponents of smaller scale "community banking" maintain that massive branch institutions are not flexible enough to respond, responsibly, to local economic circumstances. But most independent bankers now realise that they will have to adapt themselves to the new era of multiple-office operation and so the remaining number of small independent banks dwindles.

The success of such pioneers of branch banking as the Bank of America has convinced many metropolitan bankers that branch operations are an inevitable consequence of the growth of the American population and economy. Urban congestion and the growth of suburbs demands the establishment of outlying offices where the public can conveniently deposit the reservoir of funds a bank must maintain in order to provide the large-scale loans and investments needed by booming industries.

Capitol Hill Irregulars

SINCE 1792, when a special committee was appointed to investigate the failure of an expedition against the Red Indians, members of Congress have always sought to combine the functions of Solon with those of Sherlock Holmes. The process of investigation into any aspect of national life, and of open hearings, is in fact an essential part of government in America. But even by the standards of a busy detective, the last Congress went too far. It "sniffed and snooped" to the tune of seven and one half million dollars and Senator McCarthy's techniques turned congressional hearings into a mixture of inquisition and soap opera. As the new chairman of the powerful Rules Committee, Representative Howard Smith of Virginia, has made clear, the Eighty-fourth Congress will be more careful about what it investigates and how it goes about it. The Rules Committee will turn down, for example, proposed investigations into "the actual amount of gold bullion at Fort Knox."

The most important fact-finding study approved so far is one proposed by Senator Fulbright, chairman of the Senate Banking and Currency Committee. Senator Fulbright wishes to find out more about the stock market, how it operates, who can determine its fluctuations and what its role is in the general business cycle. The Fulbright inquiry is being conducted in a tone of friendly diffidence and with every assurance that traditional congressional suspicions about Wall Street will not come into play. Nevertheless, it is difficult not to wonder at the disingenuousness of a committee which has sent stockbrokers a questionnaire asking: "To what extent do fluctuations in the stock market bring about changes in general business conditions?" When Senator Fulbright and his colleagues insist that they merely wish to "learn" about the market, there is no option but to take them at their word.

Another important line of investigation is being initiated

by Representative Celler of New York, chairman of the House Judiciary Committee. Representative Celler is interested in monopolies, price maintenance of every kind, fair-trade practices and the struggle of small business in the face of mergers. The fact that Wall Street and big business are among the first objects of congressional scrutiny illustrates neatly the change from a Republican to a Democratic Congress.

Welfare Funds in Trouble

AT the end of last month Mr David Beck, the head of the huge Teamsters' Union, recommended that a presidential commission should inquire into abuses of trade union welfare funds. In thus trying to take them out of politics, he was presumably attempting to delay the legislation that even he must now realise is becoming inevitable, and to stifle the adverse publicity that has done more harm to his union than to any other. The two big labour organisations, which this week seem at last to have decided on a merger, have both for some time been trying to deal with cases of misuse and mismanagement of welfare funds belonging to their member unions. The immediate danger, from the labour point of view, is that the many State Legislatures meeting this year may act while Congress is still investigating. The New York Legislature has already been recommended to require government supervision of all welfare funds and full publication of their financial details, and to regulate the commissions paid by insurance companies on such business. There is little that can be objected to in these proposals, but in other states legislation might follow lines less satisfactory to labour.

Neither of the interim reports recently issued by House and Senate committees pins the blame for the mishandling of welfare funds solely on the trade unions concerned; employers, insurance companies and their agents, and in some cases administrators of trust funds, are all given their share of responsibility. Few of the schemes examined were found completely well run. The ways in which they are set up vary widely: some cover whole industries, some (on which the investigators have so far been concentrating) only individual companies; they provide pensions and various other benefits, such as death and accident payments, to supplement the government's social security programme. Most of the schemes are financed entirely by employers, as part of their contract with their workers. The congressional reports criticise some employers for having left the management of the funds to the union and for failing to exercise their legal responsibility to protect the interests of the future recipients of the benefits. Insurance companies, and more especially insurance brokers, are also accused of having sometimes taken advantage of the inexperience of those in charge of the funds, while trade union officials are said to have made personal profits at the expense of their members' welfare.

The trouble arises because these funds have grown too fast for the necessary safeguards to keep up with them. Almost unheard-of ten years ago, the "fringe benefits" which they finance are now an accepted feature of wage

negotiations. Over 11 million workers are covered by these plans; estimates of accumulated reserves vary widely, but the figure of \$17 billion is frequently given and contributions from employers are now thought to be running at a rate of \$5 billion a year.

Conserving Oil at a Price

New York.

WHEN the temperature drops to zero, as it did in New York City last week, there is a compensating warmth deep in the heart of Texas. For to domestic petroleum producers, the first cold winter for several years means an increased demand for heating oil, and consequently an easing of the restrictions on the production of crude oil in Texas. These restrictions are enforced by the Texas Railroad Commission, which owes its powers over the state's oil and natural gas industry to the producers' desire to prevent a repetition of the wasteful and unprofitable overproduction of the Texas oilfields in the early nineteen-thirties.

It is the concern of the commission's engineers to ensure that the underground gas pressure, which lifts the oil to the surface, is properly conserved so that the maximum amount of petroleum is recovered from each field. This is done by controlling the spacing of wells; by determining the proportion of gas that may be produced along with the oil; by limiting the wasteful "flaring" of gas and forcing producers to re-cycle it underground to maintain pressures in the reservoir; and by setting maximum efficient production rates, that is, the highest rate at which a given field can produce without reducing the amount of oil ultimately to be recovered from it. Similar regulations apply to natural gas producers. As a conservation authority the commission deserves the highest praise. Its success in preventing waste is impaired only by its inability to force the many small producers found in each oil field to join together and develop their field more economically as a unit.

But the commission does not confine itself to the enforcement of good petroleum engineering practice. The Texas Legislature also gave it explicit authority, which was subsequently confirmed by a federal court, to adjust the output of crude oil in Texas to the market demand for it. Texas is responsible for over 40 per cent of all the crude petroleum produced in the United States, and the commission has not interpreted its powers narrowly. It adjusts Texas output, after allowing for expected imports and for production in other states, so that the supply of crude equals the demand for it, not only in Texas, but in the country as a whole. The adjustment is made by setting, at a monthly state-wide hearing concerning market demands, the "allowable" production for each field for the succeeding month, and then "pro-rating" the allowables between the individual wells.

Thus, however much the commission may justify its actions as the "avoidance of above-ground waste" and deny any intention of influencing prices, it is in effect, by matching supply with demand at existing prices, fixing the price of crude oil in the United States (and, while the Texas Gulf remains the basing point, affecting the price of petroleum products outside of the United States as well).

THE ECONOMIST, FEBRUARY 12, 1955

It is only when the commission occasionally fails in its objectives that the market can force a change in the price of Texas crude. The second significant result of the commission's activities is that the Texas producers, much to the annoyance and to the chagrin of the Texas State Treasury, bear the brunt of any cuts in petroleum production needed to offset a decline in demand, an increase in imports, or a rise in the output of other states. These have their conservation authorities, but there is no effective machinery to pro-rate cuts in domestic production between the various producing states. Consequently Texas, although the leading producer, actually produces less in proportion to its proven reserves of oil than do many other states. There is therefore strong pressure in Texas, especially from the smaller independent producers, for measures to control imports more strictly and to ensure that other states bear their share of the restrictions on output.

SHORTER NOTES

The Compulsory Testimony Act, passed by Congress last year to prevent witnesses from refusing to answer questions about Communism by claiming the protection of the Fifth Amendment against self-incrimination, has been invoked for the first time by the government. The Justice Department obtained from a federal court an order compelling a witness in an espionage inquiry to testify before a grand jury, with immunity from prosecution, or face imprisonment on charges of contempt of court. However, the witness has the alternative of appealing to the Supreme Court against the constitutionality of the Act.

The National Press Club in Washington, after taking a secret vote on a candidate for membership for the first time in its history, has elected its first Negro member, Mr Louis B. Lautier, a correspondent of the *Atlanta Daily World* and of the National Negro Press Association, by 377 votes to 281. Mr Lautier, who was proposed by Mr Drew Pearson and Mr Marquis Childs, already belongs to the congressional press galleries and the White House correspondents' association.

The process of bringing orange juice up to date has now come almost full circle and fresh orange juice is invading the market that it was thought had been cornered by the frozen concentrated product. This "new" discovery is taken from Florida in refrigerated lorries and distributed in cartons with the morning milk in places as far away as New York and Wisconsin. It is more expensive than the frozen variety, but the housewife does not have to open a tin and add water before she can serve the family breakfast. Fresh fruit, of course, would have to be squeezed and in any case is more expensive.

As part of the drive to induce Americans to take a greater interest in foreign trade, the Commerce Department has created an international trade fairs division which is planning to participate in at least twenty international trade exhibits in 1955, extending from Western Europe to the Near and Far East. This joint project of industry and government will put American representation at trade fairs on an organised basis for the first time.

THE ECONOMIST, FEBRUARY 12, 1955

The World Overseas

France Without Mendès

FROM OUR SPECIAL CORRESPONDENT IN PARIS

POLITICAL arithmetic has reasserted its rights. The Mendès-France experiment, begun in exceptional, quasi-miraculous circumstances last June, is over, at least for the moment. The sad merry-go-round restarts. Even if M. Pinay had managed to form a government, in spite of Socialist opposition and MRP reluctance, he was unlikely to last long. Well-known names are now again produced from the premiers' bag by the expert cabinet tipsters in Paris: René Mayer, Edgar Faure, Robert Schuman, and so on. Though a simple majority is now sufficient to form a new cabinet, governmental instability will probably be greater after M. Mendès-France's fall than it was before his advent to power. Will that be the only effect of his seven and a half months in office?

The ardent backers of the outgoing premier now speak of a return to the *ancien régime*; they echo Rimbaud's poignant outcry "*Société, tout est retabli.*" Yet how much did M. Mendès-France, in fact, change in French society? The paradox is that the man thought to be destined to regenerate France's economy won almost all his laurels on the battlefield of foreign affairs. Indeed, he only came to power after Diem Bien Phu when the country suddenly woke up to the war in Indo-China. Indignation at the débâcle in Indo-China, at France's indecision in the face of German rearmament, at the general *immobilisme* of the "rich man's government" of M. Laniel, created a mood that the Assembly could not ignore. The deputies, therefore, accepted a new man, whom many of them disliked and mistrusted. It is an open secret that M. Mendès-France was offered the job merely to prove that there was no alternative centre-left majority in the Assembly. In the exceptional circumstances he got the investiture.

At once he set to work at unwonted speed. Though his first success was a negative one, it gained him public support. For years successive French governments had not been able to make up their mind between war and peace in Indo-China; they wanted to win painlessly. M. Mendès-France brought back from Geneva "peace without dishonour." But his successful removal of the Indo-China honour gave the impression that he was the man to pre-empt a similar growth nearer France's heart. His triumphant visit to Tunisia, with Marshal Juin as a guarantor of his patriotism, raised hopes that French North Africa would be spared the fate of Indo-China. The indefatigable, fast-moving premier seemed to dominate the recalcitrant Assembly, which did not dare to oppose the wave of popular feeling he had engendered. Yet even at

the time it was argued in these columns that the diehard lobbies would not forgive M. Mendès-France his reformist zeal, that the scope for brilliant coups was narrowing and, above all, that he was approaching the worst pitfall that faces all French governments—German rearmament.

German rearmament thus claims yet another French government as its victim. M. Mendès-France, who at least decided to act, suffered the fate often reserved to conciliators: he antagonised both sides in the divided Assembly. The rejection of the EDC reinforced the antagonism of the MRP and other "Europeans"; the salvaging of the Paris agreements from its wreckage cost the government the sympathy of many opponents of German rearmament. It can be said that last week's defeat was, above all, the after-effect of the two European debates. To get his compromise project through, M. Mendès-France had to become a permanent envoy travelling between the western capitals, he had to wage deadly struggles in the Assembly, with little time left for other matters. For all his efforts, he hands over to his successors a weakling baby quite likely to die in its cradle.

Preoccupation with Germany and to a lesser extent with North Africa, a tougher nut to crack than it seemed at first, kept M. Mendès-France off what was claimed to be his real vocation—economic problems. In this domain it would probably be unfair to judge his plans by his achievements. His reforms for the beet and wine industries, his first steps on the road towards reconversion, were sufficient to provoke the wrath of powerful lobbies (which prefer to act before it is too late), but were certainly not enough to form the basis of a bold economic programme. It was symbolic that M. Edgar Faure, a relic of the Laniel government, was moved from the Ministry of Finance only a few days before the government's fall.

The move was heralded by many as the premier's return to his proper job, but there was no time for a test. The partisans of M. Mendès-France claim that, having prepared the men and the framework, he was ready to launch his programme, and if in the last stages he seemed to cling to power in a manner reminiscent of his predecessors, it was partly to get an opportunity to show his paces at home. The sceptics reply that in reality he had nothing up his sleeve or was wise enough to realise that since the French economy was outwardly improving, a surgeon succeeding a general practitioner would run into trouble.

It would have been preferable, however, to go down as France's potential economic saviour. However vital it may

be, a fair deal for North Africa is not the best rallying cry for the French home public, at least not yet. Will the country take M. Mendès-France on trust as the man who, given the necessary majority, will put France's internal affairs in order? Will the outgoing premier emerge from the next elections with the solid coalition on which he could never count in the present Chamber?

The answer will largely depend on the performance of his successors and it will not be an easy task to govern after so dashing a man. He raised great hopes in the country and caught the public's fancy as a man of action. Blunders by his successors may revive his great popularity. Besides, the majority which brought him down was at least as motley as the one which put him in power. The Socialists for one have made it plain that they will not back a right-wing government. The Christian Democrats (MRP) to whom one talks are worried at the prospect of their party being branded as thoroughly conservative. Leftism is now fashionable, but the ultra-conservative elements in a future coalition are unlikely to allow any such coalition to outbid M. Mendès-France as "progressive."

France now faces vital issues with an ungovernable Assembly. In Africa, to put it bluntly, the choice is between the Indian and the Indo-Chinese solution. In Europe the problem of Germany and that of negotiation with the Russians are still on the agenda. Important economic decisions will also have to be taken—in particular, the workers have been promised a review of their wages in April. Events in Russia may speed up the formation of a government, but almost everybody in Paris is sceptical about its future chances. Fresh antics are expected from this *chambre introuvable*. Will M. Mendès-France be the chief beneficiary? Frenchmen, M. Malraux has just remarked, are both anti-parliamentarian and anti-Caesarian. Can they remain both for ever?

Year of the Sheep in Japan

FROM OUR TOKYO CORRESPONDENT

THE bewildered Japanese voter, badgered on all sides by threats that this is the most important election since the war, must be pitted as he contemplates the confused and confusing democratic scene. He has the choice of two conservative parties—the Democrats and the Liberals—whose main preoccupation is an attempt to make their policies look different. Or he has the choice of two Socialist parties—the right and left wings—whose main preoccupation is to make their policies look the same.

The Democrats, riding high under the ailing but exuberant Mr Ichiro Hatoyama, caretaker Prime Minister, seem to have copied their foreign policy from the irreproachable credo of Moral Rearmament. Mr Hatoyama and his Foreign Minister, Mr Mamoru Shigemitsu—who is gnawed by continual doubts over whether he or the excessively articulate Mr Hatoyama is Foreign Minister—are emphatic in their laudable desire to be friends with all the world, and both appear to be satisfied that closer ties with the Chinese Communists and Soviet Russia will in no way impair their ties with Washington and the West—and *vice versa*.

Mr Taketora Ogata, uneasily leading the shaken Liberals

THE ECONOMIST, FEBRUARY 12, 1955

after the resignation of the embittered Mr Yoshida, seeks to deride the Democrats' trust in the Communists. But there is something hollow and forced about his warnings, and there is a vague but general mood of resentment and frustration in his dispirited party, which feels that it has been manoeuvred into a position of apparent opposition to friendship with Asia—which implies, of course, continued deference to Washington. As the dullest Liberal knows, this line will win no one any votes in Japan today.

Both the Liberals and the Democrats are in favour of rearmament, although the Democrats will bargain harder with the Americans, and are thinking more specifically in terms of rebuilding a heavy arms industry than of training infantrymen. Mr Hatoyama is also adroitly exploiting the former aloofness and personal unpopularity of the dogmatic Mr Yoshida by giving unprecedented radio and television chats, demanding economy in the public service and purity in political life, warning government officials against the dangers of playing golf and mah jong, or going to geisha houses with strange—or familiar—businessmen, and appealing, above all, to "the burning patriotism of the new and independent Japan."

Report to the Sun-Goddess

Mr Hatoyama's secretary has also explained urbanely that the Prime Minister is not now a practising Christian (although he still likes to sing Christian hymns to raise his spirits), after angry criticism by the Japan Bible Society and some ill-advised Socialist party leaders of Mr Hatoyama's shrewd revival of the pre-war practice of visiting the Grand Shrines of Ise to report to the Sun-Goddess the accession of his new government. The Socialist leaders complained that this action was a breach of the MacArthur Constitution; the Bible Society complained that it was a breach of the second commandment. To this, Mr Nobosuke Kishi, secretary-general and driving force of the Democratic party, is said to have responded, first, that the Constitution must be revised anyway, and, second, that Mr Hatoyama was observing the first commandment of practical politics: "Thou shalt get thyself elected." Certainly, Mr Hatoyama, in Japan's new mood, will lose no votes, but gain plenty, by reviving the old feudalistic pilgrimage to Ise.

The Socialists are muddling along with demands for repeal of the American security pact and conflicting and grotesque policies on rearmament; the left-wing wants no army at all, and the right-wing wants only a "sukoshi" or small, army, without, it would seem, any arms of any usefulness. The Left also wants to repeal the peace treaty with the West and sign a non-aggression pact with benevolent Peking. The last touch of fantasy in the whole election scene is that the more rabidly and openly anti-American the party, the greater and blinder its loyalty to the American-inspired Constitution. The Communist party, which is coming into the open again, threatens to fight in the streets to defend to the death the reforms of its pet aversion, General MacArthur.

Is it surprising then, in these circumstances, that approximately 20 per cent of the Japanese interviewed in the most recent poll of the earnest Asahi Shimbun could not answer the question, "What political party do you support?" And what, in fact, can be reasonably expected from this coming election—precipitated as it was in the most unworthy circumstances by the most cynical alliance of extreme right-

THE ECONOMIST, FEBRUARY 12, 1955

wing conservative and extreme left-wing socialists, united only in common detestation of Yoshida-san?

The Socialist blocs have agreed, in warm comradeship, to unite—no one yet knows how—after they have secured a theoretical election majority, which is most unlikely. They do not trust each other well enough to unite before the election. The Conservatives, for their part, have insisted stoutly that they will not unite in coalition even after the election, if either bloc lacks a democratic mandate to serve the people and the nation. This, of course, is dishonourable poppycock. One forecast is that the precarious and accessible Mr Ogata, the new Liberal "leader," may be acceptable as a stopgap prime minister of the combined Liberal-Democratic forces, so long as he will do what he is told by the Democrats, who command the vital financial support of the doubting and angry industrialists. The other possibility is so brazen that it is only being whispered behind fans in the deepest armchair recesses of the Industry Club in Tokyo: that the Socialists, wisely not wishing office at the moment, may expediently continue to support Mr Hatoyama so long as it suits them and while they try to forge a working agreement between new and more realistic leaders of their right and left wings.

As a scientific footnote, 1955 is under the ancient lunar calendar the Year of the Sheep in Japan—a period when apparently meek, but insidious and deceptive minds prevail, to the benefit, in theory, of docile, unthinking, but blindly loyal flocks. Next year is the Year of the Monkey, when the crafty and powerful take command, exploiting the advantages which the disarmingly mild sheep have prepared for them.

Budget for Khrushchev

THE toughening of the Soviet line found its first concrete economic expression in the budget presented by Mr Arseni Zverev, the Finance Minister, to the Supreme Soviet last week. Not only did he announce a 12 per cent increase in direct military expenditure, but he also revealed a substantial shift in investment from light to heavy industry. This obviously was not Russia's last word; if the Kremlin takes the ratification of the Paris agreements as a real challenge it can carry the switch much further than that. On the other hand, the budget already marked a clear victory for the tougher group in the "heavy versus light industry" controversy. On the face of it, this was merely an ideological dispute in which the orthodox Marxists asserted the theoretical truth that progress with consumer goods can only be achieved by a rapid increase in the output of capital goods. Yet there was more to it than this theoretical struggle. Khrushchev's insistence on "the indestructible defensive strength of the country" and his call for a return to policies followed under Stalin, the "faithful continuator" of Lenin, revealed that the struggle was really over Russia's basic strategy at home and abroad. After the dramatic changes in Moscow the new premier, Marshal Bulganin, announced a higher industrial target for the five-year-plan ending this year; the increment is to be due mainly to heavy industry. He also revealed that a new plan—for 1956-60—will be proclaimed within the year. This should show the extent of the switch.

In the budget, as finally accepted, revenue for 1955 is estimated at 590.2 billion roubles against an expenditure of 563.5 billion roubles, leaving a surplus of 26.7 billion roubles. The rising surplus is not the only element of "austerity" as compared with the previous year. The semi-compulsory state loans, used to mop up surplus purchasing power, were halved after Stalin's death; they are now being restored to their previous position. The revenue from the chief source—the turnover tax levied mainly on consumer goods—is almost unchanged, so that the planned increase in the level of consumption cannot be estimated until Moscow has announced its annual price reduction. The biggest rise in revenue is expected from the tax on the profits of state enterprises, which now accounts for nearly one-fifth of the total. It is on higher productivity and lower costs that the planners rely to balance their accounts.

Estimated expenditure for the current year is slightly higher than last year's actual expenditure, though roughly the same as the original estimates. Since not only defence but all the other specified items are being increased, the necessary funds must be obtained by a switch from the unknown "other expenditure." The slight cut in the cost of the administration is certainly insufficient to account for this reshuffle.

Grants to national defence now absorb nearly two-fifths of total expenditure, and most of it goes to heavy industry. There is renewed emphasis on fuel and power, metallurgy and the other branches, both in budgetary and extra-budgetary financing. Total allocations to heavy industry

SOVIET BUDGET
(Billion roubles)

	1954 (est.)	Per cent	1954 (actual)	Per cent	1955 (est.)	Per cent
REVENUE						
Turnover tax	234.4	40.9	...	...	233.0	39.5
Profits tax	92.8	16.2	...	...	117.5	19.9
Direct taxes	45.7	8.0	...	...	48.4	8.2
State loans	16.4	2.9	...	...	30.5	5.2
Other	183.2	32.0	...	...	160.4	27.2
Total	572.5	100.0	557.5	100.0	590.2*	100.0
EXPENDITURE						
Grants to national economy	216.3	38.4	215.4	38.6	222.4	39.5
Social and cultural services	141.3	25.1	141.9	25.7	146.9	26.1
Defence	100.3	17.8	...	...	112.1	19.9
Administration and justice	104.9	18.6	...	...	122.6	22.2
Other	...	...	...	...	69.5	12.3
Total	562.8	100.0	552.8	100.0	563.5*	100.0

* Revised.

are being stepped up from 133.2 billion roubles last year to 163 billion roubles (101.2 billion from the budget and 62.4 from self-financing); the funds for light and food industries, on the other hand, are reduced from 36.6 to 26 billion roubles. Financial aid to agriculture is also apparently being reduced from 74 billion roubles to about 65 billion. This may seem paradoxical in view of Mr Khrushchev's intense publicity on the need for agricultural development. Finances in this field are so complicated, however, that it is safer to draw no firm conclusion from this reduction.

Social and cultural services, it is claimed, continue to take over a quarter of total expenditure, and nearly half of this

amount is earmarked for education. Thus, on the face of it, welfare expenditure is not yet squeezed out by the pincers of defence and heavy industry. Once again the funds seem to be found through a cut in the mystery items of the budget. Should one, therefore, attach much real importance to the climb in open defence expenditure? It is known that not all military expenditure is included under this item in the budget and the Russians have thus a good deal of room for manipulation. At the same time, taken in conjunction with the new stress on heavy industry, this Soviet warning cannot be dismissed as mere bluff.

Things should be kept in proportion. This is a quickening of the Red Army's step, not its supreme effort. True, the present defence estimates are higher than actual expenditure ever was in peace time. Yet even in absolute terms the outlay is only slightly greater than in the year of Stalin's death. Each year, however, Soviet national income is growing, and with it grows the budget, so that the relative share of the arms bill is still less than in all recent years except the last. The table below shows that, when Moscow considered itself on the eve of war in 1940, it managed to cut for defence nearly one third of a much smaller national cake.

SOVIET DEFENCE EXPENDITURE

	Percentage	Billion Roubles
1932	3.4	1.3
1940	32.5	56.7
1950	20.1	82.9
1952	23.6	108.6
1953 (estimate)	20.8	110.2
1954 (estimate)	17.8	100.3
1955 (estimate)	19.9	112.1

The real brakes on the Soviet arms drive are political rather than economic—they are the promises made to the consumer by the post-Stalin regime, promises which it may be difficult to ignore. There is Khrushchev's agricultural programme intended to step up the supply of foodstuffs and raw materials, which, though scaled down, will need quite a lot of investment. There are the industrial consumer goods which cannot be supplied at the rate originally promised but which cannot be neglected altogether. The memory of the pledges made to the Soviet peoples in 1953 cannot easily be exorcised, and a complete return to the Stalinist pattern of production would not be an easy task. This is the dilemma of the new masters.

Education for the African

NO recent action of the South African government has aroused more indignation than the passing last year of the Bantu Education Act. Already the first step towards transferring the control of African education to the government's Native Affairs Department has been taken. Mr Strydom's government is proceeding deliberately and systematically to remove ultimately the church missionary societies from their historic role in African education in the Union. It is no wonder, therefore, that the churches—in particular the Anglican church—have reacted most

THE ECONOMIST, FEBRUARY 12, 1955

strenuously. But before passing judgment it is only fair to examine the facts objectively.

There are in South Africa about 900,000 African children attending schools. The great majority of them, however, do not go beyond the second standard, by which time they can have scarcely mastered the "three r's." Until now most of the African schools have been owned and controlled by a number of separate denominational church missions. It is estimated that 4,500 mission schools employing 12,000 teachers were educating 500,000 children. The church missions played an integral role in the Union's education system until the passing of the Bantu Education Act. The government paid a subsidy equal to 100 per cent of teachers' salaries plus a substantial proportion of the cost of school equipment. This partnership has worked satisfactorily, but successive governments, advised by a string of reports, have been persuaded that it was outdated. In 1939 General Smuts's government had a Bill ready which would have transferred control over African education to the central government, but the war halted its progress. The measure of Dr Verwoerd, Minister of Native Affairs, is not therefore in principle a new departure. Moreover, it was based on the findings of the Eiselen Report of 1951, which, though its conclusions were disputed, is recognised to be the result of a sincere and thorough investigation.

Arbitrary Methods

Less, however, can be said in defence of Dr Verwoerd's methods. The churches were notified that, as from April 1, 1955, their state subsidy would be cut from 100 to 75 per cent. Furthermore they were required to declare themselves in favour of one of five alternatives open to them: first, to turn their schools into private schools financed entirely out of their own funds; second, to transfer their schools against compensation to the state or to lease their premises to the state; third, to transfer control over their schools but to retain control over their hostels; fourth, to carry on as they are but with reduced financial aid from the state, following a syllabus laid down by the state; and fifth, to close down.

Since few of the churches could afford to run their schools entirely out of their own funds, the alternatives were in fact to co-operate with the government in keeping the schools open or to close down. The Catholic Church is attempting to run its schools entirely at its own cost; some, notably the seventeen schools under the diocese of Johannesburg, have been closed down; but the majority are co-operating to the extent of either selling or leasing their property to the government and carrying on with the aid of the reduced subsidy. By gradual steps, however, the subsidy will be reduced until finally the government will have full control over all African schools. The churches undoubtedly have a grievance arising from the arbitrary termination of their education activities. But the substitution of state for church control is not directly an argument against the wisdom of the government's African education policy. Moreover the government plans to give the Africans themselves more say in the running of the schools, although it is rather late in the day to expect willing co-operation from them.

The problem of African education in the Union is so great—there are nearly 9 million Africans, only a small fraction

THE ECONOMIST, FEBRUARY 12, 1955



The Happiest Days of Their Lives

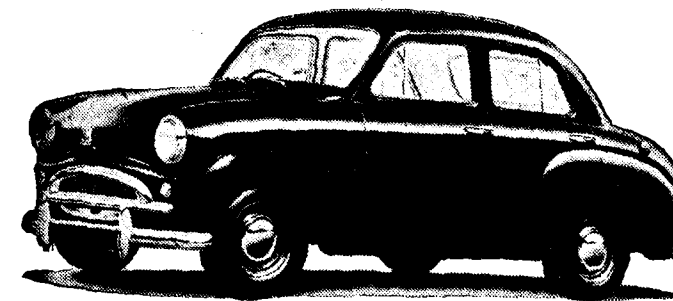
Picnics in the country... lazy hours by the river... sunlight sparkling on a cobalt blue sea... the moorland aflame with gorse... glorious, memorable moments to be recaptured when the summer days come round again, thanks to their Standard Ten. Winter or summer, on business or for pleasure it is ready to take them there and back, smoothly, speedily, economically.

- ★ 4 forward hinged, fully opening doors ★ 4 cylinder, 948 c.c. engine
- ★ 40/50 miles per gallon ★ Maximum speed 68 miles per hour
- ★ Girling hydraulic brakes ★ Triplex toughened glass
- ★ Spacious luggage boot with separate compartment for spare wheel
- ★ Adjustable front seats ★ Steel panelled body, rustproofed by Bonderixing process and fully dustproofed.

Price £409 (P.T. £171.10.10)

THE STANDARD TEN

Designed for
Happy Family
Motoring



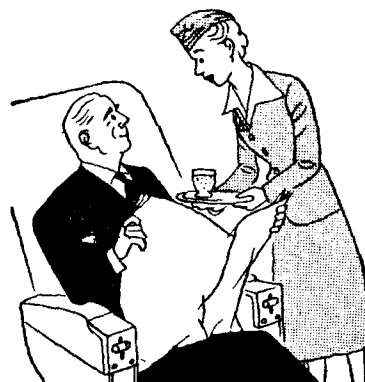
THE STANDARD MOTOR CO. LTD., COVENTRY, ENGLAND London Showrooms: 15-17 Berkeley Sq., W.1. Tel: Gro. 8181
STANDARD CARS · TRIUMPH CARS · STANDARD COMMERCIAL VEHICLES · STANDARD DIESEL ENGINES · FERGUSON TRACTORS

"Yes Sir! You can now fly TWA to USA at reduced Thrift Season fares ..."

TRAVEL AGENT



"You enjoy the same superb
TWA service all
the way ... on the ground ..."



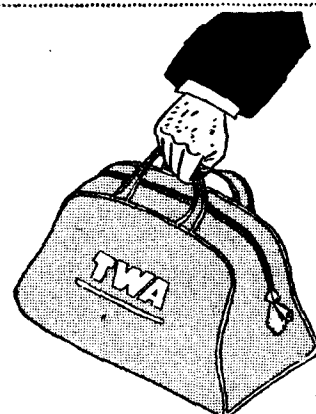
... and in the air, with the
same comfort and
individual attention ...



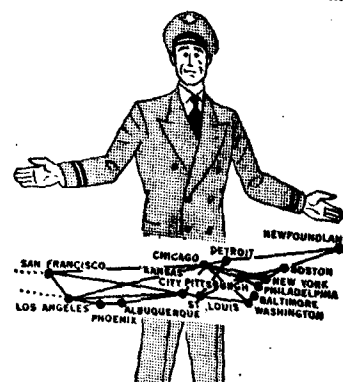
... but on your next trip to
America and back
when you fly TWA ...



... you'll be making the
worth-while saving
of £28 ...



... nearly £35 if you fly by
the thrifty TWA
Sky Tourist service ...



... TWA can fly you on to
any one of 60 major cities
inside America, too."

Now is the time to plan your trip to the U.S.A. TWA Thrift Season reduced fares are in operation until the end of March. Reductions apply to all TWA transatlantic services.

London to New York (RETURN FARES)	On Season (APR-OCT)	Thrift Season (NOV-MAR)	Saving
First Class	£257. 5.0	£228.12.0	£28.13.0
Sky Tourist	£186. 9.0	£151.16.0	£34.13.0

To dollar earners—TWA is the only airline flying from Europe which also serves 60 major U.S. cities in the principal markets of America. TWA knows America. Their specialised knowledge can be of assistance to you.

3 MILLION PEOPLE A YEAR

FLY TWA

TRANS WORLD AIRLINES
U.S.A. • EUROPE • AFRICA • ASIA

See your Travel Agent or 'phone TWA:
Trans World Airlines,
200 Piccadilly, W.1. TRAfalgar 1234.
TWA Manchester: BLAckfriars 4649.



of whom receive any kind of education—that it is difficult to resist the conclusion that only the state has the financial and administrative means to solve it. On the other hand it is a damaging criticism of the government's policy that it has deliberately chosen to exclude the churches altogether when it would have been quite possible to continue the long-standing partnership between churches and state, while working gradually towards greater state participation as educational facilities for the Africans are made more general. Furthermore, it is doubtful whether the Minister of Native Affairs has correctly judged the extra strain that the huge responsibility of African education will impose on his department. Finally there is the matter of timing. No one knowing the government's *apartheid* intentions and seeing the simultaneous development of this policy in other directions will be persuaded that the Bantu Education Act is not part and parcel of the same policy, as indeed it is. A more discreet man than Dr Verwoerd would have postponed his plans until a more favourable climate existed.

Teaching Them Their Place

But the Nationalist government has not tried to hide the fact that the new law fits neatly into its wider conceptions of *apartheid*. Dr Verwoerd, defending his policy in parliament, said quite bluntly that the purpose of the new educational policy was to teach the Africans that equality "was not for them." But he has not discovered the means of halting the thirst for knowledge and education once that taste has been cultivated. Moreover, the government has no intention—at least not so far—of putting an upward limit on African educational advancement. The present measures aim at giving a minimum of four years' basic education; they give the individual African no less than he gets at present, and they will give more African children the opportunity of having some education. Those with the desire and the ability will be able to go on to higher standards, and a few will go on to university as at present. For this reason it is not easy to agree with Bishop Reeves, Anglican Bishop of Johannesburg, who, because he feels morally bound to reject the government's proposals root and branch, has decided to close his schools, thus depriving African children of educational opportunities.

The financial side of the Bantu education policy has also drawn criticism. Under the new arrangement the central exchequer will provide a fixed sum of £6.5 million annually for African education. To this will be added four-fifths of the product of the African poll tax together with certain hut taxes. The present yield of these taxes is about £2.5 million; there should therefore be at least £8.5 million available for African education. The amount spent on education per head of African population in South Africa is substantially greater than in other African territories, including the British colonies; but so it should be in an economically well advanced country. The present government contribution, financed almost wholly from the purses of the white taxpayers, is not ungenerous.

Many aspects of the South African government's African education policy deserve nothing but censure. The principle of *apartheid* that underlies it is offensive to all people of a liberal mind. But there is a danger that in their anger even the best-intentioned people might forget whose interests they are trying to serve. In this case it is that of the African himself. Will he get an inferior education compared with what he previously had? It is certainly possible

that lower standards will be forced upon the African schools, though it must be admitted that the first syllabus prepared by the Department of Native Affairs does not bear this out. On the other hand, however, it seems fair to say that a rapid expansion of the number of school places available to Africans is likely to result from the government's action. And the Minister, in accepting full responsibility for African education, will have to bear the brunt of criticism of any shortcomings.

Costa Rican Post-Mortem

FROM A CORRESPONDENT IN CENTRAL AMERICA

ALTHOUGH the revolt against the government of President José Figueres of Costa Rica last month was successfully suppressed, it left several unsolved problems behind it; and the renewed outbreak of fighting last week-end showed that the situation along the Costa Rican-Nicaraguan frontier is not yet stable.

A day before the invasion and revolt, Costa Rica had alleged to the Organisation of American States that an invasion was being planned and organised in Nicaragua, with the co-operation of Venezuela. An OAS investigating commission came hastily to San José to investigate. From the evidence it obtained from captured rebel materials and from the interrogation of prisoners, it now appears that more than one member of the OAS may have been involved in the attempted overthrow of President Figueres's regime by his political opponents. And Central America's political intrigues being what they are, many observers agree that the OAS will have to ponder Costa Rica's charges long and hard before deciding whether only Nicaragua was involved in a violation of the Rio mutual defence pact.

The evidence dug up by foreign correspondents suggests that the Costa Rican rebels had not been training for only two or three months in Nicaragua. Some prisoners stated that they had been enlisted and had received training in military tactics under the direction of a Guatemalan major in Guatemala; others testified that they had been trained in groups in Honduras. There was evidence to indicate that some had spent a considerable time in El Salvador; while others stated that they had seen both Venezuelan and Dominican Republic army and air force officers conferring with the rebel leaders. Moreover, some of the captured rebel weapons undoubtedly came from Guatemala.

It looks as if two basic facts saved President Figueres from being overthrown last month. One was the prompt action by the United States in sending fighter aircraft to Costa Rica which gave the government forces air superiority. The other was the fact that a general armed uprising against President Figueres did not take place within Costa Rica. This cannot necessarily be interpreted as meaning that most of the Costa Ricans are in favour of the Figueres regime, but it does suggest that the rebels had failed to prepare the ground and stir up internal opposition forces through prior planning and propaganda.

As far as the United States is concerned, the State Department obviously threw its weight entirely behind the Figueres regime, although it was careful to use the OAS as

a shield in order to avoid Latin American criticism of unilateral "intervention." This stand on behalf of the democratically elected Figueres administration has been greeted with approval by several liberal Latin American governments such as Chile, Ecuador and Uruguay. But whether or not the OAS, in its formal report, alleges that other states besides Nicaragua were involved in the invasion of Costa Rica, it is fairly clear that more than one of Costa Rica's neighbours was in fact aware of the revolutionary plot and did nothing either to betray it or to hinder it. The Americans, therefore, find themselves in what may be a rather awkward situation; in their effort to maintain a democratic government in power in Costa Rica, they may have severely strained and weakened the reasonably united support of the Latin American bloc in the United Nations as well as the support they have enjoyed in the Organisation of American States.

Problems for the High Authority

THE second anniversary of the opening of the common market for coal, last Thursday, was also the date on which M. Monnet's term of office as president of the High Authority should have ended. But one of the by-products of the fall of M. Mendès-France has been to delay the appointment of a new French member of the High Authority. M. Ramadier (Socialist) had been put forward by the Mendès-France government, but whether he will still be the candidate of the new French government remains to be seen. M. Monnet will continue until his successor is appointed so that there will not be an interregnum; but continued uncertainty about the future is bound to affect the efficiency of the organisation.

And the problems continue to roll in. Two recent developments illustrate the complexity of the problems and the diversity of the pressures to which the Community and particularly the High Authority are subject. The first was the request of the German mine-owners for an increase in the price of coal, which was quickly followed by a strong recommendation from Dr Erhard, the German Minister of Economics, that the High Authority should not authorise a price increase. It is a measure of the change that two years of the common market have brought, that both sides to a dispute which would formerly have been a matter for internal national decision now appeal to the High Authority.

The second development was the lengthy discussion recently concluded by Gatt on the Community's annual report to the Contracting Parties. This report is required by the terms of the waiver granted by Gatt to the member countries of the Community in November, 1952, to enable them to eliminate tariffs on coal and steel products among themselves without having to extend these concessions to the other members of Gatt. Although it concludes that the Community had not infringed the terms of the waiver, the Gatt appraisal reflects the views of a number of Gatt countries, particularly the Scandinavians, that the interests of third countries have been ignored by the High Authority and the Community countries contrary, at the least, to the spirit of both the waiver and the Schuman plan treaty. The basic complaint was that export prices fixed by the Brussels

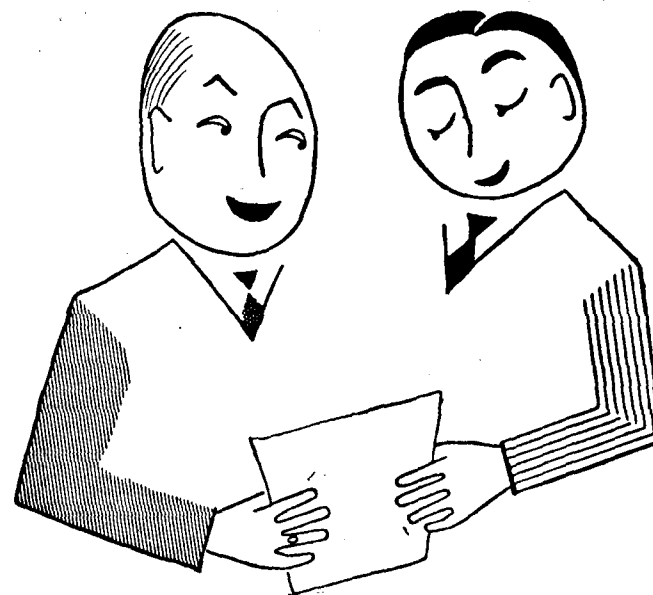
steel export cartel, of which all the Community countries are members, were too high and that manufacturing industries in the principal steel importing countries were having to pay prices for steel that were far out of line with those paid by their competitors within the Community. At the time the original waiver was granted a number of countries were worried lest the formation of the Community would lead to a worsening in their own positions and, accordingly, one of the "considerations" included in the preamble of the formal waiver was "that the Community has undertaken to take account of the interests of third countries both as consumers and as suppliers of coal and steel products, to further the development of international trade, and to ensure that equitable prices are charged by its producers on markets outside the Community."

In the recent discussions in Geneva there appears to have been considerable difference of opinion on the scope and legal effect of the general undertakings in the preamble, and in particular sharp disagreement on what is meant by an "equitable" price, a concept which occurs in the treaty as well as the waiver. The consuming countries claimed that the test should be a comparison of export prices with prices within the Community; the High Authority spokesman on the other hand felt that the important relationship was between the prices charged by Community exporters and other exporters. To this the consuming countries replied, with considerable justification, that the steel exports of the countries of the Community are so large a proportion of the total that they tend to set, rather than to follow, other prices, particularly in Western Europe.

Criticism from Gatt

The discussion was also complicated by differences of view (which have existed for a long time both within and outside the Community) as to the competence of the High Authority to take action against the export cartel. The treaty is clear that the High Authority has jurisdiction if the export cartel has a disturbing influence on competition within the Community and it also authorises the High Authority, after consultation with governments and enterprises, to fix maximum prices in order to ensure that equitable limits are observed in prices charged on external markets. What is less clear is how far beyond a narrow interpretation of these two provisions other language in the Treaty permits or requires the High Authority to go.

Although both the waiver and the Coal-Steel treaty give plenty of room for differences of interpretation and for the most intricate kind of somewhat unreal argument, the Gatt review emphasised more forcefully than has yet been done the fact that the Community, and in particular the High Authority, have constantly to test their actions by their results on the countries outside the Community as well as by the standard of whether they strengthen or weaken the common market. Legal quibbles aside, it is clear that Gatt granted its waiver with some misgivings but a great deal of hope that the six countries would steer clear of the temptation to use their new unity to the disadvantage of their neighbours. And the six countries who make up the Community encouraged the other Gatt countries in the belief that the economic advantages which the common market is designed to bring in its train would not be exclusive in their effect, but would enable the countries of the Community to contribute more effectively to a general improvement in the wider European community.



"Now we know all the answers"

commented the Chairman.

'I get them with our Powers-Samas machines' purred the Chief Accountant.

'These digests would have taken weeks by hand. With punched cards we produce them in a matter of hours.'

"Very contemporary" approved the Chairman. "What a pleasure to know what's happening while a campaign is still going on instead of when it's over. Electronic methods no doubt?"

'Yes. Powers-Samas is the most up-to-date system of keeping business up-to-date, with the latest electronic developments where they are most useful.'

There is a range of Powers-Samas punched card equipment for every type of application.

Office Efficiency: Powers-Samas supply a complete range of the latest office furniture. Write for illustrated catalogue.

POWERS-SAMAS

*Powers-Samas Accounting Machines (Sales) Limited,
Powers-Samas House, Holborn Bars, London, E.C.1.*



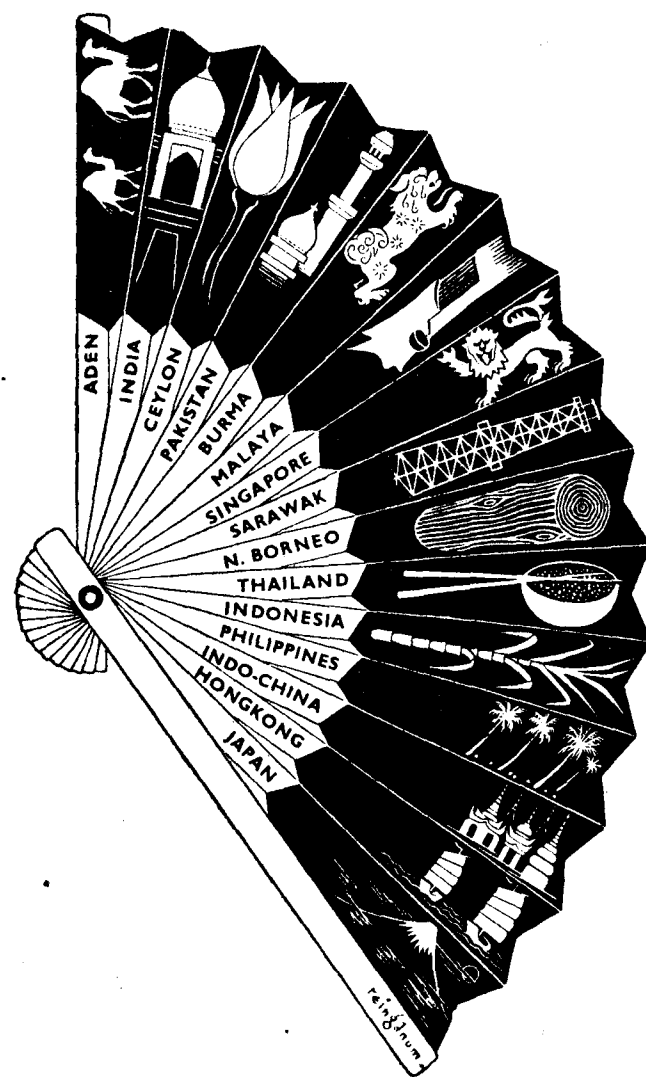
Pastures Green

GRASSLAND is one of Britain's greatest national resources, for grass is the natural food of cattle and sheep, and upon its abundance and quality depends the production of more meat and milk. To-day—in a world seriously short of these things—the improvement and development of grassland is recognised as the foundation of our agricultural expansion. It has not always been so, and it is largely due to the vision and patient researches of a few pioneers that the essential knowledge and techniques are now available to the British farmer. I.C.I. was among the first to apply scientific methods to the many problems connected with growing grass, raising its nutritional value and ensuring that the most efficient use is made of it. As long ago as 1928, an I.C.I. experimental farm was established at Jealott's Hill in Berkshire where practical research in grassland management was undertaken.

The benefits of this and other work have been far-reaching—from the development of new methods for controlling the grazing of cattle to the production of improved fertilisers. I.C.I.'s "Nitro-Chalk" for example, has shown remarkable results as a grassland fertiliser. Its use not only raises the food value of grass, but makes it grow more abundantly and for a longer period, thus extending the grazing season and helping to save imports of cattle feeding-stuffs. Another I.C.I. development is the drying of grass by machines, a method which makes it possible to preserve its full nutritive value almost indefinitely. I.C.I. is still pioneering, and the new knowledge of grassland problems that it is gaining will help the British farmer to produce still more from British acres.

Imperial Chemical Industries Limited





Spanning the East

Branches of The Chartered Bank of India, Australia and China under British management directed from London are established in most centres of commercial importance throughout Southern and South Eastern Asia and the Far East. At all these branches a complete banking service is available and, in particular, facilities are provided for the financing of international trade in co-operation with the Bank's offices in London, Manchester and Liverpool, its agencies in New York and Hamburg and a world-wide range of banking correspondents.

In London and Singapore the Bank is prepared to act as executor or trustee.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

(Incorporated by Royal Charter, 1853)

Head Office: 38 Bishopsgate, London, E.C.2



Finance for Industry and Commerce

ICFC provides finance in the form of long-term loans on fixed terms, or share capital, to industrial or commercial enterprises established in Great Britain. Amounts range normally between £5,000 and £200,000.

The Corporation is ready to consider applications for capital to purchase additional buildings, plant and machinery, or to provide increased working capital to further the expansion of business. Consideration will also be given to new ventures which are soundly conceived and adequately sponsored.

Please ask for our new booklet—"Capital for Business and Where to Find it".

INDUSTRIAL AND COMMERCIAL FINANCE CORPORATION LIMITED

Subscribers: *The English & Scottish Banks.*

HEAD OFFICE:
7, DRAPERS' GARDENS, LONDON, E.C.2
Tel: NATIONAL 8621/5

BRANCHES:
BIRMINGHAM—214, HAGLEY ROAD. Edgbaston 4181
MANCHESTER—73, WHITWORTH ST. Central 5429
EDINBURGH—33, CHARLOTTE SQ. Edinburgh 30212

THE BUSINESS WORLD

Slow: Road Works Ahead

THE roads that have captured a major share of Britain's movement of people and goods during the last 40 years are at least as decrepit as the railways that have yielded their primacy. Modernisation of the railways would make nonsense without also beginning the job of giving this country roads fit for the second half of the twentieth century: and the Government has to guarantee much of the capital for the one task, and provide all of it for the other. The new programme of road development announced in somewhat vague detail last week, therefore, needs first to be considered in perspective as part of total investment in British transport.

That net total, since the war, tells of disinvestment, not investment. On a realistic measure of depreciation and replacement, capital expenditure on British transport as a whole has been much less than sufficient to maintain the system intact. The accompanying table contains estimates of real capital expenditure on the transport system, and of the net value of the system at the end of 1938 and of 1953, derived from Mr Philip Redfern's recent paper to the Royal Statistical Society on "Net Investment in Fixed Assets in the United Kingdom, 1938-53."* By Mr Redfern's measure, only in commercial vehicles and air transport was there any net investment in inland transport between 1938 and 1953, i.e., any growth in the written-down value of transport assets. This does not imply a reduction in physical numbers of vehicles or in the length of roadways or track. It means that the average age of these surviving transport assets is much greater than before the war—that they are older and more obsolescent to carry their heavier burden of traffic.

* The investment shown in private cars is based upon estimates of total spending by private and business owners, not upon business spending alone, as in Mr Redfern's original paper

As Mr Butler pointed out last week, the major road improvement and construction that the Government intends to begin by early 1959—about £200 million worth—should perhaps properly be compared with the £200 million that the Transport Commission aims to spend on railway track by 1970. The total railway investment of £1,200 million at 1953 prices, or £80 million a year gross, might be compared with the £280 million gross invested in road transport, commercial and private, in 1953. But pitifully little of that—£10 million at 1953 prices, by Mr Redfern's generous estimate—was on the roads themselves. Each of these investment programmes is, in reality, so modest that there need be no invidious comparisons between them. The main doubt is whether in terms of net capital value either of them holds out much hope of restoring the capital that has been consumed in railways and roads since 1938.

From the sketchy details of the programme it is not

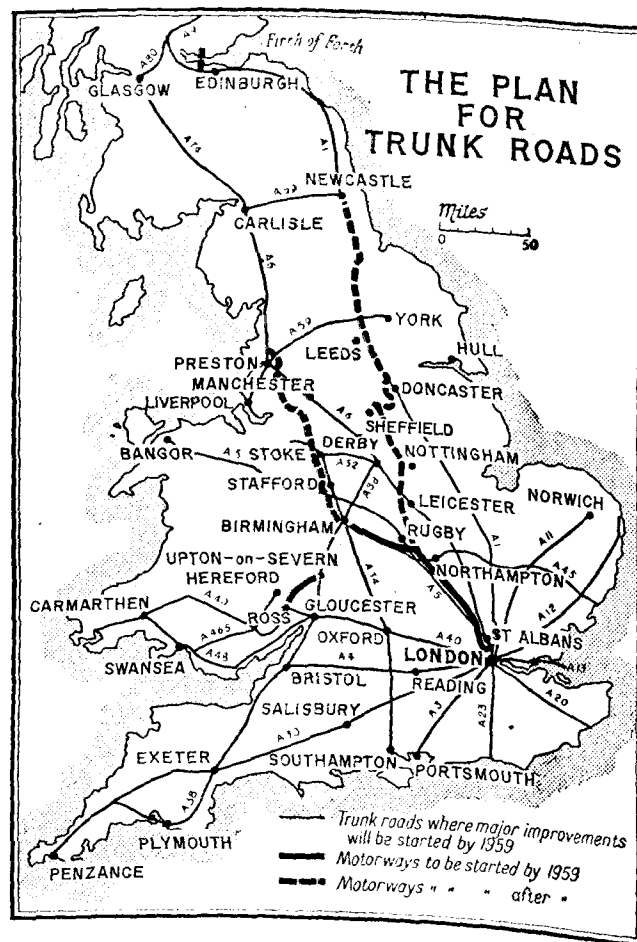
GROSS INVESTMENT IN TRANSPORT IN BRITAIN
(£ million at 1948 prices)

Year	Railways		Road Transport			Air Transport		Total
	Rolling Stock	Other (incl. Track)	Comm. Vehicles	Private Cars*	Roads	Aircraft	Aerodromes etc.	
1938	30	23	75	157	34	2	—	321
1948	28	8	104	68	6	8	4	226
1949	28	9	111	93	8	12	4	265
1950	28	10	103	86	7	7	5	246
1951	27	7	85	88	7	6	5	225
1952	20	7	75	113	7	7	4	233
1953	27	9	83	170	7	7	6	309
Net Fixed Capital Stock at end of:								
1938	369	1,389	310	665	662	1	6	3,402
1953	341	987	405	466	548	40	49	2,836

easy to gauge the balance that the Ministry intends to hold between trunk and other main roads, and between arterial and urban road development. The £100 million to be spent between now and early 1959 from Government funds is to be complemented by no more than £20-25 million of expenditure by local authorities on classified roads, for which they share financial responsibility with the Ministry. This implies, as do the lists of specific major projects that have been published, that the bulk of major improvements and new construction will be on the trunk roads. The trunk roads on which "major improvements" are due to take place under this plan are shown in the map.

For roads through the country, this emphasis is no doubt right. But sufficient emphasis needs to be put upon the major improvement of roads in urban areas if better trunk roads are to be used to full advantage. On the great arterial routes, the mileage is easily chalked up and the advantages look spectacular; but the dice are loaded against major improvements inside towns by the huge cost of acquiring land. The physical resources required for major improvement or new roads inside a city might perhaps be twice those for the same work on a rural trunk road; but site values may make the cost in money several million pounds a mile against a hundred thousand or so.

Of the £147 million of major improvements and new construction to be authorised in the next four years, it is said that only £18 million will be for work in the London area. If that is any indication of the relative share to be given to urban road improvements in general, this programme seems liable to be out of balance. The Minister deserves credit for a few of the specific London items that crop up sparsely in his lists, such as the Hanger Lane flyover junction; and his delay on the Hyde Park boulevard scheme will be well worth while if he is thinking of giving Hyde Park Corner, which carries the heaviest traffic in the world, modern underpass systems instead of the gigantic roundabouts now proposed for it. But it remains to be seen whether the urban road development will get enough attention under this plan.



The only motorway to be authorised in the next four years is the new 90-mile road from London to Birmingham; of the several plans that have long been gathering dust, this might generally be counted first in priority. This road, for motor traffic only and with restricted access from side roads, will use flyover systems to cross existing highways, and should be up to international standards of motorway design. One illustration of a crude type of flyover crossing issued by the Ministry has caused some concern on the score of design; but the Ministry several years ago issued a handbook on road construction standards that included wholly efficient and economical designs for flyovers, and it ought to do as well in practice. Even so, during a period in which road building techniques have changed out of all recognition, Britain has built no new major roads and it is as well to be watchful.

It cannot be said that this programme represents a road development in a hurry. The actual work completed during the next four financial years on major improvements and new roads may rise from perhaps £12 million a year in 1955-56 (in expenditure by central and local government) to perhaps £50 million in the year 1958-59. This has to be set beside expenditure of some £80 million from the taxpayer and the ratepayer on maintenance and minor improvement of all roads, with cleaning and administration. After 1958-59, expenditure on major improvements and new construction is likely to continue "at least on the scale indicated," or some £50 million a year.

Particularly where they involve the purchase of land, major improvement and road-building incur considerable statutory delays, and there have been the expected proposals for placing the work under some new single authority empowered to "cut red tape and get on with the job." These proposals are apt to come from the same people who are most justifiably incensed by such affairs as Criche Down or the working of land for opencast coal; and little is likely to be gained by the creation of more vast and vague bodies with administrative powers. It is perhaps justifiable to hope that the road construction industry's confidence in its ample capacity is fully borne out, and that it proves possible

to make a start upon a larger proportion of the work in the next two years than the Ministry now expects.

Is the whole programme adequate? The Ministry has not disclosed the volume of traffic for which these improved roads are being planned, nor does it relate the increase of expenditure on the roads to the current rate of increase of traffic on them. In fact, it seems to be telling road authorities to plan their roads for "the 1938 volume of traffic plus 75 per cent," as a fairly general rule. It is not easy to measure volume of traffic; but counts taken at a number of check points on the highway system suggest that by 1953 traffic throughout the country was already 28-30 per cent higher than in 1938, while on the major trunk roads and in certain urban areas there may have been a 40 per cent increase. After very sharp postwar increases, the rate of increase in traffic seems to have settled down at about 4 per cent a year, and the indications are that this is continuing. If it does, the simplest of comparisons with the Ministry's standard of "1938 plus 75 per cent"—suggests that the capacity now proposed for some parts only of the highway system might be filled within five or ten years—as soon as some of them are completed.

Similarly, it is difficult to gauge whether the projects that the Ministry has selected for action are the right ones. It is true that some of the estimates that are occasionally plucked out of the air for "annual savings

on such-and-such a trunk road" may be dubious; but that does not justify the steadfast reluctance of the Ministry to concern itself with estimates of the real rate of return on investment in highways. Generally, the growth of demand during a period of net disinvestment implies that this rate of return must be high; but intelligent selection of priorities in this process of social and industrial investment is hardly really possible without closer assessment. The civil servant wondering which dusty plan to take out of which pigeonhole inevitably engages in some form of marginal calculation—how many Parliamentary questions that one will save; whether the MP who can be placated by A is more actively obnoxious than the one devoted to B; perhaps most of all, how many accidents have happened on this road and that one? It is the economic return, however, that finally matters. This is the first time that a British Minister of Transport, in talking of new roads, has put "relieving of traffic, particularly industrial traffic" ahead of "promoting road safety." That is the right order. But until a clearer measure can be gained of the real economic return upon speeding up road transport—and rail transport—and restoring to Britain the inherent advantages of one of the most concentrated industrial communities in the world, transport in this country will never obtain the full share of investment that it deserves—and which, under today's enlarged plans, it still does not get.

Business Notes

Shunting Backwards

THE Bank of England is plainly worried by the renewed loss of dollar income to the sterling area through commodity shunting operations—more worried indeed than was at first apparent when the discount on transferable sterling widened to around 3 per cent and shunting operations increased. An inquiry has been made among the commodity trade associations to discover the extent of these shunting operations and for one commodity—tin—the contract has been tightened by a new clause requiring payment in dollars if the tin ultimately finds its way to America. In the typical shunting operation a sterling commodity is sold by a Continental merchant to the United States. He wins the business in competition with a British merchant because he uses a cheaper type of sterling and can therefore offer a lower price. The dollars he gains are lost to the sterling area; they are reconverted into sterling in the transferable market.

But the reverse process has recently been gaining in importance. Now that a substantial proportion of purchases from dollar sources can be made freely, there is no difficulty about the import into this country of many dollar commodities which are then re-exported to the Continent against payment in sterling. The ultimate buyers—the Continental consumers—are paying in transferable sterling and making a gain of about 3 per cent by putting the business through London instead of direct with the dollar source. The goods do not necessarily physically pass through Britain at all. These are traditional third party transactions, normally welcome because they increase the use of sterling and increase this country's invisible income; but with a widening discount on transferable sterling, they involve a drain on dollar reserves compensated by a corresponding increase in earnings of sterling.

No easy solution is in sight. There is a basic contradiction between controlled exchange on the one hand and free commodity markets on the other. Attempts to police the whole range of merchanting activities of British agents and

principals are almost doomed to failure, and are a retrograde departure from the freedom so laboriously built up. The choice lies between an advance to greater freedom on the exchange front be the risks never so great, or a retreat towards bi-lateralism which would shackle markets with greater restrictions and involve a wider measure of licensing control. It is possible to go forward or to go back, but not to stand still.

When transferable sterling is used instead of official sterling the sterling area loses foreign exchange, but it extinguishes debt because the transferable sterling so employed is used up. Why then is the end of this drain not in sight? The answer seems to be that transferable sterling remains plentiful and its rate weak—just below 2.72 dollars—because its supplies are being replenished. They are being replenished in part by the heavy expenditure of the rest of the sterling area (notably Australia) in transferable area countries. London is also creating credits which go to swell the total and the European Payments Union adds to the supply. To that extent the sterling area monetary controls are leaking, and supplies of cheap sterling are not being exhausted.

Malenkov's Markets

MARKETS have a standard pattern that nearly always shows through whenever wars and fears of wars are around, often even when something big in international affairs is happening that people fear yet do not understand. Commodities go up as traders scurry to cover more ample stocks and speculators jog along with them. Fixed interest

COMMODITIES AND COMMODITY SHARES

	Dec. 31	Jan. 31	Feb. 9	% ± Feb. 9 over Jan. 31
Rubber, spot.....	30½d.	30½d.	30½d.	Nil
Tin	£698	£713 10s.	£725	+ 1.61
Copper "	£291	£322 10s.	£360	+ 11.63
Lead "	£107	£105 10s.	£105	- 0.47
Zinc "	£84	£92	£91 10s.	- 0.54
Wheat futures, Liv'pool near month (March) ..	24s. 7d. per 100 lbs	25s. 1½d.	24s. 4½d.	- 3.00
Wool futures, London near month (March) ..	123½d.	124½d.	124½d.	Nil
United Saa Betong (£1)	49/4½	46/10½	45/6	- 2.93
Cons. Tea & Lands (£1)	48/6	48/6	40/6	- 16.50
Rhokana (£1).....	31½	33½	36	+ 8.68
Roan (5/-).....	23/-	23/9	26/1½	+ 10.00
Consolidated Zinc (£1).	43/9	45/4½	47/6	+ 4.68
London Tin (4/-)	6/9½	7/3½	7/6	+ 2.56
Amal. Tin Nigeria (5/-)	13/9	14/4½	14/10½	+ 3.48
Randfontein.....	71/1½	66/10½	65/6	- 2.06
St. Helena	30/-	27/9	28/1½	+ 1.35
F.T. Industrial.....	184.0	193.0	193.8	+ 0.41
F.T. Government	100.21	101.78	100.83	- 0.93
F.T. Gold producers....	89.39	90.69	91.75	+ 1.23

securities go down as confidence wanes and thoughts of inflation grow. Often if confidence is really shaken fixed interest stocks drag a large section of the equity market with them, leaving the commodity shares, rubber, copper, tin and the shipping shares to rise with the commodities. A

little—but only a little—of that picture has begun to appear in the last few days. The Formosa crisis did not at once produce it. The Malenkov resignation did produce a marked though possibly transitory effect.

No general scurry into commodities has developed; a few of them—notably tea—show declines over the last few days; the general tendency, however, has been upwards. On the Stock Exchange gilt-edged stocks had until Thursday been moving downwards for over a week. On Wednesday that weakness broadened out into a poor day for most stock exchange groups. Nervousness and a moderate volume of selling, probably mostly by recent speculators, produced some sharp falls in industrial shares. The exceptions are significant: copper shares and gold shares advanced; tin and rubber shares roughly held their own.

The picture is complex and no close parallel can be found with the pattern of markets when the Korea crisis broke. Neither the industrialist nor his government is caught this time with a cupboard bare of essential commodity stocks. Nor is the tension in the Far East a sudden unforeseen development. Still less are these external events the only influence at work in shaping markets. The sterling exchange rate, scraping uneasily along just above its lower limit, remained a powerful influence, suggesting the possibility—if it is no more—that the half per cent rise in bank rate may not prove to have been sufficient to restore its strength. That has as much to do with the fall in gilt-edged as have Formosa and Malenkov together, and the unexpected rise in gold shares is the converse of sterling's weakness.

£10½ Million for General Electric

ONE of the consequences of the adverse turn in markets and the uncertainty about money rates has been to complicate life for the long queue of would-be borrowers in the capital market. In the gilt-edged market this is proving a real and effective deterrent and must presumably remain so until the market finds a new level. It says much for the buoyancy of industrial investment markets that there it has been possible for refinancing to go steadily ahead. This week's issues include £1,960,000 6 per cent unsecured sterling loan stock and 650,000 share options in Messina (Transvaal) Development Company. The issue is being made to shareholders in units at £4 each, each unit consisting of £3 of loan stock at par and one share option priced at £1 entitling the holder to subscribe at £2 for one 5s. share in 1959. It also includes the offer to stockholders and noteholders of Electric and Musical Industries of 3 million 5½ per cent second preference shares at 20s. 6d. and £2 million of 4½ per cent unsecured loan stock at par in the company.

But the big operation this week is the launching of plans to raise £10½ million for the General Electric Company. That issue, to provide additional working capital, carries the implication that order books and turnover are still expanding in the electrical manufacturing industry. It consists of £6 million 4 per cent unsecured loan stock at £97 10s. per cent dated 1975/80 and 1,959,240 £1 ordinary shares at 48s. with rights to the final dividend for the year ending March 31, 1955, expected to be 8 per cent. The ordinary shares are a one-for-six rights issue. It should go

well. Against a market price of 60s. for the ordinary stock, the rights are worth 1s. 9d. per share. The loan stock is not offered generally to the public but to the company's stockholders and loan stockholders, not as rights. The company is obviously working on narrower margins than with its ordinary share issue. The redemption yield to the last date is about £4 3s. 6d. per cent. But the stock should certainly appeal to the institutions in the period up to July while it remains free of 2 per cent stamp duty. Many of the big potential investors will doubtless also be on Morgan Grenfell and Co.'s subunderwriting list and will have obtained part of their requirements 1 per cent cheaper. Success is not in doubt.

The Budget Surplus

THE Exchequer finances, at this crest in the tax-gathering season, are running about £300 million better than the budget estimates, and by the end of last week the Treasury had actually succeeded in getting out of the Exchequer accounts as a whole. The above-line surplus, originally expected to decline in the full year from £94 million in 1953-54 to under £11 million this year, had by February 5th reached £369 million compared with only £152 million at the corresponding date last year. At this point it just surpassed the below-line deficit, despite the fact that this has risen by twice as much as it was originally expected to do in the full year—it is up by £32 million, at £368 million. Hence there is now a tiny "overall" surplus instead of the "overall" deficit of £184 million shown at this time last year.

Nearly all the deterioration in the below-line account has occurred in the past few months, because rising interest rates in the market have induced a substantial increase in borrowings by local authorities from the Public Works Loans Board. The gain in the above-line account has, however, just offset this deterioration—because an additional £36 million of "miscellaneous" revenue has been credited in recent weeks—evidently from sales of food stocks. Little more, it seems, is likely to accrue from this source in the current year, since the Ministry of Food has now revised its estimate of the year's credits (paid direct to the Exchequer) from £109.6 million to £70 million.

The final out-turn of the year will be much more favourable than the original estimates, but it will not match the present overall balance. Over the remaining 7½ weeks of the year the cumulative above-line surplus is likely to decline (it declined by £58 million in the corresponding period last year) while the below-line deficit will rise further. But, despite the fact that total above-line expenditure to date is now almost exactly the same as in the similar period of 1953-54 (whereas for the full year it was originally expected to rise by £248 million), it is most unlikely that the acceleration of payments towards the end of the year will this time produce such a great change in the general appearance of the accounts as it has done in several recent years. The supplementary estimates for civil departments, published this week, are, by those standards, only moderate. They call for an additional £37.8 million—principally for Education including Universities (£6.2 million), Health (£6.1 million), War

Pensions (£6.6 million) and the Post Office (£6.4 million). In addition, the Ministry of Food requirements under the fat stock deficiency payments scheme of last July and the national milk scheme call for a further £18 million, but this sum is expected to be provided by roughly corresponding savings on payments for cereals and on the milk-in-schools scheme.

Money Rates Without Tiers?

THE pattern of money rates, though not their future trend, has become a little clearer in this past week—and can now be made a good deal clearer to readers of *The Economist*, which last week unhappily misprinted a 2 per cent rate as "22 per cent," provoking some bankers to point out that they had not yet entered the hire-purchase business. The new practice of the clearing banks in dealing with their short loans to the discount market is to treat approximately two-thirds of their available money as "good" money to be lent at the agreed minimum rate, fixed at 1½ per cent after the recent change in Bank rate, and to charge a higher rate for the remainder. Floating supplies of "night" money, usually a small proportion of the whole, naturally command the rate of the day, subject to the minimum; but on the question whether the renewal rate for the remainder of the "one-third" should also vary according to market conditions, there are differences of view. The general rate for this money this week, like last, has been 2 per cent, but on one day one of the banks raised its charge to 2½ per cent. Some other banks also regard the rate as variable in principle, though they saw no need to raise it on that occasion. Though a new tier has been erected above the minimum rate, it is not necessarily a rigid one, and it is much to be hoped that it will not become so.

As expected, the discount market last Friday raised its bid for the offering of Treasury bills, and the average discount basis of allotment eased from 46s. 7.33d. to 46s. 3.17d. per cent. Early in the week the tendency in the market and the further fall in the American Treasury bill rate pointed to a further easing, but the accentuation of sterling's weakness may arrest or even reverse this drift.

Extra Recruits for Industry

REVISION of the Ministry of Labour's manpower figures in accordance with the annual count of insurance cards last May makes the unexpected increase in Britain's labour force during 1954, which has already been noted in these columns, bulk even larger. The figure for the total working population at the end of November has been revised upward by 135,000, to the record number of 23,910,000 people; during December, as usual, this figure declined, and at the end of the year it was 23,818,000.

That figure represents an increase of 270,000 people during last year, against the increase of 200,000 that formerly appeared to have taken place. Since the numbers unemployed and in the defence services both fell, this

made possible a net increase in the civil labour force of 350,000 people—about 160,000 of the extra employees being men, and nearly 200,000 women.

These extra workers went into manufacturing industry, particularly into the vehicles and engineering industries, which alone had a net increase of nearly 170,000 in their total labour force, and into distribution and other service industries. The numbers employed in distribution rose by about 75,000 during the year; building gained roughly 20,000 men, and "professional financial and miscellaneous services" an extra 46,000 people. The central and local government services continued to squeeze out bureaucrats; but within civic industry the basic industries were the main losers—agriculture, transport and coal showed varying decreases in their labour force as employment throughout the economy became fuller.

Rio Tinto's New World

WHEN the Rio Tinto Company sold the bulk of its pyrites and copper properties in Spain for about £8 million last summer, an old and often struggling British mining venture came to an end. There was a prospect of cash coming into the kitty and there remained the valuable portfolio of investments in the Rhodesian copper mines that had carried the burden in the bleak years of Spanish disappointment. With the announcement this week that Rio Tinto is taking a leading role in bringing the Algom uranium mines in Northern Ontario into production, Rio Tinto shareholders find themselves partners in something possibly much better, certainly much more exciting—a new mining finance house, with a bias towards uranium. That new look sent the price of the £5 ordinary stock flying up by £2 to £48½ in a poor market.

At least \$41 million, and possibly a further \$16½ million, will be provided for the Algom mines by a group, headed by Rio Tinto; that group includes the Commonwealth Development Finance Company, N. M. Rothschild, Robert Benson Lonsdale, Groupe Lambert, Sogemines and Amsterdam Overseas Corporation. It is believed to be the largest single investment of British capital in any Canadian mining enterprise. Production is expected to run at 3,000 tons of ore a day each from Algom's Quirke Lake and Nordic Lake properties, making the company one of the largest uranium producers in the world. The financial details are as follows:

- Rio Tinto will buy 100,000 common shares in Algom at \$11 each: \$1,100,000.
- A Canadian bank will advance \$15 million, secured as a first charge on the properties.
- A 5 per cent debenture loan from the group headed by Rio Tinto will bring in \$25 million.
- Each \$1,000 debenture will carry an option to buy 40 Algom common stocks at \$11 each: \$11,000,000.
- Rio Tinto will receive options to buy an additional 500,000 Algom common stocks at \$11 each: \$5,500,000.
- As the debentures can be tendered in taking up the options, the notional figure of \$16½ million arising from their exercise may not necessarily be all new money.

How much of the debenture loan will be taken up by each

THE ECONOMIST, FEBRUARY 12, 1955

participant and whether or not the whole of that loan will be provided in this country is not yet certain, but it is clear from the current Canadian quotation of 15½-16½ on the Algom stock that the option holders stand to make a good profit.

What will be the new shape of Rio Tinto after this investment? That company will provide the management, including the right to negotiate sale contracts, and through a ten year voting trust and the nomination of directors will effectively control Algom's operations. But this is only one of the directions in which the rejuvenated Rio Tinto is branching out. It is also actively concerned with uranium development in Australia. Nor is it looking only towards uranium. The block of Rhodesian copper investments continues to provide a backbone for the enterprise, and there are other pebbles on the African and Canadian beaches that it may one day pick up.

London Calls the Copper Tune

THE London Metal Exchange may not dominate international trade in metals as it did before the war, but it is still a force that even the United States must reckon with. For nearly a year—through the time of surplus and then of shortage—the American copper producers stuck to a price of 30 cents a lb (£240 a ton) in the home market, and paid the same price for copper produced by American owned mines in Chile. Last month the Chilean government could no longer resist the bait of much higher prices ruling in London, and threatened to send all its copper to Europe. That put the American producers—who could not do without Chilean metal—in a flurry. The stable price policy began to crumble when the Anaconda company decided to raise its domestic price to 33 cents a lb (£264 a ton); the custom smelters at once followed suit and last week the other producers came into line. If the Chilean government insists on receiving for shipments to America a price not far short of the London quotation the Americans may have to raise the domestic price still higher.

Last week copper soared to new peaks in London, with cash at £356 a ton and three months at £331. On top of the strike of African labour on the Rhodesian copperbelt and the troubles in Formosa came the rumour—later confirmed—that the American government would restrict exports of copper. London dealers who have bought American copper for shipment in the first half of the year are now trying to discover how much they will get. Spot prices have since touched a new peak of £360. Even if the Rhodesian strike soon peters out a substantial tonnage has already been lost, and Chile is believed to be fully sold forward until June. Though the Rhodesian producers have suffered severely from the strike, their results for the last quarter of 1954 may be some compensation. The figures published this week for the Roan Antelope and Mufulira companies show a sharp increase in sales and a much sharper increase in profits, thanks to the high prices realised in that quarter: Roan's profit before tax was £1,176,000 higher than in the third quarter, at £2,754,000, and Mufulira's was £1,375,000 higher at £3,299,000.

THE ECONOMIST, FEBRUARY 12, 1955

YALE
REGISTERED TRADE MARK

MATERIALS HANDLING EQUIPMENT

WEDNESFIELD

ROTTERDAM

LIÈGE

VELBERT

SAINT-OUEN

PARIS

ZURICH

MILAN

BARCELONA

OSLO

STOCKHOLM

COPENHAGEN

MANUFACTURING PLANTS

REPRESENTATIVES

YALE
REGISTERED TRADE MARK

Materials Handling Equipment is Entirely Manufactured in the United Kingdom and Europe by

YALE & TOWNE

Wedgesfield, Staffs., England — Velbert Rhld., Germany

and under licence by

FENWICK
St-Ouen, Seine, France

THE YALE & TOWNE MANUFACTURING CO. CHRYSLER BUILDING, N.Y. USA

REPRESENTATIVES

FRANCE
Fenwick Paris

SPAIN
Fenwick Barcelona

SWITZERLAND
Forrer-Fenwick Zurich

HOLLAND
Van Eyle & Ruygers Rotterdam

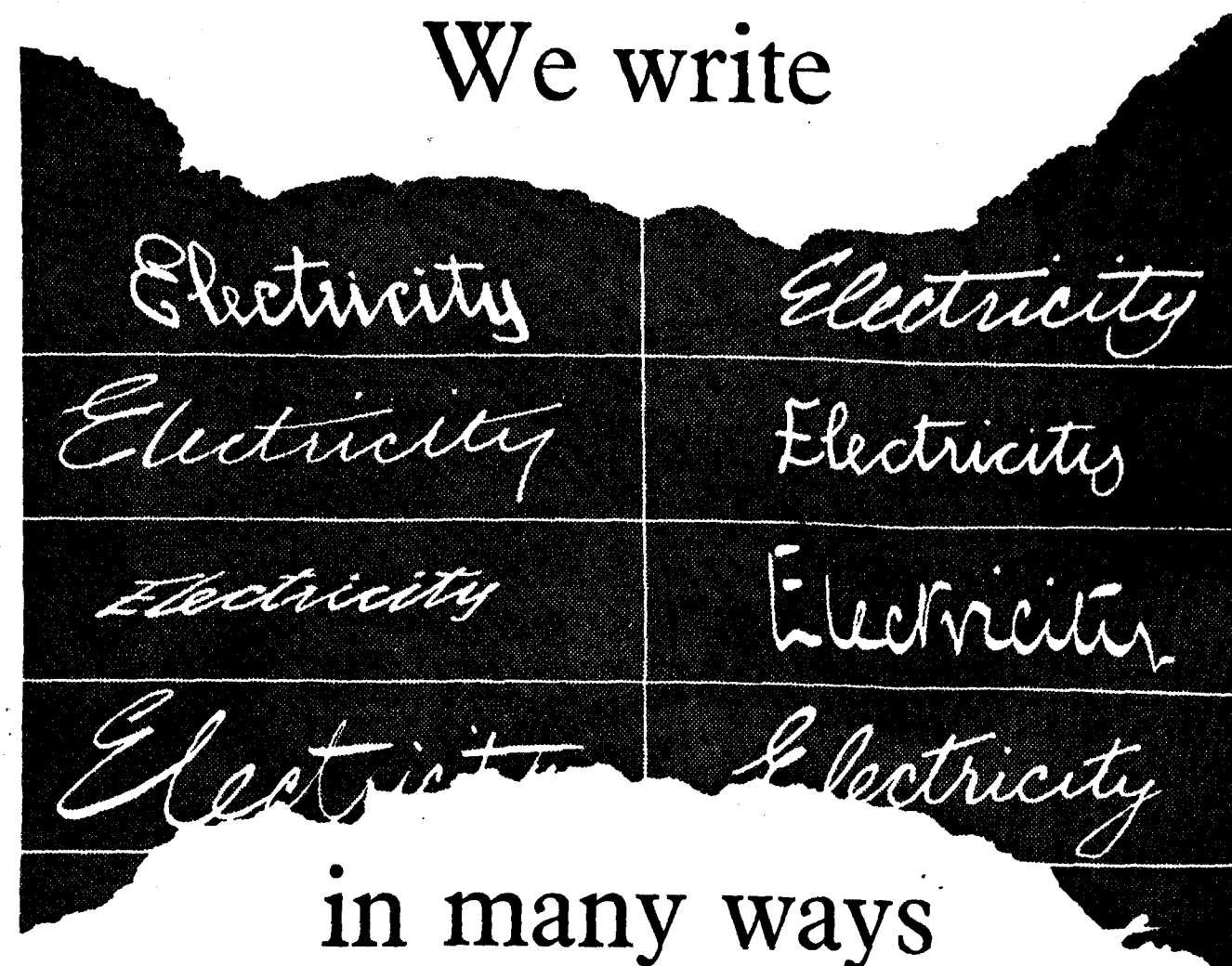
ITALY
Fenwick Milan

BELGIUM
Fenwick Liège

DENMARK
V. Löwener Copenhagen

NORWAY
A/S Löwener, Mohn, Oslo

SWEDEN
A/B V. Löwener, Stockholm



We write
Electricity
Electricity
Electricity
Electricity
Electricity
Electricity
Electricity
in many ways

but our spelling is invariable

Every day of the year we write or type the word *electricity* many thousand times. On paper, the word may always look the same but, in fact, electricity appears to us as twelve different entities. The twelve sections of the Crompton Parkinson organisation

each have a specialist job to do. Between them they cover every aspect of electrical equipment and installation. United they provide the customers of Crompton Parkinson with the finest electrical service in the world.

When it comes to electrical equipment . . .

you've got to hand it to

Crompton Parkinson
LIMITED



MAKERS OF ELECTRIC MOTORS OF ALL KINDS • ALTERNATORS • GENERATORS • SWITCHGEAR • B.E.T. TRANSFORMERS • CABLES
INSTRUMENTS • LAMPS • LIGHTING EQUIPMENT • BATTERIES • STUD WELDING EQUIPMENT • TRACTION EQUIPMENT

CROMPTON PARKINSON LTD • CROMPTON HOUSE • ALDWYCH • LONDON • W.C.2 • TELEPHONE: CHANCERY 3333

Yankees on Tap

THE spectacle of the government broker sedately starting to peddle a mixed bag of American equity and fixed interest stocks is unusual; it has been on view this week, following the decision of the Treasury to sell in London \$15 million worth of dollar securities. These stocks are a fraction, unknown but presumably small, of the residue of the \$335 million of marketable securities that were taken over from British holders during the war and used as collateral for the Reconstruction Finance Corporation loan, repaid in 1951. Only part of the holdings was retained by the Treasury; some were subsequently returned to their original owners, but since 1949 the size of the Treasury's holding has remained secret. Switches have been made within it but in total amount the holding has been retained intact largely in deference to American fears that a block of British Government selling might adversely affect the Wall Street market.

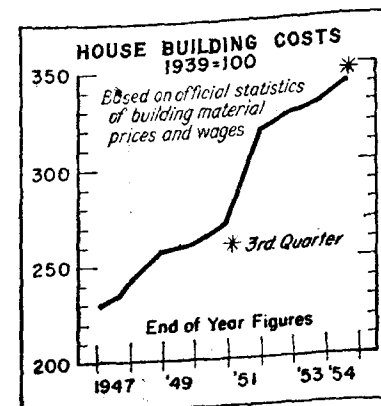
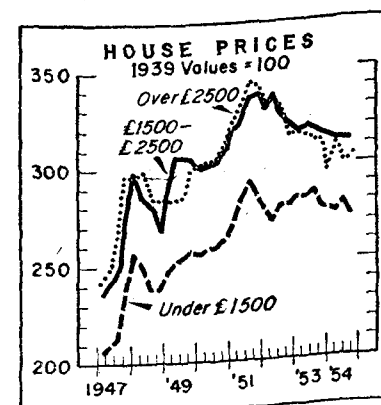
A fraction of that secret hoard is now being transferred from official to private hands: the sales are being made in London against sterling so that no dollar transfer is involved nor is there any loss of dollar income to the country. The Government broker is not a pressing seller; he collects every penny of the premium that dollar stocks command in London. He started selling at a premium of 3½ per cent over Wall Street while the average London premium was about 3 per cent and waited for the jobbers in American stocks to come and bid. At a 3½ per cent pre-

mium, arbitrage was ruled out. A buyer who wants, for example, Chrysler common which happens to be on the list, can get it at about the right London price, but a buyer who wants US Steel (not on the list), cannot afford to buy Chrysler and switch it in New York for US Steel. Had the Government broker fixed his premium at 3 per cent instead of 3½ per cent, arbitrage might just have been possible. The premium has since declined to 2½-3 per cent. That premium marks the fact that the volume of American stocks available to British residents for sale against sterling is limited to the total of dollar securities already in British resident hands augmented by such occasional capital accretions as the proceeds of the Manilla Railway sale. An addition of \$15 million to the limited pool of security dollars should in the long run tend to press the premium in dollar stocks in London still further downwards. That partly explains why the government is such a careful seller, nursing the dollar premium as it goes. The policy of selling, but of selling gradually, is sound.

Self-Service at Woolworths

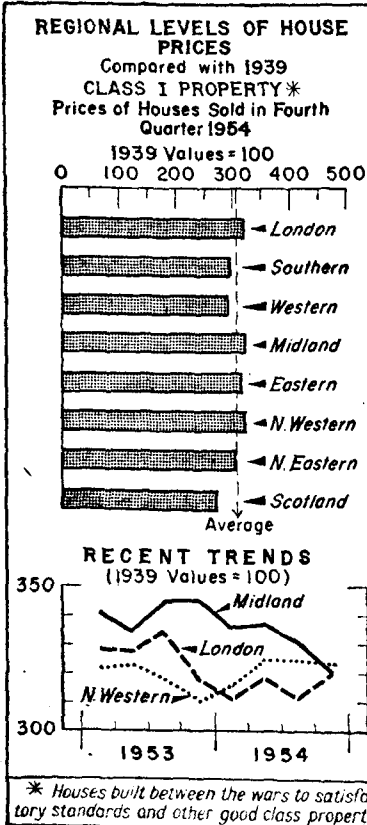
WOOLWORTH is to try out a self-service store. Announcing this experiment, the chairman, Mr S. V. Swash, told shareholders that a "very small store" would be opened at Cobham, Surrey, next month. Mr Swash does not believe that self-service leads to any saving in staff but that the increase in turnover and the convenience of cus-

Property Boom Subsiding



WHAT happens to the thousands of reports on house values that surveyors prepare for the building societies? The mortgage borrowers who pay for them are not allowed to see them. Even the local authority, when it is asked to share the risk of a 90 per cent or 95 per cent mortgage, does not get a peep. But it is encouraging that some societies are putting these top secret documents to useful purpose. The Halifax and the Co-operative societies have long been supplying their valuation figures to the London and Cambridge Economic Service. Now the Co-operative Permanent Society is issuing its own index.

This shows that the peak of house prices was reached in 1951. Through 1954 the decline continued though at a reduced rate. The fall was most obvious outside London and in the older and less well-conditioned houses. With building costs for new houses the story is different; they are still rising. Thus the enormous difference between the cost of building a new house and the cost of buying an existing one is being squeezed out. When restrictive licences go, the capital profits and vested interests that restrictions create go too.



* Houses built between the wars to satisfactory standards and other good class property.

tomers, who pay once at the door and not many times across different counters, make the experiment worth while.

Experiments of this kind and the modernisation of existing stores go hand in hand, now that Woolworth has to compete more vigorously for the consumer's shilling, and, as Mr Swash points out, to compete with hire purchase business for those shillings. But Woolworth, sticking to cash and its "well tried policy of endeavouring to ensure rapid turnover by large volume of sales at small monetary profit margins," experienced another advance in turnover last year, which partly explains the increase in stocks from £11.2 million to nearly £12.7 million. Such a policy requires very close ties, sometimes involving strict controls on prices and quality, with manufacturers. Last year Woolworth was able to secure the stocks it needed, and for the first time since the war Mr Swash and his associates were unable to detect any "significant gaps in the availability of merchandise in one department or another."

Tyre Prices Up

IN raising tyre prices during the very week in which unfavourable publicity has been given to the Price Protection Committee of the British Motor Trade Association and in which the best part of one Parliamentary question hour was taken up with monopoly practices in general and price-fixing in particular, tyre manufacturers have challenged public sentiment. There is a case for the latest increase in tyre prices; however, it is the method the industry uses to change its prices, and the way the motor trade maintains them, that is questionable.

The increase announced last week—which follows a 5 per cent rise last October—adds a further 7½ per cent to car tyre prices, with slightly higher increments for tubes and giant tubes that consume more rubber. Just on half the weight of a car tyre—about 10 to 12 lb—is rubber; and, with rubber prices so volatile, a certain amount of averaging by manufacturers is inevitable. Spot rubber prices are now around 30d. per lb compared with about 16d. a year ago. But tyre firms do not have much room to manoeuvre. Stocks are never very large—the smaller firms work almost from

hand to mouth; and contract prices reflect market changes fairly closely. Most firms are heavy buyers on the market.

The motorist is probably correct in suspecting that tyres are carrying the main burden of the sharp rise in rubber prices during the last fifteen months for the bulk of rubber consumption goes into transport uses. Whereas tyre sales have been booming, the market for other rubber goods, apart from cables and cellular rubber, has been poor, and prices have moved downwards where they have moved at all. Rubber footwear sales, for example, appear to have fallen sharply, despite two price cuts. This comparison is, of course, blurred by the lower rubber content of most types of rubber shoes and boots; there is also competition from footwear made of other materials.

Canadian Dollar Weakens

THE eyes of the foreign exchange market and indeed of a far wider circle including the money market, the Stock Exchange and the Old Lady of Threadneedle Street herself, may be glued to sterling. Uneasily they have watched the rate against the American dollar fall further this week, from \$2.78½ to \$2.78¼. But though sterling absorbs their attention, it is not alone in its fall.

The Canadian dollar (loosely called the world's hardest currency) has been weakening too. On the last three days of January its premium over the US dollar ran down from 3½ per cent to slightly over 3 per cent, with a corresponding fall in relation to sterling. During the past ten days the losses against the US dollar have not been made good—though there has been a slight recovery in its rate on sterling. The Canadian dollar was quoted at around \$2.70 to the pound, against \$2.70½ at the beginning of the month and \$2.69 on January 28th.

Canadians in their citadel of currency strength can welcome the slight depreciation of their currency. The premium on the US dollar hinders the flow of Canadian exports to the American market—and the flow of American tourists to Canada. The causes of that weakening are not, however, to be found in Canada's trade figures. An influence has probably been some outflow of funds from the Canadian money market—where rates were falling through the late autumn and the turn of year, while money rates in New York and London were hardening; there have also been signs of exchange speculation.

Talks are believed to have taken place between the Canadian and United States authorities on plans to restore a fixed—and presumably lower—rate for the Canadian dollar against the US dollar. The Canadian dollar was freed in 1950 on the ground mainly that a fixed rate imposed too much rigidity on Canada's dynamic economy; it would be surprising if the Government abandons that view now.

Brazil Retreats Again on Coffee

THE path of governments that interfere with free markets is strewn with pitfalls. Often the going is so hard that it is to be wondered they persist. Brazil's troubles started when it tried to exploit the boom in coffee early last year by

introducing a new minimum price of 87 cents a lb fob. Coffee was scarce. Brazil produces half the world's supply—what simpler than to hold up the market? But coffee was not quite as short as that. The Americans, who drink two-thirds of the world's coffee, have a marked aversion to paying high prices for the things they import. American roasters bought from hand-to-mouth and ran down stocks, and the public bought less coffee. Brazil held out until August, and then lowered the minimum price to about 64 cents a lb. That retreat simply prolonged buyers' distrust of the market. Recently the Brazilian minimum has also come under fire from Colombian and Central American producers, who have been selling their new crops at less than 64 cents a lb and Brazil has been forced to beat another retreat.

The bonus payable over the official rate of exchange to exporters has now been raised from 13.14 to 18.70 cruzeiros to the dollar, or the equivalent in other convertible currencies and sterling. That is an effective devaluation of the "coffee" cruzeiro from 31.50 to 37.06 to the dollar, in line with the effective rate for exporters of raw cotton and cocoa, and it brings the minimum export price for coffee down to about 56 cents a lb. To try to restore confidence in the market the Brazilian authorities have offered to compensate buyers for any further change in the exchange rate within 45 days of the date of sale.

In the New York market the spot price of Brazilian Santos 4 grade has fallen by 6 cents to about 58 cents a lb nominal, but futures are no longer at such a large discount on spot prices. Whether the new minimum can be held depends on how far the new measures encourage importers to buy more coffee from Brazil, and on the selling policy of other producers. There are signs that the violent upsets in the market over the past year have prompted some producers to conclude that co-operation, not competition, is the answer. A recent meeting of the special coffee commission of the Organisation of American States set up a committee, which included a delegate from the United States, to study the possibility of stabilising prices within limits "satisfactory to producers and consumers."

South Africa's Gold Sales

THE South African Minister of Finance confirmed at the end of last week the news that South Africa was no longer bound by the agreement to sell in the United Kingdom a minimum guaranteed quantity of 4 million ounces of gold per year. In practice South Africa has sold appreciably more than this guaranteed minimum, equal to about £50 million. In 1953 the total sales of South African gold to Great Britain amounted to £78 million. In 1954 they rose to close on £100 million—an increase that was significant first because it was in that year that the London gold market reopened and South African gold sales to Great Britain were canalised through this free market, and secondly because it was during 1954 that all discrimination against dollar imports into South Africa disappeared.

Provided there is no change in the competitive efficiency of British and other sterling area goods in the South African market, there is no reason why the termination of guaranteed

minimum gold sales should have any effect on the future direction of South African gold exports. During the Commonwealth Conference the South African representative, Mr Swart, promised that all restrictions on imports into the Union would be removed by the end of this year. That decision reflects an improvement in the South African reserve, which itself springs from rising gold and uranium production. With discrimination already buried and the remnants of quantitative restrictions about to disappear the amount of South African gold which the United Kingdom can attract will more than ever be an expression of British competitive efficiency.

France Repays

BEFORE the fall of the Mendès-France Government its Finance Minister, M. Edgar Faure, had announced to the Council of OEEC Ministers that France would forthwith repay the \$80 million still owing to the European Payments Union after allowing for the bilateral repayment and amortisation agreements concluded last June. That repayment has now been approved by the OEEC Council and presumably will take place despite the change of scene in Paris. The money is to be distributed immediately to EPU creditors in proportion to their claims at the end of 1954. Germany is the main prospective beneficiary ranking for \$36.7 million, followed by the Netherlands, Switzerland and Belgium in that order.

France will not lose the right to recover gold paid by it in full settlement of its deficits up to June 30, 1954. Therefore if France now secures surpluses with EPU it will receive settlement wholly in gold up to that ceiling. For example in December last France earned a surplus of \$15.3 million; it had to pay in gold or dollars \$3.9 million for interest for the second half of 1954, but it took the whole of the balance (\$11.4 million) in gold. The French decision to clean up the debt to EPU by this substantial repayment marks an improvement in the French reserve due in part to the fact that the Bank of France has recently acquired much gold dishoarded by French nationals who have found more profitable opportunities of using their resources on the booming Bourse. But for the political news from Paris the repayment would have been counted as an impressive bull point for the franc.

Ladies and Gentlemen . . .

A YEAR ago only one chairman of the major steel companies, Sir Walter Benton Jones of United Steel, began his statement with the words "Ladies and Gentlemen." The other chairmen had to address their remarks to one shareholder—the Iron and Steel Realisation Agency. Since then, the equities of six more steel companies have been offered to the public and Mr. A. G. Stewart of Stewarts and Lloyds and Sir John James of Lancashire Steel have now joined Sir Walter in making their statements to fully fledged annual general meetings of shareholders.

Are you

PLOUGHING BACK ENOUGH

to keep pace with changing
capital replacement costs?

Our indices for nearly twenty
types of equipment are the
most economical way of measuring
the rise in costs over the last fifteen years

The Economist Intelligence Unit

22 Ryder Street, London, S.W.1.
Whitehall 1511 Extension 114

Mr Stewart speaks to over 12,000 shareholders and Sir Walter to more than 30,000.

All three chairmen have reported earnings that were better than was expected when the ordinary shares were offered to the public. Both Sir Walter and Mr Stewart point out that export prices remained more stable than had been anticipated while Sir John and Mr Stewart comment on the resurgence in demand which took place after the 1953-54 financial year had been under way for some time. All three of them point to a high level of production in the last months of 1954 and they expect that production will continue to run at this high level in the next few months.

The spokesmen of the steel industry seem to have few immediate worries and, looking further ahead, they think, reasonably rather than wishfully, that the demand for steel will be there to absorb the substantial increase in production that can be expected in the next few years. It is, of course, upon that expectation that the industry's development plans (to which all three chairmen devote most of their remarks) are based. But they warn shareholders that development is costly. Sir Walter, for instance, estimates that it would need £96 million on the basis of current prices to replace the £64 million of fixed assets owned by United Steel. The support of ploughed back profits is essential for the success of these schemes but all three chairmen are conscious—Mr Stewart explicitly so—of the need to give their new shareholders a fair return.

Pause in Coarse Grains

THE burst of activity in coarse grains, particularly barley, has now died away. Most consumers appear to have covered the bulk of their requirements and prices are high enough to deter avoidable purchases. Canadian No. 2 feed barley is now about £30 a ton cif for March shipment, and Iraq barley is about £26 a ton. This makes Canadian barley almost as dear as Canadian wheat, and dearer than soft wheats, so that some compounders are buying milling, as well as feed, wheats for their mixtures. British farmers who have been able to store feed barley until now are also getting about £30 a ton, nearly £9 more than at the beginning of the season.

The ban on shipments of old crop maize from Argentina has had little effect on prices of maize from the United States, the only major alternative source of supply. American maize is being offered freely, for many farmers, having exceeded their allotted acreage, cannot put the surplus under the loan. Prices of both coarse grains should remain firm for some time. The only surplus is that of American maize, and that is unlikely to press on the market now that Argentina has withdrawn.

Trading in coarse grains on the London futures market has also become slack; it has never been really active. More traders would use the futures market if they could be sure of doing business without moving prices sharply against them; it is a vicious circle, for the market must remain narrow until more people use it. But that circle can in time be broken, as slowly traders here and abroad take an interest in London futures. Whether it will ever grow into a thriving handmaiden of the shipment market

is an open question. Postwar conditions are not helpful. The grain trade—and the compounding industry—is now in fewer hands, the cost of transacting futures business seems high, and speculation is lacking.

Take Your Partners

THE recent bid by English Electric for the shares of Vulcan Foundry and its 50 per cent subsidiary Robert Stephenson and Hawthorns is only part of a process of re-deployment in the industries that make British diesel locomotives, which are preparing to make more diesel units for overseas railways and some of the components for British Railways' new locomotive programme. Few firms, at present, are equipped to make and assemble complete units in their own factories, as steam locomotives are generally built. Locomotive builders, diesel engine firms, and electrical manufacturers are gradually coming together in loose *ad hoc* groupings that shift and alter in successive contracts. But some of these associations have now been made more permanent and others may follow. English Electric, which already has the largest capacity of any British firm making diesel electric locomotives, is one of the few firms that can make and assemble complete units. From time to time, however, it has bought mechanical parts from outside, particularly from Vulcan Foundry. If the present offer is taken up, it will make more intimate the long-standing agreement between the two firms and, incidentally, add still further to the capacity of English Electric.

Altogether there are some 25 main contractors in the diesel locomotive business, but most of them specialise in industrial and plantation units. North British is one of the two firms making diesel hydraulic locomotives; improved transmission and last year's agreement with the makers of the German MAN diesel engine now enable it to build locomotives up to 2,000 b.h.p. The Brush Group has ventured further into the diesel-electric business through Brush Bagnall Traction, a company formed a few years ago in conjunction with Mirrlees and W. G. Bagnall, a subsidiary of Heenan and Froude.

Metropolitan-Vickers, in the AEI group, assembles locomotives with Beyer, Peacock at the factory they own jointly at Stockton-on-Tees. But this plant is fully occupied, and the 94 diesel-electric locomotives to be built for the Irish State Railways will be assembled at workshops at Dukinfield leased from British Railways, with electrical equipment supplied from the Metropolitan-Vickers works at Manchester, mechanical parts from Metropolitan-Cammell at Birmingham, and diesel engines made by Crossley Brothers. This order is a great success for AEI; it is one of a number that British firms have recently secured in the face of strong competition. The redoubtable Electromotive Division of General Motors Corporation, which pioneered quantity production of a standard diesel locomotive and took a major hand in the "dieselisation" of American railroads, was one of the competitors, having made an elaborate operating study of the Irish system. Like other American locomotive builders, it had a lean time last year with home demand largely saturated; and Britain's increased concentration on the diesel is securing a much larger share of the export market.

FROM PAKISTAN

A New Airline...

KARACHI VIA CAIRO
UNDER 16 HRS

—Fastest Time Ever!

Business men! Here's a new, faster, more luxurious air service to the East—at no extra cost. By applying the latest advances in airline servicing and management technique to the most reliable commercial aircraft in the world, new Pakistan International Airlines bring to East-West air travel a trans-Atlantic standard of luxury aloft. Every Friday P.I.A.'s specially fitted Super-Constellations fly *above the weather* from London to Karachi via Cairo in just 15:50 hours flying time*—substantially less time than ever before. The return flight, leaving Karachi on Tuesday, takes only 17:50 hours in the air—still the fastest West. Moreover, P.I.A.'s domestic network serves both West and East Pakistan, India and Burma; its booking facilities cover all points East. P.I.A. flies faster—you fly more comfortably. For full details see your local Travel Agent.



FLY

PAKISTAN INTERNATIONAL
AIRLINES

CONTACT YOUR LOCAL TRAVEL AGENT
or P.I.A. 249 Brompton Road, S.W.3. Telephone: KNightsbridge 4371

SUPER-CONSTELLATIONS, specially fitted for P.I.A., bring a new standard of luxury to East-West air travel.

TOURIST AND FIRST CLASS FARES comply with normal competitive rates. It costs no more for P.I.A. speed and comfort.

P.I.A. BOOKING SERVICE can arrange your flight through P.I.A. international and domestic networks. It can use other airlines, to fly you to all points further East.



FISHERMAN'S FAMILY by Michael Ayrton

No. 8 in a series of advertisements showing the work of contemporary artists.

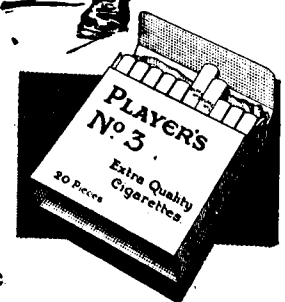
Brotherton & Co. Ltd., City Chambers, Leeds, 1.
Telephone: Leeds 2-9321 • Telegrams: "Brotherton, Leeds."

Two's Company...



with
PLAYER'S No. 3

The Quality
Cigarette



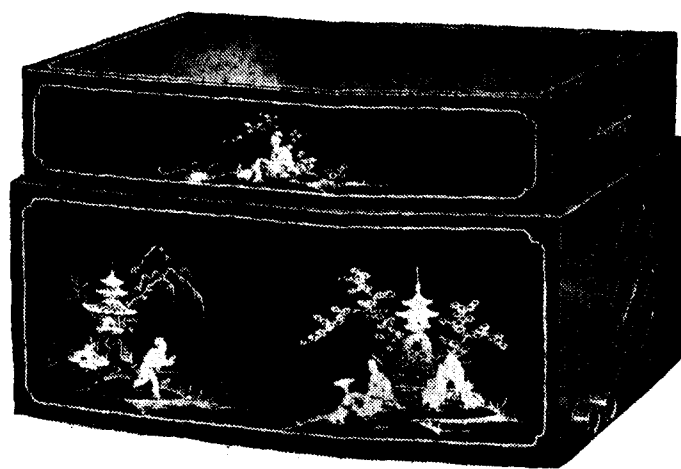


"The trouble with the E flat Quintet..."

... is that it's hardly ever performed.

Actually, let's face it, to be really discriminating you simply have to have a Black Box. Then you can listen to whatever you wish, whenever you wish. And furthermore, my dear chap, you lose nothing of the original — it makes you realise just what Hi Fi means."

The Pye Black Box Record Player is the first instrument of its kind to be marketed in Great Britain. Never before has so compact a unit provided this high fidelity reproduction with such a room-filling quality of sound. It plays all speeds of records. Automatic changer or single player models are available.



BLACK BOX

RECORD REPRODUCER

AUTO CHANGERS 63 Gns. Luxury Model and 39 Gns.
SINGLE PLAYERS 61 Gns. Luxury Model and 37 Gns.

PYE LIMITED OF CAMBRIDGE



The Midwife of Invention

THE National Research Development Corporation was created in 1949 mainly to assist the development of inventions that could not find a market in industry. In reviewing its first five years' work, the NRDC comments that it found few examples of inventive inspiration that lacked support. The NRDC has concluded that "outside the field of light engineering and instrument manufacture the isolated individual rarely appears to have any serious contribution to make to the advancement of technology," but it might be equally true that industry is much quicker to recognise promising ideas, and outside financial assistance for development more easy to obtain, than was supposed after the war. The terms on which the NRDC can grant assistance are, equally, not to every inventor's taste; in giving help, the Corporation acquires rights over whatever process is being developed. The real field for the NRDC is proving to be in the development of inventions and discoveries made in government or semi-official research organisations that lack facilities for developing them further and in licensing these discoveries to industry.

Assam Gets the Vote

BY large majorities the shareholders of Assam Company on Monday approved the four resolutions that will create a special class of 1s. shares to be held by the trustees of the pension fund and thus in effect vest in these trustees (who are appointed by the directors) one third of the votes. Mr Haridas Mundhra, who is reported to have been recently buying Assam shares for control, did not attend the meeting and the argument against the resolutions was put by a lawyer. It was also disclosed that the opposition is to seek a Board of Trade inquiry and a court injunction. The opposition vote against the four resolutions was less than had been generally expected; it varied between 114,000 and 127,000 shares, so that Mr Mundhra and his associates can have voted little more than one tenth of the capital even though their present holding may be larger. Over 500,000 votes, representing more than half the capital, were cast in favour of each of the board's resolutions. The chairman, Mr Peter Remnant, made one small concession to the critics of his proposals; the new 1s. shares to be held by the pension fund may be consolidated into £1 shares with consequent reduction of their voting rights at the end of seven years.

Gold in 1954

"To fix in London the centre of gravity of the European free market which up to then (March 22, 1954) had operated loosely within the limits of the continental telephone system." That is the summary by Mocatta and Gold-

smid, the bullion brokers, of the main achievements of the London gold market since it was restarted last spring. They deny that the free market itself has substantially broadened. No fresh buyers of free gold have been attracted since payment can be made only in registered sterling. On the supply side, though some South African gold has come to London under the new arrangements, the London price has not been high enough to attract sales from Australia. They point out that the effect of reopening the London market has been to quieten activity and narrow the range of price fluctuation. Expressed in US dollars, the free market in 1954 varied only between \$34.90 and \$35.15, a negligible margin compared with any previous postwar year. Incidentally, freedom to deal in gold coins has established a substantial premium and a fluctuation in the sovereign, which was previously fixed at 58s. It has fluctuated in the free market between 62s. and 70s., and the higher price reflected a premium of 19½ per cent of the value of its gold content, an indication of the hoarding demand that has continued to come mainly from the Continent.

In their *Bullion Review* for 1954, Messrs S. Japhet and Company confirm the view that the reopened gold market in London has been far from a lush pasture for the participants, who "found it hard to make even a modest turn." The company reports that during February last year three tons of Russian gold were sold in Paris, twenty tons or more were sold on the Continent early in March against payment in transferable account sterling, and a further quantity was sold to the United Kingdom. This flow of Russian gold stopped as suddenly as it had started. But the stoppage was not due to lack of available gold—a fact which seems to be confirmed by more recent reports of a conditional undertaking by the USSR to deliver eleven tons of gold to Persia at short notice. Japhet and Company hint that sales of Russian gold to the international markets may be resumed in 1955. They also discuss the vexed question of the "counterfeiting" of sovereigns on the Continent. They point out that the British Government has vigorously affirmed that under the Coinage Act of 1870 the sovereign is current coin and legal tender in the United Kingdom, and that it has the sole right of coinage. That contention was not upheld by an Italian court last November, but "the British Government is understood to be taking active steps to have the question put beyond doubt."

Bilateralism in Colombia

DOCTRINAIRE bilateralism in trade can often lead a country dangerously close to cutting off its nose to spite its face. The latest disheartening case history comes from Colombia, which is one of the more rapidly developing South American republics. Colombia rode the coffee boom last year in rather too carefree a spirit, and when the boom collapsed in August the country belatedly realised that it had been on a spending spree, with imports running 30 per cent above 1953 levels. The state bank's reserves fell from \$256 million in July to \$197 million in September, and the Bogotá government hastily sought means of checking the drain of imports. The remedy that came most easily to hand was evidently to stiffen the bilateralist methods to which Colombia has for some time been addicted.

One of these methods is to refuse all licences for non-essential imports from any country whose visible trade with Colombia is not in balance, unless it has a bilateral trade agreement with the republic. Any such country is also barred from offering to supply material, however essential, to official or semi-official organisations—which, in Colombia, play the lion's role among importers. Several European countries now suffer these serious disqualifications, and among them is Britain, whose trade agreement expired early in December. In terms of visible trade, Britain buys from Colombia only a fraction of what it sells—its export surplus last year was £8 million—and the decidedly arbitrary Colombian regulations take no account of the fact that invisible items, and international merchandising of Colombian produce, can usually be relied on to bring the true accounts roughly into balance.

On the one hand, a sizeable dollar market is thus largely closed to British and European exporters (the lucky exception being the Germans, who got their trade agreement in operation just before the break in coffee prices). On the other, these measures bar Colombia itself from obtaining in the cheapest market certain supplies of obvious importance to its development. It is clearly questionable whether Colombia is wise to discourage so many suppliers by its drastic action against them, when it is already dependent on its trade with one country, the United States, to a degree that perennially disturbs the more thoughtful minds in Bogotá.

Top Dogs

DOG breeders are building up a respectable export trade in pedigree animals. They sell principally through the medium of the dog shows and in particular the annual

two-day Crufts show that was held in London last week-end; this with more than 6,000 dogs on show, is big enough to attract the overseas buyers. Last year, 3,218 dogs were sold abroad, more than half of them going to the United States where they earned an estimated \$1 million. Canada was the second biggest market. About half a dozen prize dogs are sold every year to foreign breeders for sums of the order of £1,500. Some of the small dogs have literally proved worth their weight in Fort Knox gold. The rest probably average £100 each.

These are respectable figures for a cottage industry run largely by amateurs. At present, a quarter of the dogs exported are miniature poodles, followed by pekes and cocker spaniels. But the real strength of the British dog breeding industry probably lies in its unquenchable enthusiasm for new breeds. Crufts has classes for such relatively new imports as Rhodesian Ridgebacks, Tibetan Spaniels, Lhasa Apsos, Chihuahuas and the topaz-eyed Weimaraners and a special section for "any other variety" where breeders show dogs too new to have any Kennel Club classification.

SHORTER NOTES

The Council of Foreign Bondholders has issued its eighty-first annual report (available from its office at 17 Moorgate, E.C.2, at 7s. 6d.). As usual the report reviews the present status and state of negotiations on the bonded debt of all Britain's chief debtors.

★

Colombia has bought \$25 million (American) from the International Monetary Fund against Colombian pesos. This, which is Colombia's first transaction with the fund, exhausts half the country's quota. The fund has granted a waiver allowing Colombia to draw 25 per cent in excess of its quota.

benefit" from double tax relief. But shareholders will remember that such payments, notably from the South American subsidiaries, have to find their way through the barbed wire entanglements of exchange regulations.

In view of the fall in profits and the rather small cover that net equity earnings give to dividend payments, it is not surprising that the directors have again left the year's ordinary dividends unchanged at 15 per cent. What is a little surprising is the decision to make a 100 per cent free scrip issue, especially as a year ago the board decided that the "earnings outlook, particularly in the USA, is too uncertain to justify such an action at the present time." The reversal of this decision can be taken to mean either that the board has decided that a free scrip issue is only a book-keeping transaction, not affected in any way by the prospect for earnings, or that trading in the United States has taken a turn for the better. The explanation might well have been given. In its absence investors should pay more heed than with some scrip issues to the directors' warning that it is available earnings, and not scrip issues, that determine dividends.

the United States, where, as long ago as last February, the chairman warned shareholders that sales were falling off and the outlook was "not so encouraging."

From a net profit of £261,053, £134,655 has been retained by subsidiaries. The provision for British taxation does not

	Years to Sept. 30,	
	1953	1954
<i>Consolidated earnings:—</i>		
Trading profit.....	1,480,221	1,371,438
Repairs and renewals...	466,903	442,200
Depreciation.....	178,495	195,441
Foreign tax.....	334,483	139,076
British tax.....	304,980	359,423
<i>Net profit.....</i>	<i>255,366</i>	<i>261,053</i>
Ordinary dividends....	172,425	172,425
Retained by subsidiaries	142,901	134,655
Retained by parent co..	1,600	Dr. 50,535
£1 ordinary stock at 50s. yields £5 2s. per cent.		

cover any liability on profits retained by foreign subsidiaries. Such profits can be brought into charge only if they are paid over in the form of dividends to the parent company. If they were so paid over, there would be a "substantial

BRITISH HOME STORES.

Cash trading in the chain stores paid handsomely last year. Woolworth has already produced excellent results, including a bigger dividend. It will surprise most people if Marks and Spencer cannot do likewise. The good results from the much smaller concern, British Home Stores, must therefore gratify those investors who have put their faith and their capital in chain stores. Last year the trading profits of British Home Stores went up again, this time from £1,293,797 to £1,414,088. That increase must have come from an expansion in turnover. Income tax and profits tax on these earnings have risen, but there is no EPL charge (compared with one of £95,000 in 1953) and the total tax provision is down from £775,000 to £750,000. Hence, there is a bigger bound in net earnings

	Years to Jan. 1,	
	1954	1955
<i>Earnings:—</i>		
Trading profit.....	1,293,797	1,414,088
Depreciation.....	87,336	97,683
Taxation.....	775,000	750,000
<i>Net profit.....</i>	<i>428,466</i>	<i>560,496</i>
Ordinary dividends....	170,670	238,938
Retained profits.....	257,559	359,021
1s. ordinary stock at 13s. 9d. yields £4 5s. per cent.		

(from £428,406 to £560,496) than in the trading surplus. Higher dividends are the order of the day. The directors have declared a full year's dividend of 7d. on each 1s. share (or 58½ per cent), compared with 5d. (or 41½ per cent) for 1953.

That dividend was accompanied by the announcement of a 100 per cent free scrip issue in "A" non-voting ordinary stock. The free issue matches the capital programme of modernisation and development out of retained profits that British Home Stores has been and still is pursuing. It was welcomed in Throgmorton Street, as most scrip issues are these days, with a marking up of the price of

the stock. The 1s. stock units gained 4½d. to stand at 13s. 9d.

★

BRITISH SOUTH AFRICA COMPANY.

The "Chartered" Company, the Stock Exchange's nickname for the British South Africa Company, draws most of its income from its mining royalties. The "Chartered" Company is the landlord of the Rhodesian Copperbelt. In the year to September 30th the company experienced a slight fall in total income from about £9 million to £8.4 million. But there must have been a considerable decline in the charge for EPL, and the total tax bill dropped from nearly £6 million to just over £5.1 million, and the company's net income went up from £2,988,143 to £3,295,898. As the company has been eager to retain profits and build up its portfolio of investments against the day in 1986 when it loses its ownership of the mineral rights in Northern Rhodesia, the directors' decision to leave the ordinary dividend unchanged at 50 per cent did not surprise the Stock Exchange.

Nor did the 100 per cent free scrip issue of ordinary shares cause any stir. A writing up of the 15s. ordinary stock had been in the air for some time and the only odd feature of the capitalisation proposals is the failure to convert the nominal value of the stock to a rounder figure than 15s. After the announcement, the stocks units improved—in line with the Rhodesian copper shares—to 115s. (to yield 6½ per cent). In the future, the "Chartered" Company's ordinary stock must have its ups and downs as copper fluctuates, but the plans to increase production in the Copperbelt should ultimately benefit the owner of the mineral rights.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100)					Average Yields (per cent)				
	Jan. 26, 1954	Oct. 26, 1954	Nov. 30, 1954	Dec. 28, 1954	Jan. 25, 1955	Jan. 26, 1954	Oct. 26, 1954	Nov. 30, 1954	Dec. 28, 1954	Jan. 25, 1955
2½% Consols.....	90.7	97.0	94.7	93.0	90.7	3.90	3.64	3.73	3.80	3.90
<i>Debtenture stocks:</i>										
Industrial.....	87.7	91.3	92.0	92.8	92.4	4.69	4.51	4.48	4.44	4.46
Investment trust.....	89.6	93.4	94.2	94.4	93.9	4.61	4.42	4.38	4.37	4.39
<i>Preference stocks:</i>										
Industrial.....	91.7	95.8	97.4	97.1	95.4	4.95	4.74	4.67	4.68	4.77
Investment trust.....	88.6	93.4	93.5	93.3	91.0	4.98	4.72	4.72	4.72	4.85
<i>Ordinary stocks:</i>										
Banks.....	98.7	116.8	115.5	113.0	112.1	4.42	3.96	4.01	4.10	4.24
Industrial insurance.....	110.4	137.1	137.8	135.7	135.0	5.22	4.40	4.38	4.46	4.48
Investment trust.....	140.6	187.1	193.9	199.5	211.2	5.10	4.43	4.33	4.21	4.07
Electrical engineering.....	105.0	141.5	142.6	139.3	148.8	5.65	4.67	4.65	4.77	4.50
Engineering.....	117.9	170.2	173.3	173.3	183.7	5.11	4.10	4.17	4.28	4.08
Motors and aircraft.....	120.1	180.5	166.7	167.0	180.7	6.02	4.46	5.12	5.17	4.75
Breweries.....	102.6	123.4	123.5	120.9	123.0	6.45	5.92	6.06	6.31	6.23
Chain stores.....	178.1	284.7	267.2	274.1	283.3	3.89	2.69	3.03	2.95	3.25
Cotton textiles.....	113.8	125.0	122.2	124.7	125.1	6.10	6.99	7.16	7.19	6.81
Household goods.....	118.6	165.2	162.5	160.1	171.4	4.82	4.57	4.98	5.05	4.73
Rayon.....	81.5	81.6	86.2	80.4	85.5	4.33	5.89	5.61	5.76	6.23
Tobacco.....	87.4	95.4	94.8	93.1	94.2	6.76	6.73	6.84	6.90	6.84
Wool textiles.....	104.8	124.3	125.1	129.0	127.1	5.51	5.64	5.56	5.49	5.67
Chemicals.....	134.9	194.7	191.5	188.7	202.7	4.75	3.86	4.08	4.12	3.88
Oil.....	133.9	195.3	190.9	186.0	204.4	6.51	5.27	5.73	5.96	5.47
Shipping.....	120.4	147.8	155.5	160.1	180.1	6.35	5.21	4.96	4.81	4.31
Total (capital goods).....	115.2	162.1	161.3	160.5	171.5	5.70	4.65	4.81	4.90	4.58
Total (consumption goods).....	114.5	142.6	140.6	139.9	144.1	5.60	5.28	5.46	5.55	5.44
Total industrial (all classes).....	117.1	155.0	153.2	152.1	160.1	5.65	4.96	5.15	5.24	5.62

LONDON STOCK EXCHANGE

Next Account begins: February 16th
Next Contango Day: February 16th
Next Settlement Day: February 22nd

MALENKOV and Formosa were the dominant influences on Throgmorton Street this week. The Formosa crisis had sent industrial equity prices sliding down from the peak of February 3rd, when the *Financial Times* ordinary share index stood at the new "high" of 197.5, and then on the news of the changes in the Russian Government the ordinary share index fell from 196.0 to 193.8 on Wednesday. But, then, a rally was staged on Wall Street and when the London Stock Exchange opened on Thursday prices were a little better all round. Gilt-edged stocks were unsettled, partly by the international situation and partly by the weakness of sterling. Selling was not heavy but quite heavy losses were the order of the day until Thursday, when prices began to move up. On that day, too, German bonds rallied after losing quite a lot of ground just after the week-end. Rumanian issues were marked up on the news of the debt talks but then lost part of these gains later.

The most significant movements took place in the industrial market, where almost all sectors reported losses. Engineering and aircraft issues moved against the falling market at first but they, too, were marked down on Wednesday. The strongest resistance to the tendency for prices to fall was provided by steel issues; as a whole their prices remained firm on the rush to participate in the Whitehead issue. The lists closed for that issue immediately after a very heavy over-subscription. Among the shares that were most affected by the international tension were oil shares, which closed very flat on Wednesday. But they were looking a little brighter along with other equities when dealings began on Thursday.

In the commodity share market, rubber shares, having slipped back a little at the beginning of the week, began to improve later. Tea shares were marked down on the forecast of a fall in tea prices. Copper shares advanced strongly on the new record price for the metal. Tin shares and other base metal issues were also strong. Kaffir shares were also moving up.

FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Feb. 2....	196.7	113.98	3.85	4.33
" 3....	197.5	113.85	3.86	4.31
" 4....	197.0	113.63	3.89	4.33
" 7....	196.4	113.48	3.91	4.34
" 8....	196.0	113.39	3.91	4.35
" 9....	195.8	112.91	3.93	4.40
1955, High	197.5	115.97		
" (Feb. 3)		(Jan. 7)		
" Low..	184.2	112.91	Feb. 2	14,813
" (Jan. 3)		(Feb. 9)	" 3	14,454
1954, High	184.0	118.10	" 4	14,179
" (Dec. 31)		(Nov. 18)	" 7	15,233
" Low..	131.1	111.78	" 8	12,803
" (Jan. 1)		(Jan. 5)	" 9	12,613

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1955 Jan. 1 to Feb. 9		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Feb. 2, 1955	Price, Feb. 9, 1955	Net Yield, Feb. 9, 1955 %	Gross Yield, Feb. 9, 1955 %	Prices, 1955 Jan. 1 to Feb. 9		Last Two Dividends (a) (b) (c)			ORDINARY STOCKS		Price, Feb. 2, 1955	Price, Feb. 9, 1955	Yield, Feb. 9, 1955
High	Low							High	Low								
99 1/2	97 1/2	As'td. Exchequer 1960	97 1/2	97 1/2	1 11 2	2 9 5	42/9	35/9	15 c	17 1/2	%	%	STEEL & ENGINEERING		42/3	41/6	4 s. d.
97 1/2	95 1/2	As'td. Funding '66-68	96 1/2	95 1/2	2 0 9	3 8 7	13/3	10/-	15 c	17 1/2	11 1/2	11 1/2	B.S.A. £1		12/9	13/-	4 4 4p
99 1/2	97 1/2	Exchequer 2 1/2% '63-64	98 1/2	98 1/2	1 13 0	2 16 6	28/9	27/9	15 c	17 1/2	11 1/2	11 1/2	Cammell Laird 5/-		28/9	28/9	5 13 11
104 1/2	101 1/2	Exchequer 3% 1960	101 1/2	101 1/2	1 4 11	2 11 4	27 1/2	24 1/2	15 c	17 1/2	11 1/2	11 1/2	Colvilles £1		26/3	26/9	5 19 8
102 1/2	101 1/2	Exchequer 3% '62-63	101 1/2	101 1/2	1 9 10	2 17 3	74/3	66 1/4	10 b	17 1/2	11 1/2	11 1/2	Dorman Long £1		72/3	73/9	4 1 4
100 1/2	99 1/2	Serial Funding 2 1/2% 1957	99 1/2	99 1/2	1 5 6	2 7 8	49/9	43/10	10 b	17 1/2	11 1/2	11 1/2	Guest Keen N'fold £1		48/-	48/6	5 3 1
100 1/2	100 1/2	Serial Funding 3% 1955	100 1/2	100 1/2	0 10 2	2 5 8	31/7	29/2	3 a	17 1/2	11 1/2	11 1/2	Stewarts & Lloyds £1		30/3	30/9	5 17 10
100 1/2	99 1/2	War Bonds 2 1/2% '54-56	100 1/2	100 1/2	1 7 4	2 9 9	32/-	29/-	4 a	17 1/2	11 1/2	11 1/2	Summers (John) £1		31/-	31/9	6 6 0
100 1/2	100 1/2	Funding 2 1/2% '52-57	100 1/2	100 1/2	1 5 10	2 12 3	43/10	38/9	15 c	17 1/2	11 1/2	11 1/2	United Steel £1		43/3	43/9	3 8 7v
100 1/2	100 1/2	War Loan 3% '55-59	100 1/2	100 1/2	1 8 10	2 17 8	30/4	29/-	15 c	17 1/2	11 1/2	11 1/2	Vickers £1		29/9	29/-	6 17 11m
100 1/2	98 1/2	Savings Bonds 3% '55-65	98 1/2	98 1/2	1 16 0	3 3 2	30/4	28/1	12 b	17 1/2	11 1/2	11 1/2	Bradford Dyers £1		30/-	31/6	5 14 30
100 1/2	99 1/2	Funding 2 1/2% '56-61	99 1/2	99 1/2	1 11 7	2 15 7	33/4	28/1	10 b	17 1/2	11 1/2	11 1/2	Brit. Celanese £1		28/6	27/-	5 11 1v
97 1/2	94 1/2	Funding 3% '59-69	94 1/2	94 1/2	2 3 4	3 12 3	29/6	26/6	4 1/2 b	17 1/2	11 1/2	11 1/2	Coats (J. & P.) £1		42/-	41/6	3 17 1 1/2
98 1/2	95 1/2	Funding 3% '66-68	96 1/2	95 1/2	2 0 9	3 8 7	43/6	40/8	10 a	17 1/2	11 1/2	11 1/2	Courtalds £1		31/9	31/3	8 0 0x
95 1/2	92 1/2	Funding 3 1/2% 1999-2004	93 1/2	92 1/2	2 3 6	3 16 11	32/6	29/9	15 b	17 1/2	11 1/2	11 1/2	Lacons Cotton £1		32/-	32/6	6 3 1m
103 1/2	102 1/2	Funding 4% '60-90	103 1/2	102 1/2	1 15 11	3 13 8	36/0	30/-	15 b	17 1/2	11 1/2	11 1/2	Patons & Baldwins £1		19/10	20/4	4 18 2
96 1/2	92 1/2	Savings Bonds 3% '60-70	92 1/2	92 1/2	2 4 9	3 12 11	20/9	19/-	6 1/2 b	17 1/2	11 1/2	11 1/2	Bristol Aeroplane 10/-		12/4	12/-	5 4 2
95 1/2	91 1/2	Savings Bonds 3 1/2% '64-67	92 1/2	92 1/2	2 3 1	3 7 4	12/9	10/6	4 a	17 1/2	11 1/2	11 1/2	British Motor 5/-		25/3	25/3	5 18 10
105 1/2	101 1/2	Victory 4% '20-76	102 1/2	101 1/2	2 0 7	3 15 11	26/9	21/10	7 1/2 c	17 1/2	11 1/2	11 1/2	De Havilland £1		88/9	88/3	2 14 4
94 1/2	90 1/2	Savings Bonds 3% '65-75	90 1/2	90 1/2	2 4 11	3 13 7	90/6	79/-	12 c	17 1/2	11 1/2	11 1/2	Ford Motor £1		54/-	55/6	3 15 8
97 1/2	94 1/2	Consols 4% att. Feb. '57	96 1/2	95 1/2	2 6 3	4 4 1	57/6	46/3	3 a	17 1/2	11 1/2	11 1/2	Hawker Siddeley £1		116/3	120/-	4 3 4
89 1/2	85 1/2	Conv. 3 1/2% att. April '61	87 1/2	86 1/2	2 5 2	4 2 7	57/6	46/3	3 a	17 1/2	11 1/2	11 1/2	Leyland Motors £1		85/-	85/-	2 14 1 1/2
103 1/2	99 1/2	Conv. 3 1/2% 1969	100 1/2	99 1/2	1 18 11	3 10 4	121/3	100/6	25 c	17 1/2	11 1/2	11 1/2	Rolls Royce £1		7/7 1/2	7/6	8 0 0
99 1/2	98 1/2	Conv. 2% 1958-59	98 1/2	98 1/2	1 9 1	2 7 7	88/6	78/1	12 1/2 b	17 1/2	11 1/2	11 1/2	Standard Motor 5/-		31/6	30/6	3 13 9
66 1/2	63 1/2	Treas. 2 1/2% att. April '75	65 1/2	63 1/2	2 3 6	3 19 7	8/-	7/3 1/2	12 c	17 1/2	11 1/2	11 1/2	Boots Pure Drug 5/-		43/6	44/-	6 5 0
74 1/2	71 1/2	Treas. 3% att. April '66	77 1/2	75 1/2	2 4 4	4 1 2	57/3	57/3	22 1/2 c	17 1/2	11 1/2	11 1/2	Gt. Universal 5/-		60/3	57/6	3 5 3r
98 1/2	95 1/2	Treas. 3 1/2% '77-80	96 1/2	95 1/2	2 3 7	3 16 1	45/3	41/-	45 b	17 1/2	11 1/2	11 1/2	Lyons (J.) 'A' £1		113/9	112/6	4 0 0
99 1/2	94 1/2	Treas. 3 1/2% '79-81	96 1/2	95 1/2	2 3 7	3 16 1	45/3	41/-	45 b	17 1/2	11 1/2	11 1/2	Marks & Spen. 'A' 5/-		72/3	70/-	2 13 7r
88 1/2	84 1/2	Redemption 3% '86-96	87 1/2	85 1/2	2 4 7	3 15 5	62/6	57/3	17 1/2 b	17 1/2	11 1/2	11 1/2	Woolworth £1		64/3	62/-	4 0 7d
88 1/2	84 1/2	War L'n 3 1/2% att. Dec. '52	86 1/2	85 1/2	2 5 6	4 3 6	114/-	107/9	45 b	17 1/2	11 1/2	11 1/2	British Petroleum £1		83/1 1/2	81/3	2 1 9s
66 1/2	63 1/2	Consols 2 1/2%	64 1/2	63 1/2	2 3 4	3 18 11	76/-	68/6	20 a	17 1/2	11 1/2	11 1/2	Burmah £1		130/-	124/4	2 16 4
94 1/2	91 1/2	Br. Elec. 3% '68-73	92 1/2	91 1/2	2 4 9	3 14 1	71/9	61/9	10 1/2 b	17 1/2	11 1/2	11 1/2	Royal Dutch 100 d.		129/4	126/3	3 11 1 1/2
93 1/2	89 1/2	Br. Elec. 3% '74-77	91 1/2	89 1/2	2 4 8	3 13 3	88/9	81/-	5 1/2 a	17 1/2	11 1/2	11 1/2	Shell Reg. £1		34/3	33/6	5 8 7
109 1/2	106 1/2	Br. Elec. 4 1/2% '74-79	107 1/2	106 1/2	1 19 8	3 17 8	138/-	123/6	37 1/2 b	17 1/2	11 1/2	11 1/2	Trinidad L'holds 5/-		34/3	33/6	5 8 7
98 1/2	96 1/2	Br. Elec. 3 1/2% '76-79	97 1/2	96 1/2	2 3 1	3 15 11	138/-	123/6	17 1/2 c	17 1/2	11 1/2	11 1/2	Cunard £1		34/-	34/6	5 11 4s
88 1/2	84 1/2	Br. Trans. 3% '78-88	86 1/2	84 1/2	2 6 3	3 16 6	154/-	150/-	12 b	17 1/2	11 1/2	11 1/2	Furness Withy £1		53/6	53/6	4 9 9
94 1/2	91 1/2	Br. Trans. 3% '68-73	92 1/2	91 1/2	2 4 9	3 14 1	132/-	119/8	10 1/2 b	17 1/2	11 1/2	11 1/2	P. & O. Def. £1		71/6	68/6	3 4 3y
105 1/2	102 1/2	Br. Trans. 4% '72-77	103 1/2	102 1/2	2 1 1	3 17 0	35/1 1/2	30/9	5 1/2 a	17 1/2	11 1/2	11 1/2	Assoc. Elect. £1		70/7 1/2	73/9	3 15 11g
88 1/2	85 1/2	Br. Gas 3% '90-95	87 1/2	85 1/2	2 4 2	3 14 8	37/3	32/3	16 c	17 1/2	11 1/2	11 1/2	Bowater Paper £1		80/-	77/6	3 1 11m
102 1/2	98 1/2	Br. Gas 3 1/2% '69-71	99 1/2	98 1/2	2 0 3	3 11 9	37/3	32/3	12 c	17 1/2	11 1/2	11 1/2	B.I.C.C. £1		54/-	53/9	3 14 5
105 1/2	102 1/2	Br. Gas 4% '69-72	103 1/2	102 1/2	1 19 10	3 15 4	46/9	46/9	16 b	17 1/2	11 1/2	11 1/2	Bovater Paper £1		80/-	77/6	3 1 11m

(e) To earliest date. (f) Flat yield. (g) To latest date. (h) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 11 1/2 years approximately.

Prices, 1954 Jan. 1 to Feb. 9		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Feb. 2, 1955	Price, Feb. 9, 1955	Yield, Feb. 9, 1955
High	Low					
97 1/2	90 1/2	Anst. 3 1/2% '65-69	93	93	1 18 1	61/9
101 1/2	97 1/2	Ceylon 4% '73-75	101	100 1/2	3 19 3	45/4
106 1/2	103 1/2	N. Zealand 4% '76-78	103 1/2	102 1/2	3 16 6	62/6
79 1/2	71 1/2	L.C.C. 3% att. 1920	72 1/2	72 1/2	4 2 9	116 1/2
99 1/2	95 1/2	Liverpool 3% '54-64	98 1/2	97 1/2	3 6 6	69/-
87 1/2	80 1/2	M. Wtr. 'B' 3% '34-2003	81 1/2	80 1/2	3 18 0	34 1/2
104 1/2	100 1/2	Agric. Mort. 5% '59-89	100 1/2	100 1/2	4 17 6	86/3
109 1/2	102 1/2	German 7%	96 1/2	93 1/2	...	...
168 1/2	102 1/2	German 5 1/2%	156 1/2	151 1/2	...	...
170 1/2	132 1/2	Japan 5% 1907	161 1/2	161 1/2	...	...
198 1/2	167 1/2	Japan 5 1/2% Conv. 1930	191 1/2	192	...	...

Prices, 1955 Jan. 1 to Feb. 9		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Feb. 2, 1955	Price, Feb. 9, 1955	Yield, Feb. 9, 1955
High	Low							
58/6	48/9	5 a	7 b	Barclays £1	57/-	58/-	4 2 9	8 1/2
76/7 1/2	66/-	7 a	8 b	Lloyds 'A' £5, £1 pd.	67/-	68/-	4 2 9	8 1/2
89/3	84/-	8 a	10 b	Midland £1, fully pd.	85/6	85/6	4 4 3	7/8 1/2
87/-	80/6	8 1/2 a	9 1/2 b	N. Prov. 'B' £5, £1 pd.	81/-	83/-	4 6 9	35 1/2
96/10 1/2	89/7 1/2	8 a	8 b	Westminster 'B' £4, £1 pd.	90/6	90/6	4 8 5	31 1/2
69/-	57/6	7 1/2 a	8 1/2 b	Alexanders £1	58/6	58/6	4 5 6 1/2	...
58/6	51/9	5 a	7 b	Nat. Disc. 'B' £1	55/6	55/6	4 6 6	...
60/-	53/-	5 a	7 1/2 b	Union Disc. £1	56/6	58/-	4 6 2	...
48/10 1/2	44/-	4 a	4 b	Barc. (D.C.O.) £1	48/-	47/6	3 7 4	...
51/9	46/6	7 b	7 1/2 b	Chart. Bk. of India £1	50/6	50/6	5 14 10	...
17 1/2	15 1/2	50 a	85 b	Leg. & Gen. £1, 5/- pd.	16 1/2	16 1/2	2 0 4	...
23 1/2	22 1/2	40 1/2 a	20 1/2 b	Pearl £1, fully pd.	23	23	4 14 11	...
46 1/2	42 1/2	105 1/2 c	112 1/2 c	Prudential 'A' £1	45 1/2	46	4 8 11	...
40/6	132/-	10 a	33 b	Bass £1	139/4	139/4	6 2 11	...
29/0 1/2	26/6 1/2	25 c	10 a	Distillers 4/-	27/6	26/9	3 14 9	...
49/6	42/6	8 a	15 b	Guinness 10/-	48/9	48/-	4 15 10	...
93/9	91/3	15 1/2 b	7 a	Whitbread 'A' Ord. £1	92/6	92/6	4 18 0	...

* Ex dividend. † Free of tax. Gross yield. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 50%. (e) To earliest date. (f) Flat yield. (g) On 14%. (h) Also 4% tax free bonus and 50% tax free from capital profits: on 14-8%. (i) On 13 1/4%. (j) On 11 1/2%. (k) On 8%. (l) To latest date. (m) On 10%. (n) On 9 1/2%. (o) On 8 1/2%. (p) On 8%. (q) On 22% gross. (r) On 31 1/2%. (s) On 22-7% gross. (t) On 12-6%. (u) Interim for 15 months. On 12%. (v) On 7 1/2%. (w) On 17 1/2%. (x) On 12 1/2%. (y) On 11%. (z) On 8 1/2%. (aa) On 20%.

New York Closing Prices

	Feb. 2	Feb. 9		Feb. 2	Feb. 9		Feb. 2	Feb. 9
Balt. & Ohio	38 1/2	38 1/2	Am. Smelting	44 1/2	45 1/2	Inter. Paper	88 1/2	90 1/2
Can. Pac.	29 1/2	30 1/2	Am. Viscose	42 1/2	44 1/2	Nat. Distill.	22 1/2	21 1/2
N.Y. Cent.	33 1/2	33 1/2	Cel. of Am.	23 1/2	24 1/2	Sears Roebuck	79 1/2	79 1/2
Pennsyl.	24 1/2	24 1/2	Chrysler	68 1/2	70 1/2	Shell	60	61 1/2
Amer. Tel.	176 1/2	181 1/2	Gen. Elec.	50	50 1/2	Std. Oil of N.J.	117 1/2	114 1/2
Stand. Gas	16	16 1/2	Gen. Motors	98 1/2	97 1/2	U.S. Steel	79 1/2	79 1/2
United Corp.	6 1/2	6 1/2	Goodyear	57 1/2	58	Westinghouse	79 1/2	80 1/2
W. Union Tel.	90	91 1/2	Inter. Nickel	61 1/2	62	Woolworth	51 1/2	51 1/2

Statistics

The following list shows the most recent date on which each statistical page appeared.		BRITISH		OVERSEAS	
Prices and Wages	Feb. 5th	Production and Consumption	This week	Western Europe : Production and Trade	Feb. 5th
Manpower	Jan. 22nd	Financial Statistics	Jan. 29th	British Commonwealth	This week
External Trade	This week	Industrial Profits	Jan. 15th	Western Europe : Prices and Money Supply	Jan. 22nd
Financial Statistics	This week	World Trade	Jan. 15th	United States	Jan. 29th

UK Production and Consumption

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

British Commonwealth

PRODUCTION OF FUEL AND POWER (1)

Monthly averages or calendar months	Coal				Crude petroleum		Electricity				
	Australia	Canada	India	S. Africa	Canada	Pakistan	Australia	Canada	India	N. Zealand	S. Africa
	'000 tons						million kwh				
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	...	252	1,044
1953.....	1,534	1,031	2,987	2,362	897	15.8	1,079	5,457	552	286	1,112
1954, June.....	1,720	966	2,885	2,367	1,044	20.9	1,282	5,675	629	330	1,252
" July.....	1,759	749	2,966	2,466	1,218	...	1,359	5,478	633	357	1,318
" August.....	1,751	641	2,958	2,406	1,213	...	1,321	5,447	635	357	1,299
" September.....	1,810	954	...	2,432	1,176	...	...	5,510	648	331	1,219
" October.....	1,732	1,037	...	...	1,155	...	...	6,131	...	320	1,252

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
1953	16.0	28.4	8.2	47.9	5.20	171	306	126	108	89.7	338	994.7
1954	...	...	7.8	48.7	...	...	238	...	...	...	...	1,102.3
1954, August	21.3	29.2	8.0	52.5	5.85	193	216	146	121	90.5	370	1,136.8
" September	18.4	31.0	8.2	53.6	6.65	197	221	133	116	97.1	374	1,140.7
" October	21.8	29.9	7.5	50.3	6.10	200	249	143	118	...	...	1,157.6
" November	20.9	28.8	9.9	54.8	5.94	178	256	...	...	...	...	1,163.1
" December	...	...	11.2	54.6	...	...	255	...	...	...	...	1,191.8

EXTERNAL TRADE (3)

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A	mn. £A	mn. C\$	mn. C\$	mn. rupees	mn. rupees	mn. £NZ	mn. £NZ	mn. rupees	mn. rupees	mn. £SA	mn. £SA
1938.....	10.6	11.8	56	71	...	...	4.62	4.76	...	...	7.97	2.71
1952.....	87.5	55.7	336	363	551	482	23.02	19.98	178.3	167.4	34.91	28.03
1953.....	42.5	70.9	365	348	471	442	16.01	19.60	112.6	125.8	35.45	27.93
1954, July.....	70.3	52.4	341	329	537	467	26.3	15.5	117.0	93.7	40.3	23.8
" August.....	67.1	44.1	335	327	455	452	21.7	9.7	96.0	57.6	37.7	22.0
" September.....	70.3	55.0	325	357	485	498	24.8	19.2	79.2	74.6	34.7	23.4
" October.....	64.6	74.0	333	318	542	473	...	14.9	...	...	...	...
" November.....	55.0	51.8	373	369	390	...	...	...	...	...	...	...

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.....	281	220	485	41	259	69	66	35	72	...	68	71
1953.....	1,361	1,826	1,765	204	295	178	120	108	134	112	130	136
1954.....	...	1,951	...	...	414	...	...	...	...	...	...	...
1954, August.....	...	1,912	1,777	274	325	179	121	104	141	110	132	137
" September.....	...	1,908	1,781	240	347	...	121	...	...	110	134	136
" October.....	...	1,908	1,771	209	365	...	121	...	...	111	134	136
" November.....	...	1,930	1,762	180	373	...	121	...	...	...	...	...
" December.....	...	1,951	...	...	414	...	...	...	...	...	...	...

(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 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 week ended February 5th there was an "above-line" surplus (after allowing for Sinking Funds) of £168,176,000 compared with a surplus of £118,890,000 in the previous week and a surplus of £149,287,000 in the corresponding period of last year. This brought the cumulative account to a surplus of £369,534,000 (compared with a surplus of £151,904,000 in 1953-54). Net expenditure "below-line" last week reached £32,166,000, bringing the total cumulative surplus to £1,732,000 (compared with a deficit of £184,246,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to Feb. 6, 1954	April 1, 1954 to Feb. 5, 1955	Week ended Feb. 6, 1954	Week ended Feb. 5, 1955
Ord. Revenue					
Income Tax.....	1800,000	1342,440	1408,801	116,978	142,322
Sur-tax.....	132,000	97,700	98,700	7,500	9,100
Death Duties.....	164,375	138,600	156,600	3,700	4,300
Stamps.....	55,000	47,300	62,770	1,100	1,600
Profits Tax & E.P.T.	172,000	166,900	149,700	3,000	2,800
Excess Profits Levy	60,000	55,750	68,750	1,600	1,800
Special Contribution and other Inland Revenue.....	1,000	1,070	1,030	...	...
Total Inland Rev.	2384,375	1849,760	1946,351	133,878	161,222
Customs.....	1062,500	901,481	949,858	18,874	17,325
Excise.....	719,000	647,460	652,103	55,520	45,765
Total Customs and Excise	1781,500	1548,941	1601,961	74,394	63,090
Motor Duties.....	77,000	71,632	76,819	3,712	4,825
P.O. (Net Receipts).....	...	3,300	8,050	2,900	3,750
Broadcast Licences.....	21,000	13,550	18,600	...	...
Sundry Loans.....	24,000	34,684	22,828	55	622
Miscellaneous.....	245,000	102,938	168,019	112	22,984
Total	4532,875	3824,806	3842,628	215,051	256,393
Ord. Expenditure					
Debt Interest.....	570,000	477,517	461,462	13,956	7,208
Payments to N. Ireland Exchequer.....	51,000	42,060	42,110	2,568	2,620
Other Cons. Fund.....	10,000	8,755	8,256	...	...
Supply Services.....	3859,739	2916,163	2932,320	48,000	77,199
Total	4490,739	3444,496	3444,148	64,524	87,027
Sinking Funds.....	36,000	28,406	28,946	1,240	1,190
"Above-line" Surplus or Deficit	151,904	369,534	149,287	168,176	168,176
"Below-line" Net Expenditure	336,150	367,802	12,775	32,166	32,166
Total Surplus or Deficit	184,246	1,732	136,512	136,010	136,010
Net Receipts from:					
Tax Reserve Certificates.....	54,328	63,942	14,772	36,256	...
Savings Certificates.....	15,050	37,650	100	2,300	...
Defence Bonds.....	34,338	65,212	604	49,046	...

* Since end September the capital expenditure of the Post Office has been charged directly on the Exchequer (instead of being financed from the Savings Funds) and is consequently included in "below-line" expenditure and the total deficit. As at February 5th this item stood at £34,400,000.

FLOATING DEBT

Date	Treasury Bills				Ways and Means Advances		Total Floating Debt
	Tender		Tap		Public Depts.	Bank of England	
	£ million	£ million	£ million	£ million	£ million	£ million	
Feb. 6.....	3,240.0	1,362.5	236.0	...	...	...	4,638.5
Oct. 30.....	3,440.0	1,514.3	274.8	...	...	...	5,229.0
Nov. 6.....	3,450.0	1,483.1	272.3	...	...	...	5,205.4
" 15.....	3,470.0	1,452.1	273.0	...	...	...	5,195.1
" 20.....	3,480.0	1,548.1	291.8	...	...	...	5,319.8
" 27.....	3,480.0	1,571.7	271.2	...	...	...	5,322.8
Dec. 4.....	3,470.0	1,613.4	254.6	...	...	...	5,383.0
" 11.....	3,450.0	1,672.7	256.4	...	...	...	5,382.8
" 18.....	3,440.0	1,727.1	262.2	...	...	...	5,429.3
" 25.....	3,420.0	1,823.5	263.4	...	...	...	5,505.9
Jan. 8.....	3,400.0	1,771.4	264.7	...	...	...	5,436.0
" 15.....	3,350.0	1,719.2	260.4	...	...	...	5,330.0
" 22.....	3,310.0	1,662.7	262.3	...	...	...	5,235.0
" 29.....	3,270.0	1,642.2	243.2	...	...	...	5,155.4
Feb. 5.....	3,240.0	1,575.9	236.8	...	...	...	5,052.7

THE MONEY MARKET

At last week's Treasury bill tender, the allotment rate showed its first decline since the sharp advance that began in mid-November. The discount houses raised their bid for the £220 million of bills on offer by 2d. per cent, to £99 8s. 5d. per cent, and the average rate of discount fell by 1/64 per cent, to 2 1/4 per cent. The market's allotment rose from 32 to 39 per cent despite the increase of £10.6 million in total applications.

Money has been markedly shorter in Lombard Street in the past week, and demands for bills have abated somewhat. The range of dealing rates in two and three month bills narrowed after the Treasury bill tender. This week a moderate volume of business has been done in April maturities at 2 1/2 per cent and, at moments of stringency, at 2 1/4 per cent. Overnight loans have been taken at rates up to 2 1/2 per cent.

The price of gold at the London fixing reached a new record of 251s. 11d. on Thursday. The rise was principally in sympathy with the decline in sterling—to a low point of \$2.78 1/2 on Wednesday and Thursday—but it also reflected nervousness about the international situation.

The Bank return shows a further reflux of notes of £500,000. The post-Christmas decline in the active note circulation has thus lasted for two weeks more than in recent years, but the total reflux is still, at £99.4 million, smaller by £5.7 million than last year's.

LONDON MONEY RATES

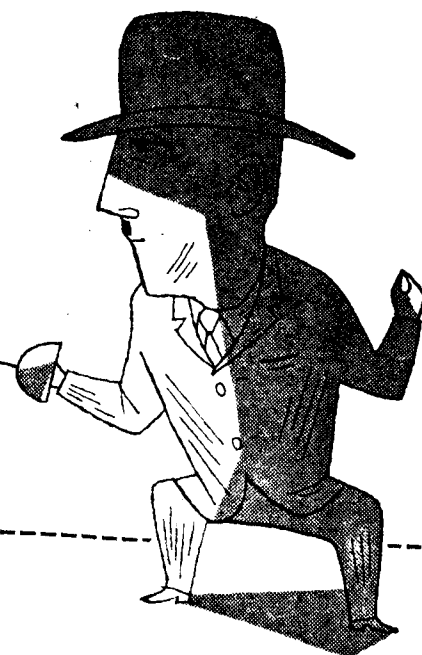
Bank rate (from 3%, 27/1/55)	%	Discount rates	%
Bank bills: 60 days	2 1/4	Bank bills: 60 days	2 1/4
Deposit rates (max)	2 1/4	Bank bills: 3 months	2 1/4
Banks.....	1 1/2	Bank bills: 6 months	2 1/4
Discount houses.....	1 1/2	Bank bills: 12 months	2 1/4
Money Day-to-day.....	1 1/2	Fine trade bills: 3 months	3-3 1/2
Short periods.....	1 1/2	Fine trade bills: 6 months	3-3 1/2
Treas. bills 2 months	2 1/4	Fine trade bills: 12 months	3-3 1/2
Treas. bills 3 months	2 1/4		

* Call money

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates : Spot						
	February 9	February 3	February 4	February 5	February 7	February 8	February 9	
United States \$...	2-78-2-82	2-78 1/2-2-78 3/4	2-78 1/2-2-78 3/4	2-78 1/2-2-78 3/4	2-78 1/2-2-78 3/4	2-78 1/2-2-78 3/4	2-78 1/2-2-78 3/4	
Canadian \$.....		2-70 1/2-2-70 3/4	2-70 1/2-2-70 3/4	2-70 1/2-2-70 3/4	2-70 1/2-2-70 3/4	2-70 1/2-2-70 3/4	2-69 1/2-2-70 1/4	
French Fr.....	972-65-987-35	975 1/2-975 3/4	976 1/2-976 3/4	976 1/2-976 3/4	975 1/2-975 3/4	975 1/2-975 3/4	976 1/2-976 3/4	
Swiss Fr.....	12-15 1/2-12-33 1/4	12-24 1/2-12-24 3/4	12-24 1/2-12-24 3/4	12-24 1/2-12-24 3/4	12-24 1/2-12-24 3/4	12-24 1/2-12-24 3/4	12-24 1/2-12-24 3/4	
Belgian Fr.....	138-95-141-05	139-20-139-25	139-25-139-30	139-25-139-30	139-25-139-30	139-25-139-30	139-25-139-30	
Dutch Gld.....	10-56-10-72	10-58 1/2-10-58 3/4	10-58 1/2-10-59	10-58 1/2-10-58 1/2	10-58 1/2-10-58 1/2	10-58 1/2-10-59	10-58 1/2-10-59	
W. Ger. D-Mk.....	11-67 1/2-11-84 1/2	11-76 1/2-11-76 3/4	11-76 1/2-11-76 3/4	11-76 1/2-11-76 3/4	11-76 1/2-11-76 3/4	11-76 1/2-11-76 3/4	11-76 1/2-11-76 3/4	
Portuguese Esc.....	79-90-81-10	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	
Danish Kr.....	14-37 1/2-14-59 1/2	14-51 1/2-14-51 3/4	14-51 1/2-14-51 3/4	14-51 1/2-14-51 3/4	14-51 1/2-14-51 3/4	14-51 1/2-14-51 3/4	14-51 1/2-14-51 3/4	
Norwegian Kr.....	19-85-20-15	20-01 1/2-20-02 1/4	20-01 1/2-20-02 1/4	20-01 1/2-20-02 1/4	20-01 1/2-20-02 1/4	20-01 1/2-20-02 1/4	20-01 1/2-20-02 1/4	
One Month Forward Rates								
United States \$...	1-c.m.-1-c. dis	1-c.m.-1-c. dis	1-c.m.-1-c. dis	1-c.m.-1-c. dis	1-c.m.-1-c. dis	1-c.m.-1-c. dis	1-c.m.-1-c. dis	
Canadian \$.....	1-c.m.-1-c. dis	1-c.m.-1-c. dis	1-c.m.-1-c. dis	1-c.m.-1-c. dis	1-c.m.-1-c. dis	1-c.m.-1-c. dis	1-c.m.-1-c. dis	
French Fr.....	1-3 dis	1-3 dis	1-3 dis	1-3 dis	1-3 dis	1-3 dis	1-3 dis	
Swiss Fr.....	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	
Belgian Fr.....	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	
Dutch Gld.....	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	
W. Ger. D-Mk.....	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	
Swedish Kr.....	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	
Danish Kr.....	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	
Norwegian Kr.....	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	1-1-c. pm	
Gold Price at Fixing								
Price (s. d. per fine oz.).....	251/8	251/9	...	251/9	251/9 1/2	251/10		

Have at you!



It would be over-dramatic to suggest that Insurance experts fling down the gloves to one another, and fight out duels to the death. But there are duels of other kinds.

Each Insurance Company is, in fact, the rival of all others. They are in constant competition—not only to obtain business, but to make the best use of the funds entrusted to them. That is as it should be—for competition fosters enterprise.

The Insurance expert has the delicate task of investing *your* money—and in doing so he tempers enterprise with caution. Thus he maintains the world-wide reputation of British Insurance—the absolute certainty that the contract will be fulfilled when the claim arises.

The conclusion is clear. Insurance is being responsibly, resourcefully—yes, even creatively—handled by practical people with *your* interests in the forefront of their minds.

British Insurance Offices

National Provincial Bank Limited

ESTABLISHED 1833

Statement of Liabilities and Assets December 31st, 1954

LIABILITIES	
Capital paid up...	£9,479,416
Reserve Funds (including Share Premium Account £1,144,950) ...	13,250,000
Current Deposit and Other Accounts ...	910,700,879
Liabilities for Acceptances, Endorsements, Engagements, etc. ...	34,439,712
	£967,870,007
ASSETS	
Coin, Bank Notes and Balances with the Bank of England ...	£75,614,299
Balances with, and Cheques in course of collection on, other Banks in the United Kingdom and Ireland, and Cheques, Drafts, etc., in transit ...	50,934,283
Money at call and short notice ...	74,253,000
Bills Discounted ...	188,554,573
Investments ...	282,381,786
Advances to Customers and Other Accounts ...	249,884,689
Trade Investments ...	5,458,750
Bank Premises ...	6,348,915
Liabilities of Customers for Acceptances, Endorsements, Engagements, etc. ...	34,439,712
	£967,870,007

HEAD OFFICE:

15, Bishopsgate, London, E.C.2

THE BANK THAT CONDUCTS THE LARGEST BANKING BUSINESS IN NEW ZEALAND

Since its establishment nearly 100 years ago, the Bank of New Zealand has kept pace with the country's development. Information supplied by over 340 Branches and Agencies provides current data on all aspects of commerce and industry, which is freely available to all with present or projected interests in the Dominion.

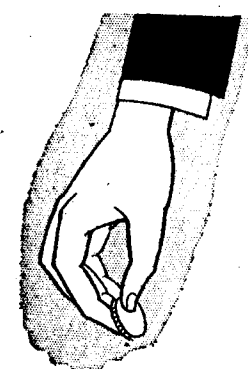
You are invited to contact the London Office
or the Head Office

BANK OF NEW ZEALAND

(Incorporated with limited liability in New Zealand)

London Office: 1, Queen Victoria Street, E.C.4.
Head Office: Wellington, New Zealand.
Manager: A. R. Frethey
Assis. Manager: A. E. Abel
General Manager: R. D. Moore.

Branches also in
Melbourne and Sydney (Australia); Suva, Lau:oka
Labasa, Ba and Nadi (Fiji); Apia (Samoa).



A Good Return for your money ..

2½%
DEPOSIT

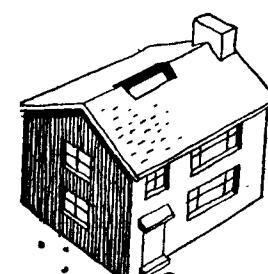
2¾%
SHARE

Society paying income tax—
calculated half-yearly. No
expenses on investment or
withdrawal.

Write for particulars
**GRAYS BUILDING
SOCIETY**
Established 1880
22 NEW ROAD, GRAYS,
ESSEX

Branch Offices:
31 Linton Rd., Barking, Essex, and
4 Wheeler Gate, Nottingham
(Mr. C. O. Day)

Assets: £2,000,000
Reserves: £76,000



Established in 1845.
All classes of Insurance
transacted including
Fire, Life, Accident,
Motor, Marine and
Aviation. Represented
throughout the world.



Head Offices

North John St. | Lombard St.
LIVERPOOL | LONDON

SAFETY-FIRST INVESTMENT

2 $\frac{1}{2}$ %
per annum

Income Tax
paid by the Society

Equal to **£4.10.10** per cent
to investors subject to
income tax at the standard rate

The current rate of interest on share accounts is $2\frac{1}{2}\%$, and on ordinary deposit accounts 2%, with income tax paid by the Society in each case. Sums up to a total holding of £5,000 are accepted for investment in Abbey National. For further particulars apply for a copy of the Society's Investment Booklet.

Total Assets **£213,461,000**

ABBAY NATIONAL BUILDING SOCIETY

HEAD OFFICE:
ABBAY HOUSE, BAKER STREET,
LONDON, N.W.1

For address of Local Office see Telephone Directory



THE ECONOMIST, FEBRUARY 12, 1955

COMMONWEALTH BANK OF AUSTRALIA

(AUSTRALIA'S CENTRAL BANK)

COMMONWEALTH
TRADING BANK
OF AUSTRALIA
(undertakes general
banking business)



COMMONWEALTH
SAVINGS BANK
OF AUSTRALIA
(the largest Savings
Bank in Australia)

Each of these Banks was established by the Australian Parliament and is guaranteed by the Commonwealth of Australia

Combined Assets - **£1,980,000,000**

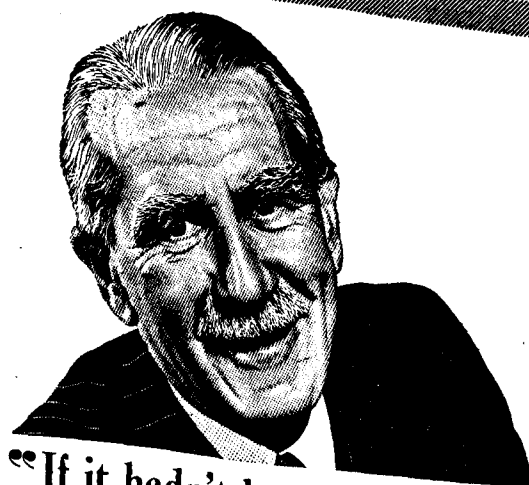
All classes of Banking and Exchange business conducted
Branches throughout Australia and territories
Agents and Correspondents throughout the world

HEAD OFFICE—SYDNEY

Governor: H. C. Coombs

Deputy-Governor: E. B. Richardson

LONDON OFFICE—8 OLD JEWRY, E.C.2
Manager: L. U. Rusden



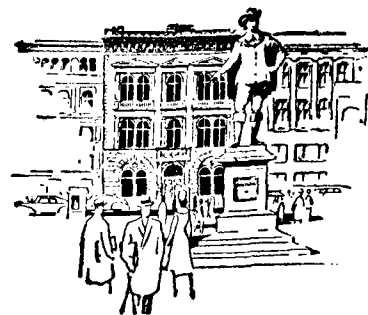
"If it hadn't been for him
there would have been nothing
to add to my pension"

ENDOWMENT ASSURANCE PROVIDES
A FULL AND HAPPY RETIREMENT



ASK THE MAN FROM THE PRUDENTIAL

THE ECONOMIST, FEBRUARY 12, 1955



KREDITKASSEN *Christiania Bank og Kreditkasse*

Established 1848

The oldest Joint Stock Bank of Norway

TELEGRAMS: KREDITKASSEN

OSLO—NORWAY

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 FUNDS STERLING	£4,000,000
RESERVE LIABILITY OF MEMBERS	£20,000,000

HEAD OFFICE: HONG KONG

Chairman: C. BLAKER, M.C., E.D.

Chief Manager: MICHAEL W. TURNER

London Office: 9, Gracechurch Street, E.C.3

London Managers: S. A. Gray, M.C., A. M. Duncan Wallace, M. D. Scott.

BRANCHES:

BURMA Rangoon	INDIA Bombay Calcutta	MALAYA—contd. Johore Bahru Kuala Lumpur Malacca Muar Penang Singapore Singapore (Orchard Rd.) Sungei Patani Teluk Anson	PHILIPPINES Iloilo Manila
CEYLON Colombo	INDO-CHINA Saigon		SIAM Bangkok
CHINA Shanghai DJAWA (JAVA) Jakarta Surabaya	JAPAN Kobe Osaka Tokyo Yokohama	NTH. BORNEO Brunei Town Jesselton Kuala Belit Sandakan Tawau	UTD. KINGDOM London
EUROPE Hamburg Paris			
HONG KONG Hong Kong Kowloon Mongkok	MALAYA Cameron Highlands Ipoh		U.S.A. New York San Francisco

* Not at present operating.

BANKING BUSINESS OF EVERY KIND TRANSACTED

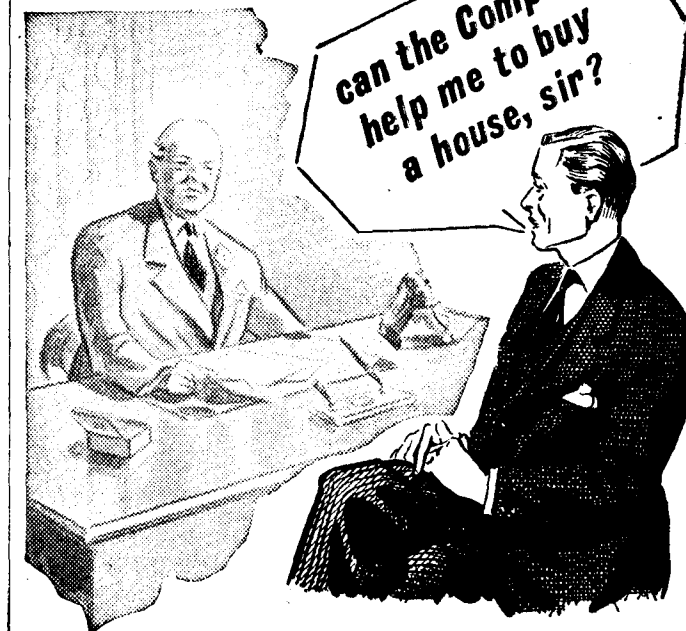
A comprehensive service as Trustees and Executors is also undertaken by the Bank's Trustee Companies in

HONG KONG

LONDON

SINGAPORE

I accept the appointment...



can the Company
help me to buy
a house, sir?

The problem of the executive or key worker who is unable to find the deposit to purchase a house can be solved without cost to the Company.

The Guarantee House Purchase Plan of the Wesleyan & General Assurance Society has been specially designed to meet this problem, and, in addition, provides for cancellation of the mortgage in the event of the employee's death.

Information regarding this plan will be given, in confidence, upon application to:

WESLEYAN & GENERAL Assurance Society

STEELHOUSE LANE
BIRMINGHAM 4

Established 1841

Specialists in House Purchase for 30 years

STEWARTS AND LLOYDS, LIMITED

EVENTS SINCE DENATIONALISATION

PROSPECTUS ESTIMATE EXCEEDED

CONSERVATION OF RESOURCES ESSENTIAL FOR COMPETITIVE STRENGTH

MR A. G. STEWART ON MAJOR DEVELOPMENTS

The sixty-fifth annual general meeting of Stewarts and Lloyds, Limited, was held on February 8th in the Merchants' Hall, 30 George Square, Glasgow.

Mr A. G. Stewart (the chairman), who presided, said:

Ladies and Gentlemen,—When I addressed the stockholders in 1949 and again in 1950 I referred fully to nationalisation, which was then impending. The vesting date was finally fixed for February 15, 1951, on which date all the shares and stock of the company became the property of The Iron and Steel Corporation of Great Britain. A final communication was sent subsequently to the former stockholders, accompanied by the accounts for the year 1950.

As you know, and as is stated in the directors' report, the ordinary shares of the company were offered back to the public on June 18, 1954. There are now over 12,000 shareholders.

It gives me the greatest pleasure to address you today, and I will try to give you a broad picture of what has happened in the company, not only during the past financial year but also in the years when we were nationalised.

CAPITAL STRUCTURE

I would like first of all to explain two substantial changes in the capital structure of the company which have taken place since we were nationalised.

At the request of The Iron and Steel Corporation, the three classes of preference stock then existing were converted into ordinary stock and the deferred stock consequently became ordinary stock. The debentures of Stewarts and Lloyds, Limited, and of its subsidiary, The Stanton Ironworks Company, Limited, were redeemed for cash. The issued capital of Stewarts and Lloyds thereupon consisted of £11,786,025 ordinary stock.

Immediately prior to denationalisation the capital was again re-organised as shown in detail in the accounts. The issued capital now consists of:

10 million ordinary shares of £1 each, held by the public;

10 million 5½ per cent preference shares of £1 each, half of which are redeemable. All these preference shares are held by The Iron and Steel Agency of Great Britain; and in addition,

£10 million 4½ per cent unsecured loan stock, also held by The Iron and Steel Agency of Great Britain.

There are also 10 million ordinary shares of £1 each authorised, but not issued.

It should be understood that the Agency put no new money into the company when we were denationalised nor did we receive anything other than short term loans from The Iron and Steel Corporation while we were nationalised.

THE ACCOUNTS

A further effort has been made to present the accounts to you in as simple a form as possible. As you will notice, the consolidated profit and loss account and the consolidated balance sheet, which are both presented in narrative form, show separately the figures for Stewarts and Lloyds, Limited, and its subsidiaries; the overseas subsidiaries; and the total group. Your directors felt that the creation or retention of subsidiary companies, especially in the United Kingdom, was largely a matter of management and that the accounts for the United Kingdom companies should be presented as if they were a single entity. You will also notice that all amounts in the accounts are to the nearest £1,000. After careful consideration your directors thought that this change, which obscures nothing of importance, would make the accounts easier to read and appreciate.

In the offer for sale issued in June, 1954, the directors estimated that the consolidated trading profit for the year would be in the neighbourhood of £10 million. This estimate was based on the gross group profit after deducting outside shareholders' interests and overseas taxation. The group profit of £12,180,000 as shown in the accounts, if adjusted on a similar basis, would become £11,497,000. The excess of this figure over the £10 million envisaged in the offer for sale is due mainly to export prices having remained more stable than was anticipated and to there having been an improvement in general trade in the second half of the financial year.

It is widely recognised nowadays that an adequate amount must be charged against profits for depreciation. The consistent rise in prices since the war means that depreciation based on original cost will not provide anything like replacement values. This year a figure of depreciation was calculated to take account approximately of the increase in general prices since the UK assets were acquired or installed. The £2 million allocated to obsolescence covers the difference between the depreciation charged and the greater figure thus calculated, and also provides a margin for the reduction in taxation due to investment allowances.

The accounts have been annotated and there seems nothing else which requires special comment.

The statement which accompanies the accounts shows the outputs for 1954 with comparative figures for the years back to 1946 and also for the year 1938. I think you will agree that these figures are satisfactory, although the output of steel tubes measured in tons for the 52 weeks ended October 2, 1954, was some 60,000 tons less than for the previous 53 weeks, due to a reduced Stanton's output of spun iron pipes and castings was, on the other hand, slightly increased as compared with the previous period and constituted a record production for that company.

INTERIM DIVIDEND

As indicated in the offer for sale, it is the intention of the directors, provided profits permit, to pay interim dividends in future. The present intention is to pay an interim dividend at the rate of 5 per cent per annum, less tax, on account of the current year. The actual decision will be taken early in June and payment will be made in July. I would ask shareholders to appreciate that our profits are subject to a wide variety of changing conditions which are difficult to predict, and it is not possible to draw any firm conclusion as to the final dividend when the interim is announced. In our industry it is necessary, as you must realise from reading the accounts, to pursue a conservative financial policy. It is only by so doing that we can preserve our competitive strength and play our proper part in the national effort.

Whilst today there may be a general tendency for dividends to be increased, and whilst it is understandable that shareholders may expect to receive increased dividends, a responsible board must always regard themselves not only as managers of the company's affairs but also to some extent as trustees of the shareholders' invested funds.

In addition, they must always be mindful to ensure, so far as they can, continuity and security of employment for their employees, and to satisfy the needs and interests of their consumers.

Nevertheless, and subject to these general but important considerations, the board must always consider carefully what is the shareholders' fair reward.

IRON AND STEEL BOARD

You will all know that under the Iron and Steel Act, 1953, the Iron and Steel Board was appointed. This board has the duty of exercising a general supervision over the iron and steel industry with a view to promoting the efficient, economic and adequate supply under competitive conditions of iron and steel products, and a particular duty, among others, to review the capacity of the industry from time to time so as to ensure that the overall developments carried out by the companies in the industry are in line with future possible demands.

We welcomed the appointment of this board and believe that it will provide a great service both to the industry and to the country as a whole.

DEVELOPMENT

By the end of the year 1954 we had spent since the war some £38 million on modernisation, development and extension of our works in this country. All this has been done without recourse to permanent borrowing. The cash position of the company has, however, benefited to the extent of just over £2 million, being the amount received consequent upon the nationalisation of the collieries formerly owned by Stanton. Your directors are anxious to qualify their state-

ment in the offer for sale that to complete the schemes now envisaged temporary borrowings should not exceed £10 million and that this money will be available to the extent required.

I would like to refer to some of the major developments which have taken place in the United Kingdom since 1951.

We are in the process of installing at Clydesdale works a second rotary forge tube mill primarily for the production of pipe for the oil companies. The steelmaking plant has been rebuilt and a further open hearth furnace is in course of construction to make these steelworks fully capable of meeting the requirements of the two tube mills.

At Tollcross we have built a new steel foundry which will replace the Sun Foundry at Coatbridge. The latter is now out of date, incapable of further expansion and can no longer supply our own requirements of tools, rolls, and other castings.

At Bilston a new high top pressure blast furnace has recently come into production which will provide the additional pig iron required for our increase in steelmaking capacity.

At Corby we have installed a new mill for producing seamless tubes, which is now in production. We have increased the capacity of our continuous weld mills which produce in the main screwed and socketed tubes. There are now also two modern electric weld tube mills in operation at Corby for the supply of high-grade tubes in the lower range of sizes. The Corby steelworks capacity has been increased to supply the additional steel required by these developments.

The new tube plants will to some extent replace existing mills which have become out of date.

We are satisfied that these changes must be made. It will be our endeavour to carry them out with the least possible hardship to our men, and alternative employment will be offered to the fullest possible extent.

Plant installed for the production of welding fittings, primarily for the oil industry, has been extended and our capacity for producing manipulated pipework for high pressure steam and oil installations has been approximately doubled.

Through our subsidiary, Tubewrights, Limited, we have continued the development of the fabrication of tubes into structures and other products. A new works to deal with this class of business has been built near Liverpool.

Stanton have carried out extensive modernisation to their blast furnaces and have built additional coke ovens. Many of the foundries have been re-equipped. As a result there has been a substantial increase in their iron-making and pipe-making capacity.

I would now like to refer to some of our activities abroad.

In India, in conjunction with The Tata Iron and Steel Company Limited, a continuous weld tubemaking plant of the type operated by us at Corby is being erected at Jamshedpur. This plant will be owned and operated by The Indian Tube Company (1953) Limited, in which Stewarts and Lloyds have a 40 per cent interest and Tata the remaining 60 per cent. This plant is expected to come into operation towards the end of 1955.

The Indian Tube Company has also decided to add an electric weld tube plant for the manufacture of boiler tubes and other high grade categories. We are confident that formal approval from the Government of India to erect this plant will shortly be obtained. Arrangements have been made to commence construction, and the scheme should be completed early in 1957. We shall

continue to export to India categories of tubing not made by the Indian Tube Company.

In Australia we have a 44 per cent interest in Tubemakers of Australia, Limited. This company has continuously extended its capacity and now manufactures, in its various works, almost every type of steel tube required in Australia. In addition it has a large warehousing and merchanting business. Its progress has been remarkable in meeting the requirements of this fast expanding country.

Stewarts and Lloyds of New Zealand, Limited, was merged with two other New Zealand companies to form the Steel and Tube Company of New Zealand, Limited, in which Stewarts and Lloyds, Limited, obtained a 60 per cent interest. The new company is concerned in merchanting tubes, steel and certain other products.

Stewarts and Lloyds of South Africa, Limited, has continued its manifold and successful activities in that country.

Subsidiary companies have been formed in Canada by both Stewarts and Lloyds and Stanton, each of which carries on a considerable export business there. The formation of these Canadian companies will introduce better customer service. The desirability of extending our activities in Canada further is being carefully considered.

Stewarts and Lloyds of Ireland, Limited, has been formed and a warehouse and finishing plant is being installed to provide a better service in Eire.

TRADING PROSPECTS

No doubt you will expect me to give some indication of our trading prospects for the current year.

It is satisfactory to be able to report that the improvement in general trade which took place in the second half of the last financial year has been fully maintained. This is particularly noticeable in the home market where demand for our main categories of tubes is high at the present time.

With regard to export trade, I should point out that we are largely dependent on the requirements of the oil companies, which now account for the greater part of our exports, the figure for last year showing that of our total tube sales approximately 23 per cent were exported to oil companies and 20 per cent to other customers abroad.

With regard to other classes of export business, demand continues at the high levels reached in the latter part of last year. Although competition is becoming keen, the general level of prices has been maintained.

So far as Stanton is concerned, whilst there has been some slackening in the amount of new business at home for spun iron pipes compared with the unduly heavy demand of recent years, it is expected that production will continue at a high level during the current financial year. Export business has been maintained and the prospects are good.

Overall, therefore, I can say that if demand remains at the present level, and I have no reason to think that it will not, this year's turnover will exceed that of last year.

So far as the future in more general terms is concerned, there are, of course, many factors quite outside our control which may affect us. Whilst we do control very largely our own iron and steel supplies, we are dependent on others for many of our important raw materials, including coal. These and also freight charges are very important items in our cost.

Nevertheless, within these considerations, we feel that we are well equipped from the point of view of plant, experience and morale to take our share in what the future may offer.

THE BOARD

As you will see from the directors' report, certain changes have taken place in the composition of the board. Mr McLay resigned from the board after many years of great service to the company; he played a large part in much of the development which we have undertaken, and he rendered outstanding services to the country during the last war.

Mr Bell, Mr Saunders and Mr Alexander were elected to the board during last year. They are all men holding high executive posts who have served the company well for many years, and I know that their appointment to the board will add to our strength.

STAFF AND EMPLOYEES

Our relations with all our employees continue to be good, and we acknowledge the help which we receive from the trade unions.

We have advanced still further in the field of training and education, and I believe that in this respect we are in the forefront of industry. All our schemes are, of course, in addition to the facilities provided by the State and we believe that both the company and the employees who use them will reap great benefit. I should say, however, that it may take some years before the results are fully shown, and we must take pains to ensure that all who accept the opportunity of such training realise their own responsibilities. In the long run it is up to the individual to make use of his chances and to prove himself.

With all these aids, however, we could not hope to advance as we do without the splendid spirit of service and sense of duty shown by so many.

It gives me pleasure and satisfaction to acknowledge these great services and on your behalf, ladies and gentlemen, to thank all our employees most sincerely.

The report and accounts were adopted and the dividend recommendations were approved.

The retiring directors, Sir Walter Benton Jones, Mr J. R. Menzies-Wilson, Mr W. C. Bell, Mr E. G. Saunders and Mr J. N. B. Alexander were re-elected.

The remuneration of the auditors (Messrs Cooper Brothers and Company) having been approved, the proceedings terminated.

At the extraordinary general meeting which followed, a special resolution was passed making a minor adjustment to the articles of association.

MARTINS BANK LIMITED

ANNUAL GENERAL MEETING

EXTRAORDINARY GENERAL MEETING

The one hundred and twenty-fourth annual general meeting of Martins Bank Limited was held yesterday at the head office, Liverpool. Mr T. H. Naylor, a deputy chairman, presided.

The notice convening the meeting and auditors' report were read.

The report and accounts for 1954 were adopted.

Resolutions were passed re-electing the retiring directors and fixing the auditors' remuneration.

At the succeeding extraordinary general meeting, a special resolution adopting new Articles of Association was passed.

A vote of thanks was unanimously accorded to Mr Naylor for presiding.

The chief general manager, Mr C. J. Verity, JP, replied to the tribute to the staff.

THE DECCA RECORD COMPANY

FINANCE FOR FURTHER EXPANSION

SIR CYRIL F. ENTWISTLE ON THE SOLID PROGRESS

The twenty-fifth annual general meeting of The Decca Record Company, Limited, was held on February 8th, in London.

Sir Cyril F. Entwistle, QC, MC (the chairman), who presided, said: The balance from the consolidated trading account which amounts to £1,701,206 shows an increase over that of the previous year of £379,274. I feel sure you will regard this result as extremely satisfactory. This is our twenty-fifth annual meeting and the excellent results achieved can fairly be ascribed to the combined efforts of all concerned during the year under review, based on the foundations established during a quarter of a century of perseverance. The net profit for the year of £415,908 shows an increase of £27,014 over the previous year. We are recommending a final dividend on the ordinary shares of 1s. 8d. per share, less tax, making a total for the year of 2s. 3d. per share, less tax, compared with 1s. 9d. per share for the previous year.

CAPITAL PROPOSALS

In order to provide finance for various capital commitments made necessary through the increase in the company's scale of operations and to provide additional working capital, we are making an issue to the ordinary shareholders of one share for every four held at 15s. per share. We also offered the unissued balance of £250,000 4s. per cent notes to noteholders and shareholders at 98½ per cent. This latter issue was well supported, applications totalling over £1,700,000. It is also proposed to capitalise £350,201 4s. of the share premium account resulting from the new issue of ordinary shares and distribute one "A" ordinary share free in respect of each two existing ordinary shares. The amounts raised from these two issues will be allocated approximately as to £130,000 for works in connection with the gramophone record factory, £170,000 in respect of Decca Navigator operations and £100,000 for the purchase of machine tools, alteration and extension of buildings to accommodate increased production for Decca Navigator and Radar principally for government work, the balance being available for additional working capital.

Revenue and capital reserves totalling £1,246,891 are very nearly equal to the total issued capital of the company.

REVIEW OF OPERATIONS

At the last annual general meeting I was able to give you an extensive review of the progress of the business for the year to March 31st last. The increase in profits has been achieved as the result of much greater activity in the record business and a substantial improvement in the Decca Navigator operations. The system has proved a great technical achievement for many years past and everyone concerned will feel gratified that past efforts are now being repaid.

At the end of March, 1954, your company purchased the share capital of Reid and Sigrist Limited, Leicester, who are well known as manufacturers of specialised aircraft instruments, high precision cameras and gyros, the latter being particularly interesting in view of the future for projected missiles.

THE CURRENT YEAR

Our record business has shown a substantial increase to date over the same period of

the previous year, both in the home and overseas markets and we have reason to believe that the production from our plants in this country has been greater than that of any other company or group of companies.

"RECORD" PROGRESS IN USA

Despite the fact that import restrictions in many of the major overseas markets necessitated local production, our exports are fully maintained representing over 50 per cent of exports of those of the whole industry. Sales of our American subsidiary, London Records Inc., have forged ahead during the current year, and those of our Canadian subsidiary have been maintained despite some slackening in the general level of trade in that country. Our exports to the USA subsidiary in the month of January, 1955, were the largest of any single month.

We have a fine range of television and radiogramophone models, the demand for which has exceeded our capacity to supply. We have been handicapped through delays in rebuilding and extending the factory but with the recent completion of this work we look forward to a considerable increase in our production facilities.

THE NAVIGATOR FOR SWEDEN

The Decca Navigator business has made striking progress during the current year. The flow of contracts for new hirings and the sale of equipment have been fully maintained and the number of fittings and contracts now covers equipment for more than 2,600 ships and aircraft.

The Royal Swedish Navy is announcing today its decision to place a contract for the construction of a permanent navigational chain of Decca transmitting stations in the area of Stockholm. This will provide a link with the Danish chain and will extend the Decca coverage from South Sweden well into the Gulf of Bothnia, and the new facilities provided will be valuable on the important shipping and air routes in these areas. A chain is being installed in the South of France which will extend the Decca system to the Mediterranean area. During the year we have received contracts for eleven special purpose chains, which are now in course of manufacture and will be used for hydrographic and aerial survey, oil exploration, and other special projects in various parts of the world.

BEA Viscounts continue to get good service from the Decca Navigator, the flight log in many cases proving invaluable. Many experienced pilots have expressed the opinion that Decca can make a bigger contribution to the safety and reliability of air travel than any other known navigational aid. We have discovered a new technique which may well prove to be one of the most important advances during the last ten years in the science of electronic aids to navigation.

IMMENSE POTENTIALITIES IN USA

Perhaps the most significant commercial development during the current year has been the signing of a contract with the Bendix Aviation Corporation of Detroit, Michigan. Under this contract the American company has been granted a licence to manufacture and sell Decca navigational equipment in the USA. The initial interest of the Corporation was in the field of helicopter navigation for

which Decca is recognised as providing the best solution. Apart from this application, however, the co-operation with Bendix opens up immense potentialities in the USA.

More recently a company has been formed in Italy, jointly with French and Italian interests, with the object of actively developing the system in that country, and particularly furthering plans for the erection of an Italian transmitting chain.

From these remarks you will realise that the progress of this section of your company's business has been of quite an outstanding nature.

RADAR

With the considerable expansion that has taken place during the current year in Decca radar activities, orders for marine radar have increased substantially and now amount to equipment for over 3,700 ships operated by over 870 different ship owners, governments or authorities throughout the world. Since the last annual meeting 170 further ship owners have adopted the Decca radar, an indication of the confidence placed in our equipment by the shipping world.

The Decca Airfield Control Radar has found wide acceptance, sets having been ordered for the Royal Air Force, the South African, Royal Swedish and French Air Forces, the Royal Australian Navy, by civil airport and other authorities, and by leading aircraft manufacturers in the United Kingdom and overseas. The introduction of the "Q" band millimetric radar marks a big advance in radar techniques and we are the only company in the world offering this type of equipment on a commercial production basis. An order has been received from the Minister of Civil Aviation for this equipment to be installed on the new control tower at London Airport to assist in the control of surface movement on the airfield. The installation should be completed within the next two months.

Your company has taken the lead in the development of radar equipment for storm detection and installations have already been made in Entebbe, Calcutta and Khartoum. New techniques have also been developed for the use of radar in industries and government departments concerned with air pollution, hydro-electric schemes, and general long-range weather forecasting.

From these remarks you will appreciate that a large amount of effort has been given to our own research and development the benefits of which will be progressively felt in the future. Exports have been maintained at a high level accounting for almost two-thirds of our commercial radar turnover during the current year.

A large proportion of the company's research and development capacity is engaged in work of a most advanced character as a result of contracts received from government departments, and large orders are in hand for production of equipment of this nature.

From the above you will appreciate that we have continued to retain our position amongst the leaders in the electronic field.

Turnover for the year to date shows a substantial increase over that of the same period in the previous year. We are assured of another very successful year's trading and look forward to the future with every confidence.

The report was adopted.

F. W. WOOLWORTH & COMPANY LIMITED

A RECORD YEAR

The forty-sixth annual general meeting of F. W. Woolworth & Company, Limited, will be held on March 4th in London.

The following are extracts from the statement by the chairman, Mr S. V. Swash, circulated with the report and accounts for the year 1954:

I am pleased to present the report of the directors and the accounts for 1954. The figures show that it was a good trading year and marked a fresh record in the history of your company.

REVENUE RESERVES

It will be noted that the sum of £3,500,000 which we have been carrying as development reserve has been transferred to general reserve, and this with the proposed appropriation of £2 million brings the general reserve to £5,500,000 and marks a satisfactory start in rebuilding the reserves after the capitalisation.

The system of licence application before the undertaking of building work ended during the past year, so from now on alterations, improvements and rebuilding of premises will not be subject to this control limitation, but to the ordinary commercial limitations of desirability and availability of funds, men and materials. For these reasons your board decided to merge the development reserve into the general reserve.

There is a programme of alterations and extensions and building work of all kinds which has had to be deferred and which, together with such new sites as become available for stores, will keep the company's construction department very busy indeed for the next few years. It is the directors' intention to press this work forward vigorously, so as to make as many stores as possible modern and ideal for the convenience of our customers and staff.

DIVIDEND.—The proposed final dividend on ordinary stock is 1s. 10d. per unit compared with 2s. last year, but is of course payable on the capital as increased last October. I have had many letters from shareholders suggesting that they should use the stores for their own purchases as much as possible, and have no doubt that where practicable they do so.

TRADING PROFIT

The trading profit showed a very good expansion and marked a further satisfactory growth of turnover and a strengthening of the popularity of the company's stores. The past year was the first one since before the war when it was not possible to detect significant gaps in the availability of merchandise in one department or another, and at the present time it is fair to state that British manufacturers have reached a stage of production in the range of goods offered by your company where current needs can be met reasonably and promptly. After long years in the wilderness, the consumer is coming into his own. This is at once a satisfactory state of affairs and a challenge to retail trade.

I commented last year that my estimate was that a reduction of about one halfpenny in the selling price of every single item of merchandise we sold would about wipe out the trading profit, and your board is pursuing vigorously the well-trying policy of endeavouring to ensure rapid turnover by large volume of sales at small monetary profit margins.

A big production of goods for the home market provides the base from which manufacturers can sally forth to try to win export trade, and your company is always trying to find ways and means to satisfy customers' needs, so that ever bigger demands can be made on the manufacturers.

HIRE PURCHASE

Retail cash business is competing with the hire-purchase business for the consumers' spending money, and the lifting of the restrictions on hire-purchase trading undoubtedly made its impact on the weekly wage packet. This is all to the good and the availability of desirable merchandise in adequate quantities should encourage hard work to earn more to improve the standard of living. In conjunction with lower taxation, it should provide the incentive which is so necessary at all levels to induce people to put their best foot forward and increase productivity to the great benefit of their country and themselves.

Your company's manufacturers and suppliers have again been most helpful and co-operative in turning out goods to keep the stores well stocked. One of the most pleasant features of our operation is this close co-operation of the buyers with their manufacturers and it is a very essential element in the successful conduct of this business.

The variety, value and usefulness of the lines sold in the stores must be constantly improved to satisfy the exacting needs of the customer of 1955, and we can undoubtedly sell vast amounts of goods that measure up to the required standards.

I will just give one example which may be interesting—extruded brass curtain rail that in conjunction with roller runners is so extensively used in the homes of the people for hanging curtains. We sold over the counters of the stores enough mileage of this rail to extend a peaceful curtain from London to Berlin and back again.

This interesting work is never finished—this work of improving old lines and developing new ones; and both the manufacturer and the retailer have their full part to play.

EXPENSES

Expenses under many headings took big rises during 1954 in comparison with the previous year. Salaries, rates, rents as leases run out, repairs, lighting and wrapping all showed sharp increases, and it was essential to strive for, and attain much higher sales, in order to achieve the results set out in the report.

It does not appear to your directors that expenses have yet reached their peak and their stabilisation will depend on the general monetary and economic trends in the country's trade.

Finally, the present full employment situation and the apparently good economic prospects for this country in the immediate future, should provide conditions in which your company can endeavour to maintain and improve its position with quite good prospects of success. Your stores play an important and intimate part in the shopping lives of the community in nearly every town in the United Kingdom, and your board will use every endeavour to improve the service that is rendered to the public by good shop-keeping.

THE WEYBURN ENGINEERING COMPANY, LIMITED

RIISING COSTS AFFECT PROFITS

The nineteenth annual general meeting of this company was held on February 5th at Elstead, Mr Hamilton Gordon, chairman and managing director, presiding. The following is an extract from his circulated statement for the year to October 31, 1954. The profit is £173,199, a decrease of £8,296. Taxation absorbs £97,670, leaving £75,529 available for distribution as compared with £56,094 in 1953. The reason for the fall in profit is mainly an increase in costs. I would refer particularly to a wage increase granted to employees in April, 1954. Since we did not raise our prices then, the extra cost has had to be borne out of the year's revenue.

We have kept up the output of most of our products. We have also broadened the field of our customers.

As regards 1955, it may be that there will be a further decline in the trading profit. It seems possible that the tendency for the costs of materials and services to rise will continue. We shall not make any general price increase, however, unless there is a steep rise in costs, and therefore while we hope to maintain our sales at approximately the same value as this year, we may suffer a drop in profit margins.

It has been decided to propose the capitalisation of a further £45,000 of general reserve, and the distribution of three new ordinary shares for every seven held. Having regard to the higher net profit available, the directors have decided to recommend a dividend on the increased capital of 25 per cent.

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

NATIONAL MORTGAGE AND AGENCY COMPANY OF NEW ZEALAND

RECORD PROFIT

The seventy-ninth annual general meeting of this company was held on February 8th in London, The Right Honourable Lord Glenconner, the chairman, presiding.

The following are extracts from his circulated review for the year ended September 30, 1954:

The 1953-54 wool selling season was a most successful one. The future outlook is healthy, particularly for crossbred wool which forms the bulk of the New Zealand clip.

For the first time since 1939, New Zealand's meat trade is being handled by private traders.

New Zealand continues prosperous, due in large measure to the successful disposal of her primary products to overseas markets. It must, however, be remembered that it is the United Kingdom which continues to absorb the bulk of New Zealand's exportable surplus, and it follows that the prices she receives for her produce must be largely determined by the state of the United Kingdom's economy. United Kingdom prosperity is bound up with the general level of world trade, over which no one country can exercise more than a partial influence.

Our gross profit of £533,767 shows an increase of £118,806 compared with last year and is the highest ever achieved by the company. The net profit of £142,230 compares with £107,682 last year. Your directors recommend a final dividend of 8½ per cent, making 12 per cent free of tax for the year.

The report was adopted.

CLYDESDALE & NORTH OF SCOTLAND BANK LIMITED

A RECORD YEAR

ENCOURAGING PICTURE OF ECONOMIC BUOYANCY

SIR HAROLD E. YARROW'S SPEECH

The one hundred and seventeenth annual general meeting of the Clydesdale & North of Scotland Bank Limited was held on February 9th in Glasgow. Sir Harold E. Yarrow, Bt, CBE, LL.D., chairman of the bank, presided, and in the course of his speech, said:

The annual report and balance sheet are already in your hands, and you will see that the figures disclosed constitute fresh records in the history of the bank. Since last year, the balance sheet total has risen by some £16.6 million, and at £217,801,984 has reached its highest level to date. This gratifying expansion is largely accounted for by a substantial increase of over £13 million in current, deposit and other accounts. Our note circulation continued to follow the general upward trend of postwar years, and at £21,675,443 shows an advance of £1,455,719. A further rise of almost £2 million in the total of acceptances, confirmed credits and engagements on account of customers which now stands at £10,070,352 is evidence of the bank's continued support of the country's overseas trade, and of the increasing use made of the specialised services rendered by our overseas branches.

Turning to the assets side, you will observe that in the disposition of the additional resources available, we have maintained a

highly satisfactory level of liquidity. Cash, balances with other banks, and money at call and short notice in London amount to £67,154,033 and represent over 33 per cent of our liabilities to the public in respect of deposits and notes in circulation.

The bank continues to play its part in providing the working capital required by Scottish industry and agriculture, commerce and trade, and the greater activity which has prevailed in the economy during the past year is reflected in our advances to customers, which increased by £4.8 million to a total of £46,970,555. Our profit for the year at £476,134, is £46,639 higher than in 1953, largely as a result of the greater resources at our disposal and the wider scope for their employment in the more active industrial conditions prevailing. After making various allocations, the directors have decided to recommend payment of a dividend at the rate of 10 per cent actual, less income tax, for the half year ended December 31st, making 18 per cent for the year, an increase of 2 per cent. There remains a balance of £201,232 to be carried forward to 1955 with £199,257 brought in from the previous year.

STAFF TRAINING

A series of managers' conferences is being held, each attended by twelve managers who

are afforded an opportunity of discussing with the head office officials questions relating to their work in the branches. In October we undertook a further development of our staff training scheme when we inaugurated a junior training school in head office. It is frequently said that the banks are now finding it difficult to attract the right type of youth into their service. I am glad to say this is not our experience and in many districts we have at present a waiting list, a fact which would appear to indicate that service in the bank is not without its attractions. We are well satisfied with the quality and keenness of young entrants to our service.

FRUITS OF INVESTMENT

Business activity in Scotland was maintained at a high level in 1954 and many industries achieved further increases both in output and productivity as postwar capital investment schemes yielded more of their expected benefits.

All the achievements in 1954 have been made possible largely by the investment of substantial sums in Scottish industry within recent years. Over a wide field new capital expenditure has been undertaken with a view to reducing the cost and extending the range of production.

FUTURE PROSPECTS

The conditions which I have outlined, and which are obtaining over the British economy as a whole, present an encouraging picture. Industrial production has reached a new peak, employment is high, and in the field of overseas trade a record in exports has been set up as regards both value and volume. Against this background of general economic buoyancy several major problems stand out in bold relief, and the success attending their

solution will be an important factor in determining the longer-term prospects for prosperity. Our balance-of-payments position may have been improved, but it is far from strong enough to permit the necessary rebuilding of our reserves and the fulfilling of our investment obligations in undeveloped areas of the world. The strengthening of our position must, moreover, be achieved in conditions of increasing competition, conditions in which buyers naturally insist on guaranteed delivery dates and fixed prices. Fortunately, an improved flow of materials has brought some shortening of delivery dates in many industries, and further improvement is in prospect. But the problem of price remains, and this has become once more the major factor in the successful conduct of overseas trade.

Happily, the indications are that industrialists and the more responsible element in the trade unions are becoming increasingly aware of the realities of the situation and of the need, in the more flexible conditions now prevailing, for a stronger revival of enterprise in the national interest.

It needs to be emphasised that frequent demands for increases in wages render the achievement of fixed prices still more difficult and they do not add to the real value of the wages packet unless accompanied by greater output. The wise course is, without question, that of increasing earnings through higher production, a course which can contribute significantly to the stability so essential to a continuous flow of new business.

Conditions can, of course, be powerfully

influenced by the Government, and it will, I believe, be widely agreed that the official policy of the past three years has been wise and beneficial. Trade controls have been relaxed, income tax slightly reduced, and some incentive afforded to industrial development by the investment allowances granted in the last Finance Act. But still more requires to be done along these lines. What is clearly needed is a further sizeable reduction in the taxation burden on industry, so that the ploughing back of profits can be extended and the efficiency of the British productive machine maintained at the high level required in existing world conditions. Given this, and an end to restrictive practices on the part of trade unions, there would be justifiable cause for optimism about Britain's economic future. The report and accounts were adopted.

THE LANCASHIRE STEEL CORPORATION

PROSPECTUS ESTIMATE EXCEEDED

SIR JOHN JAMES ON BOARD'S DEVELOPMENT POLICY

The twenty-fifth annual general meeting of The Lancashire Steel Corporation Limited was held on February 8th in Warrington.

Sir John James (chairman and managing director), who presided, said:

Gentlemen,—This is the first occasion since 1950 that I have had the pleasure of giving my review of the past year's operations and my views on trade in general and in relation to the steel industry in particular to members directly holding shares in the company. As you know, in 1951 the company was nationalised under the provisions of the Iron and Steel Act, 1949, and since that date until January, 1954, operated under the control of the Iron and Steel Corporation of Great Britain or its successor, the Iron and Steel Holding and Realisation Agency. In January, 1954, however, the latter body offered the total capital of the company's preference and ordinary shares for sale to the public, and accordingly it gives me great pleasure to welcome you here today, representing as you do the shareholders.

The accounts and directors' report are before you and, with your permission, I shall take them as read.

TRADING RESULTS

The total profit for the 52 weeks ended October 2, 1954, after charging depreciation amounts to £2,170,150. It compares with the profit of £1,600,000 after depreciation which, for purposes of the prospectus in January, 1954, was estimated by your directors to be the trading profit for the year now under review. I think I should explain here that, at the time the prospectus was being framed, in the first quarter of our financial year—October-December, 1953—we had a remarkable falling off in demand for steel products in general. This quick change in the steel demand was no doubt due, in a great measure, to the increased steel output of Europe in general, in which this country shared, creating a feeling by both consumers and stockholders that with the prospect of a plentiful steel supply, stocks at works and warehouses which were higher than was generally expected, could be liquidated and I believe, in many cases, reduced to levels below normal. It was realised early in our next quarter that the steel demand was still strong and expanding, and as a result orders for immediate delivery became general and your company was again compelled to buy, when opportunity offered, steel in ingot form to help, together with our own production, to

service our rolling mills. This change in our favour had a welcome effect on the year's working, which finished with the satisfactory results now before you.

Returning to the accounts, you will notice that, after providing for taxation, the net income of the Group amounted to £1,050,150. After paying preference dividends the directors felt that the increase in the retained profit was sufficiently in excess of that estimated in the prospectus to raise the rate of dividend from the 8 per cent forecast to 9 per cent for the year, and it will be my pleasant duty later in this meeting to recommend for your approval the adoption of a final dividend of 6 per cent, making, with the interim dividend of 3 per cent paid on June 15, 1954, the total of 9 per cent for the year referred to.

From the remaining balance the directors have thought it advisable in view of the high cost of capital expenditure to transfer £275,000 to reserve for replacement of fixed assets and to transfer the sum of £350,532 to general reserve, bringing that reserve, together with other credits as explained in the notes to the accounts, to £3,400,000 in the case of the Group.

The consolidated balance sheet of the Corporation and its subsidiary companies discloses a strong financial position, current assets amounting to £11,369,919 compared with current liabilities and provisions of £4,102,091, a surplus of £7,267,828.

REVIEW OF ACTIVITIES

Turning to our development programme which is making satisfactory progress, I would remark that we are already feeling the benefit of our earlier capital expenditure. The satisfactory result of the year's working, which is largely due to keeping our plants on increasing production wherever possible, has shown to your directors more than ever before the necessity for maintaining our equipment in a high state of efficiency leading to the lowering of our costs of production.

Our nail factory had a record output year; our new rod and bar mill entered commercial production in May, 1954, and although not yet fully loaded, due to shortage of steel, and also of labour which has to be trained for this modern type of mill, it however made a useful contribution to our profit for the year. The same could be said of our new steam and electrical supply station now in full operation, reflecting satisfactory economy particularly in the use of fuel oil and coal.

That final picture is scheduled for the end of the year 1957, and your directors are keeping careful watch to enable our capital expenditure to be financed, as far as possible, from our own resources, and with our present strong financial position your directors are satisfied that we can accomplish the major part of our development in this way. The increasing output, they believe, would bring with it increasing resources, and I would draw your attention in support of this reasoning to the fact that, having spent on capital account £1,525,000 during the year, our liquid position shows itself to be within £75,000 of the amount obtaining a year ago.

ESSENTIALS FOR FUTURE SUCCESS

It is worthy of noting that, at the present time, it is estimated that the total ingot capacity of this country will rise to a figure of some 22 million tons by the end of the year 1958, and is calculated to make this country independent of imported steel. Such a figure is based upon the gradual rise in steel demand and capital expenditure required to keep our full employment and its resulting standard of living, which I believe can only be retained by increasing production per capita employed, which in turn demands the highest possible form of modern mechanism which I firmly believe we can employ to compete and compare with other countries and give to those who buy our goods value comparable to anything similar in kind and quality.

I would like, in conclusion, to offer to all our people your thanks for their efforts during a year of extreme difficulty due to abnormal weather conditions which affect such a large proportion of our productive work.

The report and accounts were adopted.

CLYDESDALE & NORTH OF SCOTLAND BANK LIMITED.

DIRECTORS

Sir Harold E. Yarrow, Baronet, C.B.E., LL.D., Chairman.
Sir Andrew S. Macharg } Deputy Chairmen.
John S. Allan, D.L.

The Rt. Hon. The Earl of Feversham, D.S.O., D.L.
Frank Fleming, D.S.O., D.L.
The Rt. Hon. Lord Harlech, K.G., P.C., G.C.M.G.
Robert Laidlaw.
Alexander Logan McClure, W.S.
Lachlan Mackinnon, D.S.O.

The Rt. Hon. Lord MacLay, K.B.E.
Andrew Mitchell.
The Rt. Hon. Lord Boyd Orr of Brechin, D.S.O., M.C., LL.D., F.R.S.
Sir Albert G. Stern, K.B.E., C.M.G., D.L.
William Thyne.

NORTHERN AREA LOCAL BOARD

Sir George W. Abercromby, Baronet, D.S.O.
Alexander Lyon, D.S.O., D.L.
James A. Mackie, O.B.E.

Frank Fleming, D.S.O., D.L., Chairman.
Lachlan Mackinnon, D.S.O.
The Rt. Hon. Lord Boyd Orr of Brechin, D.S.O., M.C., LL.D., F.R.S.
George Robb.

John J. Campbell, General Manager.

STATEMENT OF ACCOUNTS—31st DECEMBER, 1954.

LIABILITIES		ASSETS	
	1954	1953	
Paid-up Capital	£2,441,000	£2,441,000	Coin, Notes and Balances with Bank of
Reserve Fund	3,700,000	3,700,000	England
Notes in Circulation	21,675,443	20,219,724	Balances with and Cheques on other Banks
Current, Deposit and Other Accounts	179,579,702	166,408,638	Money at Call and Short Notice in London
Acceptances and Engagements	10,070,352	8,127,689	Bills Discounted
			Investments
			Advances to Customers and other Accounts
			Liability of Customers for Acceptances and Engagements
			Bank Premises and Other Properties
HEAD OFFICE	...	...	30 St. Vincent Place, Glasgow.
LONDON (Chief Office)	...	...	30 Lombard Street, E.C.3.
ABERDEEN (Chief Office)	...	...	5 Castle Street, Aberdeen.
EDINBURGH (Chief Office)	...	...	29 George Street, Edinburgh.
OVERSEAS (Chief Office)	...	...	91 Buchanan Street, Glasgow.

RADIO RENTALS LIMITED

STEADY GROWTH OF NEW BUSINESS

EXPANDING DEMAND FOR TELEVISION

MR P. PERRING-THOM'S STATEMENT

The eighteenth annual general meeting of Radio Rentals Limited was held on February 8th at Grosvenor House, Park Lane, London, W.1, Mr P. Perring-Thoms (chairman and joint managing director) presiding.

Mr J. L. Wilkie, CA (director and secretary) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts:

It gives me great pleasure to present to you the directors' report and the accounts of the group for the year to August 31, 1954, for the first time as chairman of the company. The steady growth and increasing success of the business which I started just on twenty-five years ago as a one-man concern have naturally been matters of great interest and satisfaction to me.

The profit of the group after providing for all charges other than taxation amounted to £562,834 an increase of £26,394 over that for the previous year. The net profit, attributable to the members of your company after providing for taxation totalled £241,431, an increase of £116,069 on the previous year.

GROWTH OF SALES WITH SERVICE SECTION

The volume of new business during the year under review remained at a high level and was in general on the same scale as that of the previous year which, of course, enjoyed the special stimulus of the Coronation. Demand for our television service, particularly, was very strong and a considerable amount of development work was undertaken in extending the areas in which our service is available. We continued our policy of obtaining better premises for some of our older branches and in addition we opened several new shops. The sales with service section of the business which caters for the public who prefer to own their sets, continued to grow and in the future I expect it to make a notable contribution to the earnings of the group.

In considering the net profit the most important factor contributing to the increase over the previous year is the large reduction in excess profits levy, which tax applied only to the first four months of the year under review. We are naturally glad to see the last of this very bad form of taxation which operated very inequitably against a developing business such as ours.

CONSERVATIVE DEPRECIATION POLICY

In the accounts there are only a few items to which I would draw your attention. The large amount of £990,118 is provided for depreciation of radio and television sets, and it may appear to be high in relation to the trading profits. Television accounts for a big proportion of that total, but this branch of the industry is developing very quickly with the popular screen size steadily becoming larger and the certainty of multiple wavelengths and programmes. In radio, within

the next four months the commencement of broadcasting on very high frequency marks the first major development on the "sound only" side of the industry for many years.

In these conditions your directors consider it essential to maintain a prudent and conservative policy in regard to depreciation, which also, of course, covers provision for obsolescence.

The charge in respect of staff bonus pension scheme and staff welfare fund has increased by £14,667 as compared with the previous year, an increase of some 36 per cent, and I am sure shareholders will welcome this indication of the staff's participation in the company's prosperity.

In June, 1954, as you may be aware, a scheme of capital reorganisation was carried out which considerably strengthened the capital structure of the group, and at the same time new articles of association were adopted so that "directors' commissions in terms of the articles of association" now appear in the accounts for the last time.

All the subsidiary companies, except Rentevision, Limited, which has not commenced to trade, operated at a profit for the year under review. The most important one, Mains Radio Gramophones, Limited, worked to capacity producing radio and television sets for the parent company. Burgot Rentals, Limited, the company renting burglar alarms, substantially increased its profit, made further progress in consolidating their rental business and further enhanced their fine reputation.

APPROPRIATIONS

Turning now to the matter of appropriations, your directors recommend the payment of a final dividend of 30 per cent. This dividend will be payable on the capital as increased by the bonus issue of June 1, 1954, and it follows an interim payment of 10 per cent on the capital before reorganisation. The directors also propose to transfer £125,000 to general reserve and to write off the sum of £24,837 from investments in subsidiary companies. That amount represents part of the premiums paid for the preference shares of subsidiary companies in the capital reorganisation scheme to which I have just referred.

Since the end of the year under review television business has still further increased, and although the number of sets being produced was materially increased, demand still outstrips our supply. On the other hand, which is due in my opinion to the current fashion for the small personal set which people prefer to purchase, especially since the cancellation of the restrictions on hire purchase.

DIRECTORATE

During the year Mr H. F. Hunt, who was associated with the business from its earliest days and who became your chairman

THE ECONOMIST, FEBRUARY 12, 1955

from the incorporation of the public company, decided to resign. His wise judgment in financial matters and devoted service to your company over many years we valued most highly, and I consider we are fortunate in that we still have the benefit of his experience in an advisory capacity. Mr F. W. Shelley, who was another of the first directors of your company, also retired during the year, and it gives me great pleasure to pay tribute to the profound interest which he took in your company and the benefits which accrued from his wide knowledge of men and affairs.

In February, 1954, Mr A. D. Smith, who for some time had been deputy managing director, was appointed joint managing director with myself. At the same time, Mr J. L. Wilkie, CA, who has for several years been secretary of the company, was co-opted to the board. His experience as an executive together with his accounting and financial training makes his contribution to the deliberations of your board of very considerable value.

Finally, it is my very pleasant duty to record the thanks of the board and the shareholders to the staff of the group for the sterling work which they have carried out most efficiently during the year. It is additionally agreeable for me to be able to do this, as it gives me the opportunity of saying how well I have always been supported from the commencement of the business to the present day.

The report and accounts were adopted, and the retiring directors, Mr J. L. Wilkie, CA, and Mr A. P. B. Renshaw, MBE, were re-elected.

BARCLAYS BANK LIMITED

ANNUAL MEETING OF STOCKHOLDERS

The annual general meeting for the year 1955 of the stockholders of Barclays Bank Limited was held on February 10th at the head office of the Bank, 54 Lombard Street, London, E.C.3.

Mr A. W. Tuke (the chairman) presided. Mr H. G. Tickle (the secretary) read the formal notice convening the meeting and the report of the auditors.

With the concurrence of the stockholders present, the report and accounts were taken as read.

The chairman moved:

"That the report of the directors of the company now produced, together with the accounts annexed as at December 31, 1954, duly audited, be received, approved and adopted, and that a final dividend of 5 per cent, making 10 per cent for the year, on the ordinary stock, and a final dividend of 10 per cent, making 20 per cent for the year, on the staff stock, and a special dividend of 2 per cent on the ordinary stock, less income tax at the standard rate in each case, be declared payable on February 21st to stockholders registered in the books of the company on January 14th last."

Sir F. Cecil Ellerton (deputy chairman) seconded the motion, which was carried.

The retiring directors were re-elected and other ordinary business was transacted.

A vote of thanks to the staff and a vote of thanks to the chairman for presiding at the meeting were unanimously accorded and the proceedings terminated.

B.Sc.(ECON.), woman, aged 30, seeks responsible post offering prospects. Four years' experience U.K. and overseas economic intelligence, collation of information, abstracting and preparation of reports. Qualified and experienced secretary (60/110).—Box 830.

OXFORD GRADUATE, 38, Rhodes Scholar, considerable experience administration/finance overseas, now in the City, would consider executive appointment, with attractive prospects, in organisation expanding at home and abroad.—Box 832.

THE ECONOMIST, FEBRUARY 12, 1955

AUSTRALIAN NATIONAL UNIVERSITY

CANBERRA

RESEARCH SCHOOL OF PACIFIC STUDIES

Applications are invited for appointment to the CHAIR OF INTERNATIONAL RELATIONS. Salary £3,000. Reasonable travel and removal expenses are payable. One year's study leave, with travel allowance, will be granted after each three years' service. The Professor of International Relations, as head of the Department, will be expected to engage in research and to supervise post-graduate research into the political, legal and economic relationships between nations, especially in the Asian and Pacific regions.

Notwithstanding this notification, the Council of the University retains the right to fill the Chair by invitation at any stage.

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 April 30, 1955.

LEADING LONDON ADVERTISING AGENCY

DIRECTOR OF MARKET RESEARCH

A leading London advertising agency, which is expanding chiefly because it pays such great attention to the research and marketing side of its business, requires a Director for its market research department.

Candidates should possess a good degree in Economics and considerable practical commercial experience, particularly in consumer research.

There is no limit to salary. The right man will command at least his full market price and will qualify for the agency's bonus scheme. He will be given every opportunity of making this important job more important still.

Please write, in confidence, giving full details of age, education, career to date and salaries earned, to Box 827.

PREPARATION FOR EXAMINATIONS

UNIVERSITY CORRESPONDENCE COLLEGE

Provides home study courses for General Certificate of Education (all Examining Bodies), London University Entrance, and Inter. Degree exams for B.A., B.Sc., B.Sc.(Econ.), B.Sc.(Sociology), LL.B., Professional Prelim., Teachers' Diplomas, Law. The College, founded 1887, is an Educational Trust. Highly qualified Tutors. Low fees.—Prospectus free from Registrar, 60 Burlington House, Cambridge.

INDUSTRY AND HEALTH

Of special interest to industrial firms is the R.S.I. annual Health Congress, April 26-29, 1955. With up to 2,500 delegates the Congress is the largest in the Commonwealth.—Programme and full particulars from Secretary, Royal Sanitary Institute, 90 Buckingham Palace Road, London, S.W.1.

MARKETING RESEARCH.—The expanding activities of this Company have given rise to an extension of the marketing research organisation. There will be very good opportunities for graduate economists in work which will involve a stimulating variety of economic research; and as the new positions will carry varying degrees of responsibility, applications will be welcome from both new graduates and those with several years' experience in market and/or consumer research. The appointments are pensionable and carry good salaries and prospects. All applications will be acknowledged and the fullest information will be given to those invited for interview.—Apply to the Personnel Manager, British Nylon Spinners Limited, Pontypool, Mon.

MANUFACTURING COMPANY centred in North London is expanding its Market Research Department and requires a Statistical Assistant, age 25-29. Salary £500-£750 per annum, according to age and experience. Advanced level of education desirable, together with some experience of the analysis and collection of detailed statistics. Permanent and pensionable appointment.—Applicants are required to submit particulars of experience and qualifications to Box 826.

THOMAS HEDLEY & CO. LIMITED, Newcastle-upon-Tyne, is seeking a man for its advertising department who has had some years' experience in the planning, choice and use of all kinds of media and who is looking for a post of important responsibility. He is likely to be a man of about 30. He should be of good education, preferably with a University degree. He will be working closely with advertising agencies and their media departments and would very quickly become responsible for the planning and choice of printed word media over a wide field. He would be expected to initiate and interpret research in all forms of media and to contribute to the formulation of policy in media buying. The salary is a good one and will be subject to material increases as the man demonstrates his ability. The post is permanent and pensionable and there is a non-contributory life assurance scheme. Letters of application should contain details of age, education and career, including H.M. Forces, and will be treated in complete confidence.—Please write to Personnel Department, Thomas Hedley & Co. Limited, Gosforth, Newcastle-upon-Tyne 3, and mark envelope "M."

DEATH DUTIES can be drastically reduced if you plan and act now.—Write, in confidence, to Robert A. Thomson, 11 Duke Street, St. James's, S.W.1.

INSTITUTO DE ESPANA, 102 Eaton Square, S.W.1. Lecture in English by Dr. L. Pérez Pardo on "Spanish Economy: recent changes," on Thursday, February 17th, at 8 p.m.

STATISTICAL ASSISTANT (male) 25/30. Previous experience desirable but not essential. Salary £500/£550.—Details of qualifications and experience to Box 829.

The Economist: Annual Air Subscription Rates

Anglo-Egyptian Sudan: £5.10s.	Europe (except Poland): £4.15s.	Israel: £6	Pakistan: £6
Australia: £8.5s. (sterling)	Gibraltar, Malta: £3.15s.	Japan: £9	Rhodesia (N. & S.): £5.10s.
Canada: \$21.50 or £7.14s.	Hongkong: £7	Malaya: £6.15s.	S. America and W. Indies: £7.15s.
East Africa: £5.5s.	India & Ceylon: £6	New Zealand: £9 (sterling)	Union of S. Africa: £5.10s.
Egypt: £5.5s.	Iran: £6	Nigeria, Gold Coast: £5.5s.	U.S.A.: \$21.50 or £7.14s.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portland St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland 2d.; Overseas 2½d.—Saturday, February 12, 1955.

UNIVERSITY OF CAMBRIDGE

UNIVERSITY ASSISTANT LECTURESHIP IN ECONOMICS: NOTICE

The Appointments Committee of the Faculty of Economics and Politics give notice that they hope to appoint a University Assistant Lecturer in Economics to take office from October 1, 1955. The appointment will be subject to the Statutes and Ordinances of the University. Further particulars can be obtained from the Secretary of the Appointments Committee, The Marshall Library, Downing Street, Cambridge, to whom applications should be sent to reach him not later than March 21, 1955.

Eight copies of each application should be sent and, if so desired, one or more copies of any published work or unpublished writings. Testimonials are not required, but a candidate should give the names of two persons to whom reference can be made.

BRITISH TRANSPORT COMMISSION

SUPPLIES AND PRODUCTION ADVISER

Applications are invited for the post of Supplies and Production Adviser to the British Transport Commission. The post will carry responsibility for the proper utilisation of the very large industrial facilities which the Commission operate, and for the general co-ordination of the Commission's purchasing programmes. Bearing on these responsibilities, the Commission has lately announced a programme for the re-equipment of their railways to cost more than £m.1200.

Candidates must be of the highest industrial standing and personal attainment. They must be engineer-trained and familiar with the economics and general technology of large-scale mechanical and electrical production. They must have experience of working at the top level in large organisations and of large-scale procurement problems. A sound knowledge of industrial costing and commercial law is also needed.

Only men of the highest calibre and standing should apply for this post, which will carry a salary according to qualifications, but with a minimum commencing at £4,000.

Applications, which will be treated in strict confidence, should be sent to the Chief Secretary, British Transport Commission, 222 Marylebone Road, London, N.W.1, to reach him not later than first post on Tuesday, March 1st next.

DOUGLAS GLASS

BRITAIN'S GREATEST PHOTOGRAPHER OF MEN

43 Black Lion Lane, W.6. RIV. 7522.

THE B.Sc.(ECON. DEGREE of London University is open to all without University residence. It is a valuable qualification for ambitious men and women engaged in accountancy, secretarialship, banking, finance, commerce, public services. Wolsey Hall (est. 1894) provides postal tuition of a high order for the three (in some cases two) examinations, at reasonable fees. More than 1,000 Wolsey Hall students have passed London B.Sc.(Econ. (Final) exams since 1925.—Prospectus from C. D. Parker, M.A., LL.D., Director of Studies, Dept. P17, WOLSEY HALL, OXFORD.

A LARGE MANUFACTURING COMPANY in the Manchester area invites applications from suitably qualified candidates, aged between 32 and 37 years, to take charge of an existing clerical organisation and methods department. The person appointed will be expected to advise on the installation, development, and revision of clerical systems and procedures and office methods throughout the organisation. Candidates should have had at least six years' experience of office procedures, and have held a responsible position in connection with clerical administration, including some experience of office organisation and methods. Salary within the range £1,000 to £1,200. Pension scheme in operation.—Box 828.

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.

SENIOR ASSISTANT required in Sales Research Department of a North London Manufacturing Company. Applicants should have an Economics degree and experience of the application of statistical methods to distribution and market research problems. Permanent and pensionable appointment. Age 28-34. Commencing salary £800 per annum upwards, according to age and experience.—Applicants are requested to submit particulars of experience and qualifications to Box 825.

THOSE STERLING BALANCES—are they still a menace to the pound? Bank Earnings and Salaries—Is there an incongruity? These are two of the important questions discussed in the February issue of "The Banker." Other articles include Bankers on Inflation—and on their Critics; The Price of Rail Peace; and Brazil after Vargas. Price 2s. 6d. from 72 Coleman Street, E.C.2.

INDONESIAN and Dutch translations into English and from English; also from Italian, French and German into English.—A. Brotherton, 60 Portland Place, W.1.

FINANCIAL AND ECONOMIC CONSULTANT, lecturer in finance and economics, advises investors and companies.—Box 822.

EXPERT POSTAL TUITION

For Examinations—B.Sc.(Econ., LL.B. and other external London University Degrees; Law Society; Bar; Accountancy; Banking; Secretarial; Civil Service; Commercial; General Certificate of Education, etc. Also many non-examination courses in business subjects.—Write today for free prospectus and/or advice, mentioning examination (if any) or subjects in which interested, to the Secretary (G 9/2).

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30, Queen Victoria Street, London, E.C.4.

NOTICES

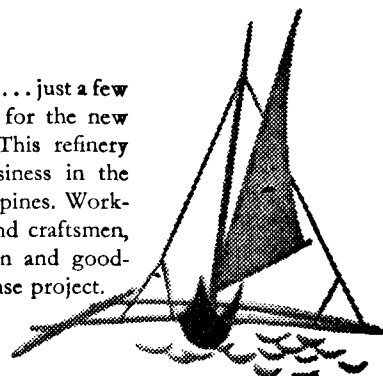
ASSISTANT GENERAL MANAGER required by leading English company in East Africa. Excellent opportunity for man 30-35 with practical experience in management, vigorous personality, capacity for sustained hard work and aptitude for finance, trading and administration. Remuneration over £2,000 per annum (according to experience) with free accommodation and medical service, provident fund, etc. Full particulars to Box 836.



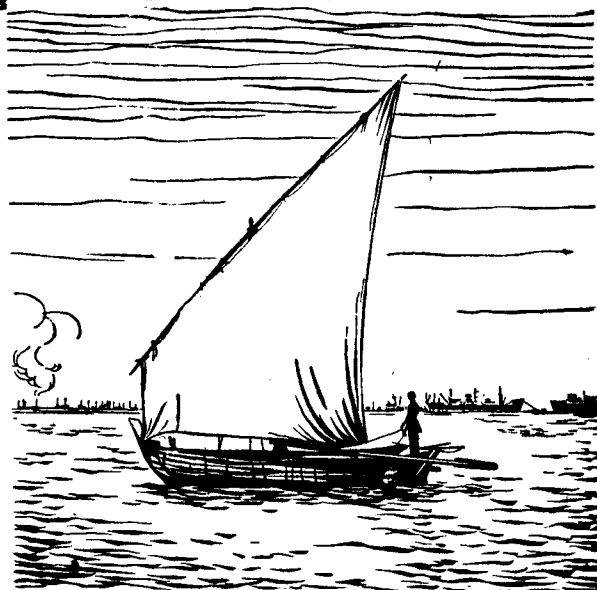
NEW ZEALAND — Near majestic Mt. Egmont lies New Plymouth, largest city of Taranaki Province. This scenic land is the world's largest exporter of dairy products and lamb, ranks second in exports of wool. Caltex is proud to be a part of this scene... glad to help an enterprising country take its place in the modern world.



PHILIPPINES — Not gun barrels... just a few sections of the miles of pipe for the new Caltex refinery at Batangas. This refinery shows the confidence of business in the ability and future of the Philippines. Working with Filipino engineers and craftsmen, Caltex enjoys the co-operation and goodwill so vital to such an immense project.



BAHRAIN — The contrast of old and new in this colorful shakhdom is shown graphically here. The Bahraini's lateen-rigged dhow, Bahrain's traditional fishing and pearling craft, sails gracefully through the waters of the Persian Gulf. In the background we see a modern refinery and Sitra Wharf where tankers take on refined oil products for delivery to markets half-way 'round the world.



CALTEX serves the people of 67 lands

IN 67 LANDS—across half the world, through such developments as these, Caltex is able to supply better fuels and lubricants for industry, for agriculture and for motoring millions. These require a continual investment of funds and skills, backed by a faith in a better future for free nations.



CALTEX

Petroleum Products

SERVING EUROPE • AFRICA • ASIA • AUSTRALASIA

The Economist

FOUNDED 1843

FEBRUARY 19, 1955

ONE SHILLING

Trade Turning Traitor?

Eden Goes East

France at a Loss

Battle of the Docks

Reshaping the Coal Board

Power From the Atom

AMERICAN SURVEY: Old Tariffs Fade Away

THE WORLD OVERSEAS: The Arabs and the West

BOOKS: Politics Down Under

Annual Postal Subscriptions: by ordinary mail £3; by air see page 675

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

VOLUME CLXXIV • NUMBER 5817

SWITZERLAND *offers best value!*



This fair has become a buying centre for traders throughout the world, for it gives an impressive picture of Switzerland's intensive industrial activity in all its most varied forms. Information, prospectus and catalogue from the Swiss Legation, 18 Montague Place, London, W.1, or the Swiss Consulate, Midland Bank Buildings, Spring Gardens, Manchester 2.

Get the most for your money and get the most out of your holiday by going to Switzerland this year. You'll love the glorious scenery and you'll love the hotels that for food and comfort cannot be bettered. And all at a reasonable cost; full board and lodging runs from 20/- a day. Talk it over with your Travel Agent today!



SWISS INDUSTRIES FAIR

BASLE, 16th - 26th April, 1955

17 industrial groups in 21 halls

Fly to the Fair



—by **SWISSAIR**

Direct Tourist Services to BASLE, Zurich and Geneva. Daily First Class Service to ZURICH by DC-6.

Here's the most sought after Sherry
in all Spain



—now available in England
in limited quantities

You owe yourself the pleasure of

Garvey's **FINO
SAN PATRICIO**

IMPORTED BY MATTHEW CLARK & SONS LTD. 110 CANNON ST. LONDON, E.C.4

10,000 words about the **BOOM**

What do people 'in the know' think about the current wave of prosperity in Great Britain? You will find the answers in 'The Anatomy of the Boom'—a penetrating study based on interviews by Manchester Guardian reporters with people in Industry all over Britain. The findings are set out with 'comments and conclusions', in the Manchester Guardian Survey of Industry, Trade and Finance, 1955. This is only one of many articles—equally candid and controversial—which have been written for this survey.

Read the inside story of British Industry in the
**MANCHESTER GUARDIAN SURVEY OF INDUSTRY,
TRADE AND FINANCE, 1955**

On Sale March 1st, 2/- Order your copy from your newsagent, railway bookseller or direct from the Publisher, Cross St., Manchester.

Life line of communication . . .



World wide radio-communication began with Marconi's Transatlantic messages in 1901. Since then Marconi research and development have been behind every major advance in technique. Marconi equipment today, operating at all frequencies, covers a very wide field of both long and short range radio/telegraph and radio/telephone requirements. Marconi VHF multi-channel equipment can provide for as many as 48 telephone channels and is largely superseding land line or cable routes on grounds of efficiency, economy, ease of installation and maintenance.

MARCONI
COMPLETE COMMUNICATION SYSTEMS
Surveyed, Planned, Installed, Maintained

COMPLETE RADIO/TELEPHONE
AND RADIO/TELEGRAPH
SYSTEMS AND EQUIPMENT

MARCONI'S WIRELESS TELEGRAPH COMPANY LIMITED • CHELMSFORD • ESSEX
ENGLAND

Funny thing: advertising sells best if it gets READ

ADVERTISEMENTS WORK VERY WELL INDEED IN
THE READER'S DIGEST
—a magazine strictly for *reading*, which has achieved a
million sale. This means *several* million readers—responsive
and intelligent people, men and women well worth selling to.

-ABDULLA -

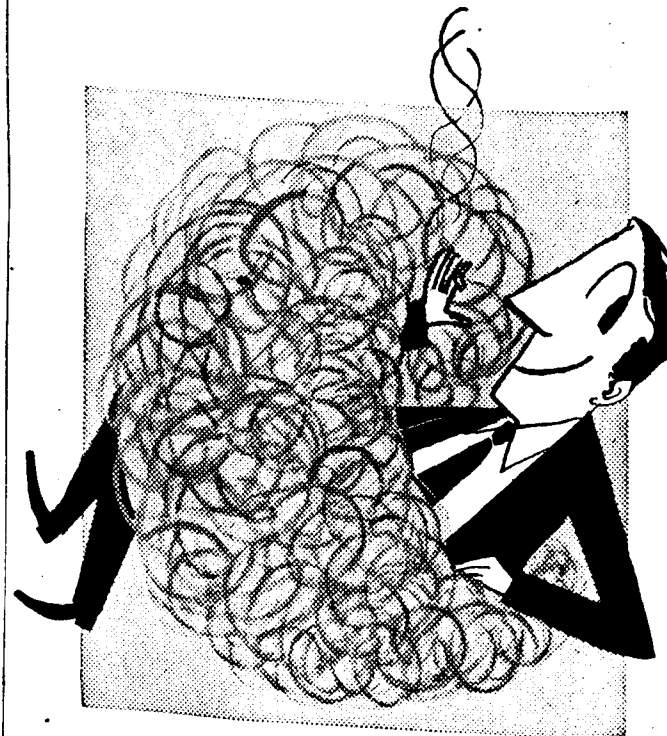
MAKE

THE BEST

VIRGINIA

CIGARETTES*

If you
lived in
a muff



your tiny home would be far from frozen.

To 'muff' a life size house, you need

Fibreglass attic insulation,

for cosy bedrooms, cosy landings,

cosy stairs for all time—for about £6.

FIBREGLASS

TRADE MARK

FIBREGLASS LIMITED, RAVENHEAD, ST. HELENS, LANCASHIRE

Eyes on the Mark

Every hour, every day, many pairs of eyes throughout your organisation are watching, questing, making sure. Those eyes command your production, for the machines in themselves are blind.

The leading question is this: Are you, in fact, providing the conditions under which those eyes will give of their best, and will make a reality of your estimates for increased production? Improvements in production by as much as 30% can be achieved under correct lighting.

You probably have a fluorescent installation, but this does not, in itself, guarantee a permanently high standard of lighting. Although many fluorescent tubes undoubtedly have a long life, in time some deterioration is inevitable.

There is no better insurance against indifferent lighting than that provided

by Osram tubes in a properly designed installation. For new schemes, and as replacements, their stamina will ensure a consistently high performance throughout a long life, while their superb quality offers freedom from the expense of sporadic failures. New improvements in efficiency add striking emphasis to these benefits.

A properly designed installation is a vital factor in achieving good lighting, and the G.E.C. maintains a highly qualified lighting service, with specialists at each of the Company's branches to advise on any lighting problem.

Osram

FLUORESCENT TUBES

A G.E.C. PRODUCT

THE GENERAL ELECTRIC CO. LTD.

All the answers

With this most modern and versatile accounting machine

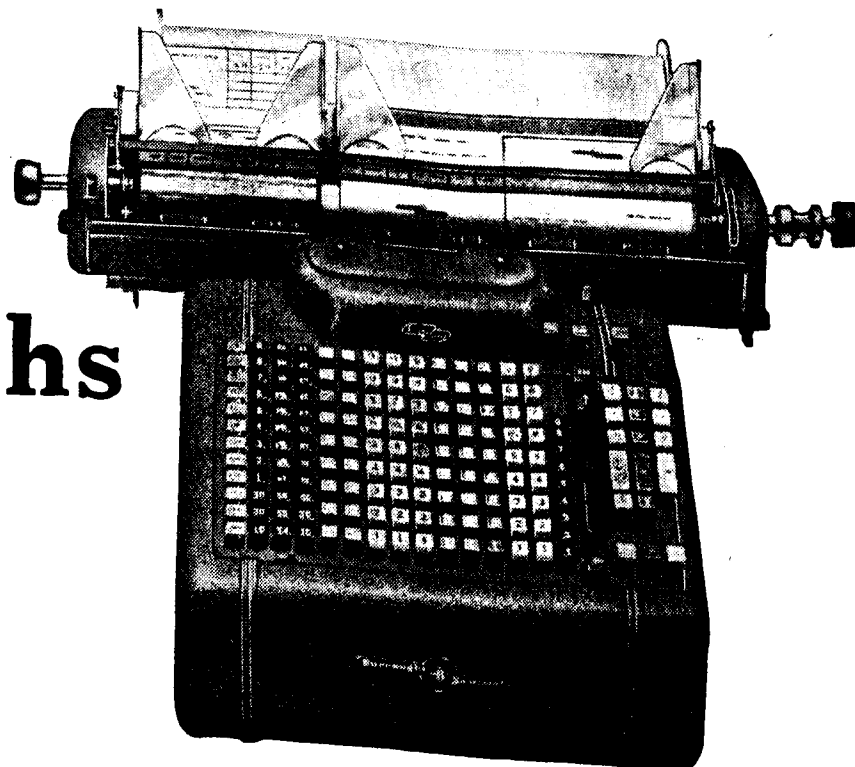


NO OTHER single accounting machine gives you the various answers you need quite so efficiently, quite so economically as the Burroughs Sensimatic. At each quick flick of the selector knob, the Sensimatic is ready for a different accounting job, and it does each one as automatically and accurately as a specialized machine.

It's today's finest, most versatile accounting machine. The exclusive Burroughs sensing panel is tailored to any combination of accounting procedures you wish... guides the Sensimatic faultlessly through any posting routine.

It's tomorrow's accounting machine, too. To alter an accounting procedure, you change the panel, not the machine. Any Burroughs branch will arrange a demonstration of the Sensimatic model that best suits your needs. Burroughs Adding Machine Limited, Avon House, 356-366 Oxford Street, London, W.1.

Burroughs
Sensimatic



BY APPOINTMENT
MERCERS OF WOOLLEN CLOTH TO THE LATE KING GEORGE VI

JOHN G. HARDY LTD.

The Big Six

The well-dressed man spends time as well as money on his clothes. For him, time spent in looking through the six John G. Hardy speciality cloths is a pleasure—as well as a sartorial duty. He wants to compare the rugged pure wool tweed of 'Hardithorn' and 'Hardilaine' with the silky luxury of 'Sheltie'. He wants also to feel for himself the resilient strength and toughness of the famous 'Alsport'. Perhaps he'll decide finally on the popular new 'Hardiwear' worsted, but almost certainly he'll have a second look at the Irish Homespuns.

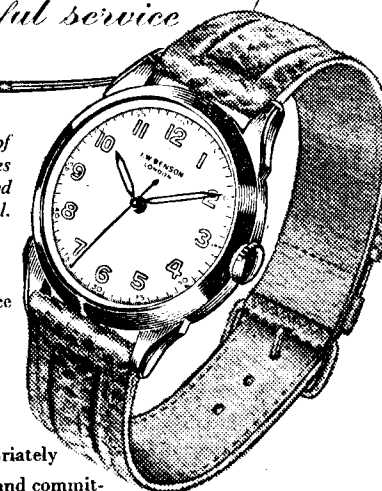
Ask to see these fine cloths (they're known as the John G. Hardy 'Big Six') at our showrooms or on extra-large bunches at your own tailors.

JOHN G. HARDY LTD., 4 NEW BURLINGTON ST., LONDON, W.1.
TELEPHONE: REGENT 1313.

A BENSON WATCH

For long and faithful service

The Prices of
Benson Presentation Watches
are from £15.18.6 in gold, and
£7.17.6 in steel.



Appreciation of faithful service finds a fitting expression in a Benson watch—a personal, long-lasting gift combining superb craftsmanship with distinction in design. Appropriately enough, many leading firms and committees consult Benson's about their staff awards. For Benson's reputation is founded upon the long and faithful service of their watches. Should you seek advice on this problem, Benson's have over one hundred years' experience upon which to draw. Please write for illustrated catalogue to:

PRESENTATION DEPARTMENT
J. W. BENSON LTD
25 OLD BOND STREET · LONDON W1

MORE FLAVOUR

The pure white plastic fibres of the tip—an exclusive feature of Grosvenor—yield more flavour from the fine tobaccos. A cool yet satisfying cigarette—and these extracts from letters tell you what other smokers think of Grosvenor Tipped.

"... Best of its kind that I have met. ... I feel quite sure that you will have a tremendous success with this new product..."
—S.J.P., London, W.C.1.

"... I like them immensely ... they are a very cool smoke ... at the price of 3/7d., handsomely packed as they are, I think that Grosvenor must make a strong impact on the market."
—E.W.F., London, E.C.4.

"... you are indeed to be congratulated. They make a very good smoke and are particularly kind to the throat."
—R.A.L., London, S.W.1.

"... I think these cigarettes are most attractively packed and give a delightfully cool smoke, and I am sure they will be an instant success."
—M.O., London, W.C.2.

You will find it very rewarding to try a box yourself. Your Tobacconist sells Grosvenor Tipped, or can readily obtain them for you. If any difficulty, please write:

The House of State Express,
210, Piccadilly,
London, W.1.

This...

... Exclusive tip...
... with fine tobacco...
... carefully manufactured...
... complete with cork...

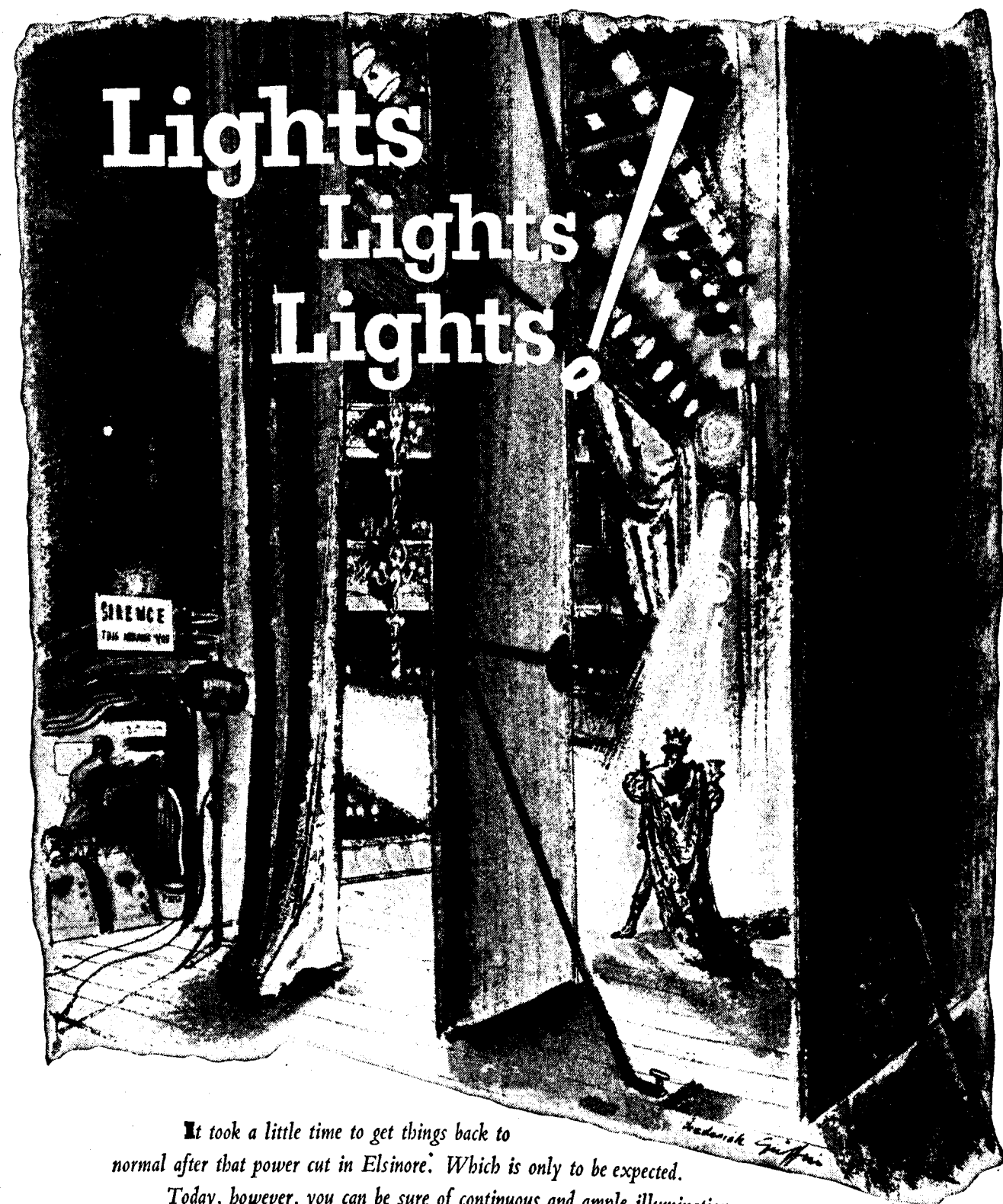
Grosvenor
Tipped

IN BOXES
20 for 3/7
AND FLAT CARTONS OF
10 for 1/9½

DOUBLES your smoking enjoyment

Grosvenor
TIPPED

Made by State Express



It took a little time to get things back to normal after that power cut in Elsinore. Which is only to be expected.

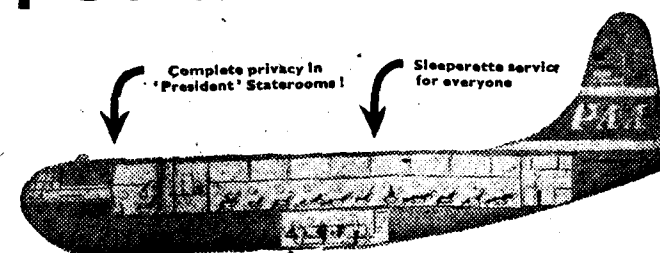
Today, however, you can be sure of continuous and ample illumination — THE MOMENT THE MAINS LIGHTING FAILS. Oldham Automatic Emergency Lighting Equipment provides just this for schools, theatres, hospitals, cinemas and public buildings everywhere.

OLDHAM AUTOMATIC EMERGENCY LIGHTING

For Theatres • Cinemas • Schools • Hospitals • Factories and Public Buildings

OLDHAM AND SON LIMITED DENTON MANCHESTER ESTABLISHED 1865

Fly to the U.S.A. in the new Super Stratocruisers



Lower-deck lounge
— full bar service

NOTE: Thrift season fares now
applicable — save £28:13:0d. and
enjoy first-class "President" Service.

EXCLUSIVE WITH PAN AMERICAN

World's quietest, most powerful, most comfortable, over-ocean airliners

PAN AMERICAN'S fleet of Super Stratocruisers has been super powered . . . new turbo-superchargers . . . new propellers . . . bigger fuel tanks for longer range and over-ocean dependability.

- ♦ **LONGER RANGE** Bigger fuel tanks now permit one-stop-only service to New York.
- ♦ **QUIETER** Reduced engine revolutions cut cabin noise one-third.
- ♦ **EVERYBODY SLEEPS** Bed-length Sleeperette*-service, or foam-soft berths for everyone.
- ♦ **PRIVACY** "President" Staterooms are really three rooms in one—Living, Dining, and Bedroom. Upper and Lower berths. £44:13:0d. extra for double occupancy.

Meals by Maxims of Paris . . . Vintage wine . . . full bar service in lower-deck lounge.

**AND YOU CAN FLY NOW—PAY MONTHLY
on the new Pan Am "PAY-LATER" plan**

Available on all P.A.A. and connecting
Services to 84 countries around the world.

MAKE YOUR RESERVATIONS NOW.

CALL YOUR TRAVEL AGENT, OR PAN AMERICAN—
185/4 Piccadilly, W.1 (REGENT 7288)
LONDON • Lombard House, St. Charles Street (CENTRAL 1128)
BIRMINGHAM • 15 North Drive, St. Enoch Square, G.1 (CITY 8744)
GLASGOW

PAA

WORLD'S MOST EXPERIENCED AIRLINE

PAN AMERICAN

*Trade Mark, Pan American Airways, Inc.

LEAD protects

For cable covering, lead gives absolute protection and maximum resistance to corrosion by the soil and the elements. Only lead gives such impermeability, flexibility, proved longevity and ease of jointing. And cable sheathed in lead has greater overload capacity. There is nothing to equal lead for protection.



The ancient
symbol for
lead

Issued by **LEAD DEVELOPMENT ASSOCIATION**

EAGLE HOUSE · JERMYN STREET · LONDON · S.W.1. Telephone: WHITEHALL 4175

DA.10



...enjoy the tang of the sea and then that first thrill, reborn with every trip—as you walk down the gangway into France—the catch of the breath as you enter a new world. The gendarmes on the quay, peak-capped and cloaked—porters, blue-bloused and volubly French—even the engines seem to whistle in a foreign language. Then on to the train... Paris, Basle and beyond. All combine to welcome you to something new—something exciting—the perfect start to your Continental holiday!

Services and fares from principal Travel Agencies or the Continental Enquiry Office, VICTORIA STATION, LONDON, S.W.1 or BRITISH RAILWAYS TRAVEL CENTRE, Lower Regent Street, S.W.1.

BRITISH RAILWAYS

Short Sea Routes to France

IN TEXTILES

The WHOLESALE helps the MANUFACTURER

By selling his goods through the Wholesaler, the Manufacturer gains many advantages. He receives bulk orders in advance of the seasons and thus ensures an even flow of work throughout the year.

He saves the expense and worries of a large sales and distribution organisation, of credit control and increased office work. He avoids the problem of finding storage space for mounting stocks awaiting delivery.

The Wholesaler orders early, takes delivery for stock and pays quickly, thus enabling the Manufacturer to buy further raw materials. In textiles, the distribution channel of Manufacturer—Wholesaler—Retailer has consistently proved economically sound.



This is the SECOND of a series of four announcements describing how the Textile Wholesaler helps the Manufacturer, the Retailer and the Nation.

Issued by

The WHOLESALE TEXTILE ASSOCIATION, 75 Cannon St., London, E.C.4

Tib 308

What's the next move?



A recurring industrial problem—and one where THE FINANCIAL TIMES is of great help. Sound decisions demand the right background, and decisions are unquestionably easier for the executive who regularly reads this important newspaper. He is well-informed on facts and figures, and well-advised by authoritative writers on the possible future course of events. Recognised as the daily newspaper of industry and commerce, THE FINANCIAL TIMES supplies a wealth of vital information—carefully marshalled for quick reference—and absorbing articles and comments on many industrial subjects. What's your next move? Order a regular copy of THE FINANCIAL TIMES today, and make certain of getting wise counsel.

Men of industry read
THE FINANCIAL TIMES
every day



THE FINANCIAL TIMES · 72 COLEMAN STREET · LONDON · EC2

CG FG.9

LIFT THE LOAD and LOWER THE COST.



WORKS SUGGESTION SCHEME
NAME *John Smith* NO 562 DEPT *Machin-shop*
GIVE A BRIEF DESCRIPTION OF YOUR IDEA:
I suggest that with a Fork Truck to do the lifting, carrying and stacking we could spend much more time on the machines and so catch up on our production schedule. A Fork like this would have a hundred uses and Lansing Bagnall experts in



The purpose of "Mechanised Muscle" is not the elimination of human effort but its release for more productive work, nevertheless each individual can only produce if the NATURE of his work is productive.

It's as simple as that... a man spending an hour carrying, lifting and moving materials contributes nothing to the value of the product but puts up its cost without improving it; whereas by spending that hour on productive work, leaving "Mechanised Muscle" to handle the materials, he not only ensures a cheaper end-product but earns with his effort the satisfaction of accomplishment.

Write to our Survey Dept. and we will prove conclusively how "MECHANISED MUSCLE" is already raising profits throughout your industry.

Lansing Bagnall
KINGSCLERE ROAD · BASINGSTOKE
HANTS
Telephone 1010

"Don't Burn Money"

says Private Btu (the British Thermal Unit)

"If the method of firing your boiler is wasteful you are as good as burning money and probably polluting the atmosphere too."

FUEL EFFICIENCY PAYS

For example... A large firm in the south of England installed two mechanical stokers at a cost of £2,050. This enabled the firm to use less fuel in spite of it being of a lower grade than previously. This has resulted in a monetary saving of £900 per annum. Hence the capital expenditure will be regained in less than three years.

Combustion Engineering Association 6 Duke Street St. James's London SW1 say that this is an outstanding example of how fuel efficiency pays. They have many others and will be pleased to pass on further information concerning the advantages of mechanical stokers together with names of manufacturers.

Government loans may be obtained for approved fuel saving schemes.

Issued by

N * I * F * E * S

National Industrial Fuel
Efficiency Service

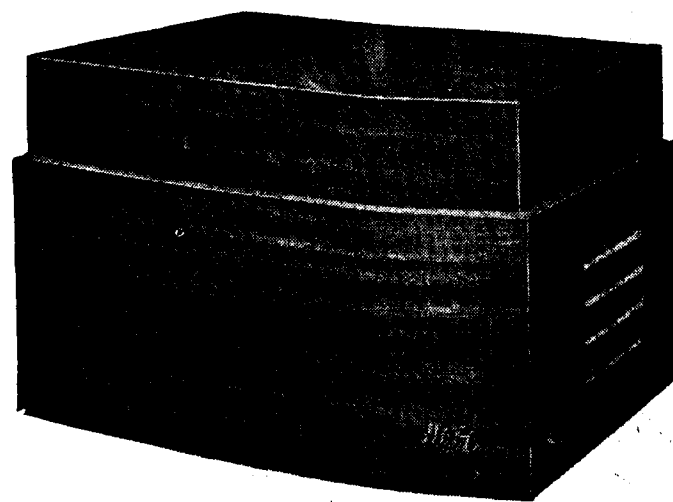
71 Grosvenor Street London W1 Telephone: Hyde Park 9706





**"And what's wrong
wi' brass bands?"**

*"Ob aye, I likes t' classics, an' all.
But give me a stirring Souza march—
by gum, it fair makes t' blood tingle
in me veins. And if tha thinks it's
all oompah, oompah—listen to a
record on the Black Box, it'll give
thee the surprise of tha life.
It's Hi Fi lad, that's what it is!"*



The Pye Black Box Record Player is the first instrument of its kind to be marketed in Great Britain. Never before has so compact a unit provided this high fidelity reproduction with such a room-filling quality of sound. It plays all speeds of records. Automatic changer or single player models are available.



BLACK BOX
RECORD REPRODUCER

AUTO CHANGERS 63 Gns. Luxury Model, and 39 Gns.
SINGLE PLAYERS 61 Gns. Luxury Model, and 37 Gns.

PYE LIMITED OF CAMBRIDGE



OSCAR HOBSON:

A Tribute

The Financial Times in its weekly column "Men and Matters" recently had this to say about the News Chronicle City Editor:

"No honour could have given greater pleasure to the City than the knighthood conferred upon Mr. Oscar Hobson in the New Year's List. This was an imaginative selection, and altogether appropriate."

"Mr. Hobson has always been a steady critic of the money-tamperers in Whitehall, and of the 'get-rich-quickly' people who have misused the machinery by which the City of London has become the most intelligent and far-seeing of world financial centres."

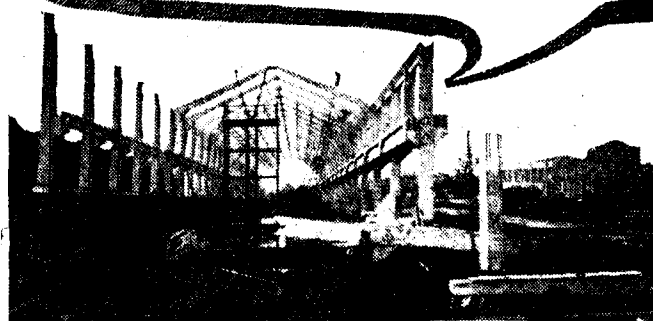
"Mr. Hobson is by far the ablest of City Editors of our time, and his shrewdness and capacity for judgment, tempered by high independence, have been of the greatest service to the City, the Treasury, and to British industry. Mr. Hobson does honour to the latest Honours List."

Sir Oscar Hobson is author of "How the City Works", a book that explains in plain non-technical language the financial machinery of the banks and the Stock Exchange and the hundred and one mysteries connected with the commercial life of the greatest City in the world.

PRICE 6/- from booksellers or 6/6 post paid from the News Chronicle Book Department, Bouverie Street, London, E.C.4.

**Read OSCAR HOBSON daily in the
NEWS CHRONICLE**

A GUARANTEE has been given by Beecham Buildings Ltd. to complete a new factory of 200,000 sq. ft. and considerable intricate ancillary work for an Industrial organisation in the Midlands—within a year. This is the third advertisement telling the story.



Progress despite gales and floods!

Their new ways of building have enabled Beecham Buildings to make almost unimpeded progress during the recent appallingly bad weather. The structural frame of the main shop illustrated above, is now under way and rising rapidly; in the background to the right may be seen the North extension which is now complete. The daily production of reinforced concrete components has been kept up and many of these weighing 6 or 7 tons are being transported from the factory of Beecham Buildings to the site where expert erectors and builders complete the job. Further advertisements will continue to tell the story of this contract and to prove the value of our guarantee. May we advise you on the construction of permanent and competitive Industrial Buildings?

**Beecham
Buildings**

**BEECHAM
BUILDINGS LTD.**
DEPT. D.
SHIPSTON-ON-STOUR
WARWICKSHIRE
Telephone:
Shipston-on-Stour
315, 316 & 3287

This model of the complete factory will pin-point progress in the advertisements which follow. Progress to date includes 120,000 cubic yards of excavation; perimeter roads, North extension, 75% of the foundations and 40% of the floors are complete.

AP 211-43

**Converting
SEA
WATER
into
DRINKING
WATER**



This is one of the large Weir Evaporating and Distilling plants supplied to the Netherlands West Indies to distil fresh water from the sea. Many large plants of this type are now under construction for orders in hand for the export market.



The Weir Organisation:
G.&J. WEIR Ltd DRYSDALE & Co. Ltd. WEIR HOUSING CORPORATION Ltd.
WEIR VALVES Ltd. THE ARGUS FOUNDRY Ltd. ZWICKY Ltd.

RADIO & TELEVISION RECEIVERS • RADIOGRAMS AND RECORD PLAYERS • GRAMOPHONE RECORDS • PHILSHAVE • ELECTRIC DRY SHAVERS

March into the future... **No 1**



Maybe one day...

Somewhere there lives a boy who will one day reach the highest position in his country: he will become Prime Minister. His sole aim then will be to safeguard the peace, progress and prosperity of his fellow-countrymen.

In all big national undertakings he will encounter the name of Philips. Philips radar equipment to guide his ships into harbour. Philips electron microscopes and X-ray apparatus to guard his people's health. His country's passenger planes will be fitted with Philips electronic tubes and communications equipment to ensure the utmost safety, thus strengthening national prestige abroad. Philips will help him, wherever they can, to make his country great.

When the big day comes for this boy - Philips will be there, ready to support his noble aims.

PHILIPS

CONTRIBUTE TO THE BETTER
WORLD OF TO-MORROW

ARC & RESISTANCE WELDING PLANT & ELECTRODES • MAGNETIC FILTERS • BATTERY CHARGERS & RECTIFIERS • CINEMA PROJECTORS

TUNING, PHOTOCURRENT BLENDERS AND DIMENSIONAL LAMPS AND LIGHTING EQUIPMENT • PHOTOFLUX • FLASHBULBS • HIGH FREQUENCY HEATING GENERATORS

ELECTRO-MEDICAL APPARATUS • ELECTRONIC MEASURING INSTRUMENTS • X-RAY EQUIPMENT FOR ALL PURPOSES • TAPE RECORDERS • SOUND AMPLIFYING INSTALLATIONS

The Economist

FOUNDED 1843

FEBRUARY 19, 1955

ONE SHILLING

Trade Turning Traitor?	603
Eden Goes East	605
France at a Loss	606
Battle of the Docks	608

NOTES OF THE WEEK

Design for the Deterrent; Mr Dulles Expounds; Mr Attlee Explains; United at Home; Hanging Reprieved Again; Malenkov's Mourners; More Bidding for Germany; China's Conscripts; The Political Screen; Killing the Comics; Dangerous Driving; Trek from Sophiatown; Building New Hospitals; Higher Prices for Farmers; Tito Comes Home; Revolt in Ashanti; Help for Brazil; Clouds Over Nyasaland. 610

BOOKS AND PUBLICATIONS	620
LETTERS TO THE EDITOR	622

AMERICAN SURVEY

Old Tariffs Fade Away 625
Drawing the Line; Atomic Fallout; Deficit in the School; Wall Street's Watchdog; Untouched by Human Hands; Mercury Goes Up.

THE WORLD OVERSEAS

The Arabs and the West 633
Mr Khrushchev's Animal Farms; Siam Heads off Communism; La Ronde; Struggle Over German Prices; Sweden's Battle Over Wages.

THE BUSINESS WORLD

Reshaping the Coal Board 643
Power from the Atom 645
Judgment on the Comet 647

BUSINESS NOTES

Whitewash for Fighters; New Methods for Supply?; Support for Sterling; Whitehead Markets; Imports and Exports Out of Step; More from Imps; Abbey National Record; Skirmish in Tea; Heat Pump in the Kitchen; Building Society Growth; A Lure to Savers; Canadian Eagle Plans; Investment in Machine Tools; Cinderella Steps Out—in Furs; Courage and Barclay; Refuge for the Market; More Accidents in Industry; Cocoa Feels its Way; Navigational Aids in Ships; Shorter Notes. 649

COMPANY NOTES AND SECURITY PRICES	661
STATISTICS	664

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

Trade Turning Traitor?

FOR a long time now Labour politicians have regarded the terms of trade as a reactionary mystery by which foreigners—except foreigners who plant tea—unfairly help the Tories. It is possible that they may soon be able to jettison this belief. Indeed the mood of the more economically minded of them can already be summed up in a topical metaphor: it is a mood reminiscent of that which swept round the Oval two summers ago—in that breathless moment when England, toiling with the craftier spin attack but on a cruel batsman's wicket, suddenly saw rise from a faster delivery a thin, significant spiral of dust. Today, in most of the indices of trade and inflation that matter, the dust seems to be rising again; and it is bringing with it a surge of emotion in Labour breasts that is not difficult to understand. It is possible—it is just possible—that the long batsman's wicket is breaking up.

This may be an exaggerated view, but it is certainly true that, despite the increase in Bank rate to 3½ per cent, there has been a visible deterioration in Britain's economic situation in the last few weeks. In part, the emphasis must be on the word "visible"; some of the adverse trends that were set in motion as long ago as last autumn are only now coming to light in published figures. But it does not really matter—least of all to politicians—exactly when the turn for the worse took place. The blunt fact is that some of the rosier assumptions with which the Government originally seemed able to approach its economic planning for this probable election year are assumptions that are no longer tenable.

Even at the beginning of the year, the assumptions were rather shaky. It seemed apparent then that the increase in production that could be expected during 1955 would be barely sufficient to satisfy the "natural" increases in investment and consumption that were deducible from published investment plans and the trend of money incomes. It followed from this that the Chancellor would have to rely on certain safeguards if he were to look forward, in honesty, to giving away part of his current budget surplus in tax reliefs—and thus to risk aggravating these "natural" increases in investment and consumption. At the time, he seemed to have two such safeguards. One was that the country had run a substantial balance-of-payments surplus in 1954—probably of the order of £200 million—and that only a purist would object if a little of this were to be eaten away by more investment or consumption at home in 1955. The other was the belief that, if budgetary policy were to be soft, monetary policy could be hardened to correct it.

The important news of the past few weeks is that, with a speed that will be only too familiar to all who have followed Britain's economic fortunes since the war, both these safeguards seem to have been whittled away. The cushion of the balance-of-payments surplus, indeed, is already flat; it was flat when Bank rate was raised three weeks ago, although nobody was then aware of it. The trade returns

for January, published last week, show that imports in that month were some £50 million higher, and exports only some £25 million higher, than the monthly average for 1954. It is not quite fair to multiply this excess by the number of months in a year, and to say that the visible balance of payments therefore looks like being £300 million worse in 1955 than in 1954; but, whatever corrections one makes to such crude arithmetic, it seems clear that Britain's external accounts are no longer in comfortable surplus. At best, they are in bare balance.

There have been several reasons for the disappearance of the surplus. The most important is that, since November, import prices have been rising, but the prices at which Britain can sell its exports in world markets have not. It is possible that this adverse movement in the "terms of trade" has cut down Britain's annual rate of real income by £100 million in the last three months—and that is very nearly the equivalent of sixpence off the income tax gone by the board. Another reason for the deterioration is that inflation has started to suck goods more voraciously out of export into domestic markets. The latest *Treasury Bulletin for Industry* suggests that it is only since October that wage rates have been rising faster than productivity; and the railway settlement will have given a new twist to that. Yet another reason is that industry is now buying more imported raw materials partly, in order to replenish the stocks that were run down during the autumn dock strike. Of these three causes of deterioration, only the third seems likely to be temporary; the others—especially the terms of trade—are more likely to grow worse as the year wears on.

★

The other major disappointment in the past three weeks has been the complete failure of the $\frac{1}{2}$ per cent increase in Bank rate to exert any disinflationary effect. This is not altogether surprising. It should be obvious, from observation on the roads, that, when an amber light is flashed, accelerator-happy motorists are apt to go right on through it; and this is precisely what has happened in the British economy in the last three weeks. One of the ways in which an increase in Bank rate is supposed to work is that business men and bankers may be induced to draw in their horns, because they read the increase as a signal that the authorities are going to use most of the many means in their power to try to drive interest rates up; the increase in January was read merely as a signal that the Government was using one of the few honest means in its power to try to bring tax rates down—and thus almost as a bull point for industrial shares and inflation.

Internally, this was made obvious by the reaction of the stock markets on the first day of the Bank rate change; the *Financial Times* index of equities was immediately pushed up to another new high. Externally, it has been made manifest by the continued weakness of

sterling, and by the eagerness of people in transferable account countries to turn their pounds into dollars—to Britain's detriment—at a depreciated rate. This last point raises two more familiar shadows. It has long been argued in some quarters that Britain would suffer if it were caught in its next terms of trade crisis with its exchange rate still fixed but its exchange controls half dismantled; and that foreigners might make more hurried use of their new and easier escape routes out of sterling as an election approached, for fear that a Labour Government might block those routes if it returned to power. Both developments may now be in train, and they could well gather pace in the next few months.

★

This is an awkward situation for the Conservatives, but it is not by any means a disastrous one. It is a situation that holds out to them one main economic, and one main political, message. The economic need is that they should recall in action, as Mr Butler did recall in words to a Liverpool audience last week, that the "Government's duty... [is] the maintenance of a due balance in our home economy so as to ensure that its demands do not conflict with the need to export... A hand must be kept on the reins—even a gentle tug given now and again to keep us on a straight path." The Government still has some room for manoeuvre in deciding how that tug should be exerted. The best course would clearly be another increase in Bank rate, accompanied—this time—by measures to make it effective. If that fails, the budget will have to be an unpopular one. Economically, this would be a pity, for an over-taxed economy will not be a rapidly expanding one; but it will be better to bear over-taxation than to have an economy that blows up and busts. In these dying months of the present Parliament, the Conservatives will need to be judged largely by their actions in defence against inflation.

The political lesson is that economic factors, as well as administrative ones, are making it more than ever desirable to hurry the election on. If the economy is now moving into rougher seas, the Government's task will be hard enough in all conscience; but it will become quite impossible if there is to be a quivering hand on the tiller for another twelve months, and if the look-out is looking out only for marginal seats. Between now and the next two possible election dates—which are May and October—the economy is not likely to deteriorate to the stage at which this Parliament came in; but the Tories should realise, on narrow party as well as broad national grounds, that it has already deteriorated to the stage where this Parliament should go out. Otherwise, with every month that passes, the Government will run a greater risk that it may go out too. The new forces of inflation already bid fair to have an important influence on either the timing or the result of the next election. The Government is fortunate that it may still have the opportunity to decide which.

Eden Goes East

SIR ANTHONY EDEN'S intended departure today for the Bangkok conference on Wednesday marks the start of a trip without precedent in the annals of British diplomacy. Never before has a Foreign Secretary set foot in eastern Asia while in office. It might be supposed that he is doing so now only because of the crisis in the Far East, a fireman, in fact, on his way to help put out the flames which are so obviously licking round Formosa. But much of the value of Sir Anthony's journey is in fact the precise opposite, that he is not going on a crisis mission and that the three-day conference of the Seato powers is specifically designed to prevent an emergency arising in South East Asia.

Naturally the question of Formosa will be very much in the minds of everyone present in Bangkok. For if the island fell to Communist China, whether by outright war or by decay from within, the chances of maintaining even the present degree of mental steadfastness against the Communist propaganda onslaught on South East Asia would be sharply reduced. Those people in Britain who simply argue about Formosa's legal status, declaim against America, and heap not undeserved calumnies on the Chiang Kai-shek regime, are dismissing two realities of prime importance to themselves. One is that, having spent years building up the Nationalists, no Administration in Washington can just drop them and walk away; and if America's allies insist that it do so, they may one day find that the same thing is done to them. Secondly, however nasty the taste of Chiang Kai-shek's own name today, the collapse of resistance to Communism in Formosa would have incalculable repercussions all the way from Tokyo to Cairo.

★

Formosa does not, however, appear on the agenda of the Bangkok conference itself. The problem will be discussed officially only in relation to general questions affecting the area as a whole. And while the opportunity for Sir Anthony Eden and Mr Dulles to meet informally at this moment is well timed, the conference has a clear role to play in its own right. To this there are three main aspects: the setting up of a permanent organisation under the South East Asian Collective Defence Treaty (SEACDT—though the name Seato is still used), which was signed at Manila last September; the planning of joint action by the signatories under Article 2, particularly against internal subversion in the South East Asian countries themselves; and some clarification of the economic side of Seato.

Nothing has yet been decided about a permanent organisation, except that there shall be one. The treaty speaks of a council, and lays down that this "shall

provide for consultation... from time to time"; the council is also "to be able to meet at any time." Clearly, it would be wrong to base plans on the analogy of the Nato structure in Paris, since the military and political resources of the powers concerned do not run to it. Nor, on the other hand, would it seem adequate that there should be only a yearly meeting of foreign ministers, as under the Anzus arrangement between Australia, New Zealand and the United States, with nothing in between and no continuing organisation in the area itself. If Seato is to become a name for Asian powers to conjure with, there must be a small intelligence secretariat to give the treaty punch and direction; but the exact nature, scope and location of this body must depend on the balance between political possibilities and needs within the area.

★

Already a clash of view has arisen, for instance, over the desirability of using Singapore as a headquarters. On practical grounds, Singapore is an obvious choice; it is central, secure and efficient—yet it carries the precise taint of colonialism which Seato needs to avoid. Looked at dispassionately, there is no satisfactory prospect of developing a political will to resist Communist encroachment in South East Asia, if there is no military power in the background capable of putting up a fight against aggression. On the other hand, the difficulty is that, while any such stiffening is at present available only from western sources, the very interest of America and other western powers creates the suspicion that they want the return of imperialism by the back door. The whole future of Seato therefore depends on its ability to dispel this illusion, to rally the waverers, and to grow by slowly attracting new members to its concept of genuinely collective defence. And that cause will not be helped by using Singapore as a pivot. Instead, the secretariat must be established in one of the two independent Asian states, in either Bangkok or Manila; and of the two Bangkok is patently the better. This need to develop Seato as a fundamentally Asian organisation is particularly important in view of the latest trends in the Chinese attitude. Disappointed with Sir Anthony Eden for going into Seato after the Geneva conference, the Chinese are now concentrating on the proposed Afro-Asian conference as a counterblast. At it, they see a chance of widening the area of so-called neutrality, created by their Indian and Burmese non-aggression pacts which Mr Chou En-lai concluded last year when he visited Delhi and Rangoon.

The novel feature of the Manila treaty, collective action not only against external aggression, but also

against revolt from within, has still to be developed into a practical plan. There are two obvious difficulties. One is that to interfere against, say, a *coup d'état* in Siam would itself savour of aggression and might involve a large outlay of force if the *coup* had been initially successful; it would also provide admirable fuel for Communist propaganda. The other difficulty is frankly that, while any plans for dealing with subversion would be useless without a tight hold on security, experience so far in South East Asia has been that all secrets have their price and that leakages are very hard to stop. There is, even so, scope for regular formal contact between members of Seato on such questions as intelligence and, in its best sense, police work. Already a start has been made in Malaya, for instance, by an interchange of information with surrounding countries on the techniques of criminal investigation and passport control.

When it came to the point, the economic side of Seato was never really developed at Manila. But the reasons which led to the shelving of these issues five months ago certainly still hold good today. There is little that Seato could effectively do which is not already being done under the Colombo Plan. And the Colombo Plan, which now includes every non-Communist country in southern and eastern Asia, is not tarred with the brush of anti-Communism as such. It represents in fact an ideal which Seato itself is still a very long way from attaining. Moreover, planning to channel aid through Seato is useless if the western powers are in no position to supply it, and if even the difficulties of using existing aid to the maximum effect have not been solved; much has been heard of a Stassen Plan for Asia, but the news from Washington about it is not encouraging.

The one live economic issue which may be raised behind the scenes at Bangkok has a serious political content, and in fact begs the whole question of what the western powers are trying to do in Asia. Logically enough, some of the political leaders in countries like the Philippines and Pakistan consider that their joining

Seato should put them several places up in the queue for foreign assistance. This, however, runs directly contrary to the principle which is in effect being generally adopted both by recipient nations and by enlightened administrators of American and other western aid, namely that no political strings shall be attached to such help. Obviously, military-economic aid must come under a somewhat different category; indeed it normally forms the basis of a specific and separate agreement, like Pakistan's recent arrangement with the United States. But, from the West's point of view, to channel purely economic aid into those countries that join Seato, at the expense of others, would be a mistake. It would defeat its own object and foment the accusations of western imperialism.

Meeting within less than half an hour's flight of Indo-China itself, the Seato powers will certainly discuss the new political difficulties which are emerging there. Not only have Laos, Cambodia and South Vietnam been designated as areas whose security concerns the Manila treaty, but the British and French committed themselves at Geneva to carrying out the terms of the Indo-Chinese cease-fire, and the Americans subsequently undertook not to work against it. Lately, however, the attitude and performance of the South Vietnamese government have been such that there is some danger of the Geneva agreement breaking down over the holding of elections next year. At a time when Communist claims to Formosa have thrown the western powers on to the defensive in some disarray, they can ill afford to run a new gauntlet of accusations of bad faith with Asian opinion. And while discussion of this question is admittedly not the main purpose of next week's assembly of ministers in Bangkok, it is characteristic of the dangerous realities which glower down on the conference table. Sir Anthony Eden may be going further afield than any Foreign Secretary has gone before. But he is going to discuss problems which could yet bring the world to the fringe of war.

France at a Loss

WHEN M. Mendès-France was at last brought down, just a fortnight ago, by an Assembly that has now worked its way through twenty governments in ten years, it was to a cry of "scuttle" that he fell. His fellow Radical, M. René Mayer, played skilfully upon the deputies' emotions with references to Indo-China, Pondicherry and Fezzan, and it was the spokesmen for the embattled settlers in North Africa who sealed the prime minister's doom. Thus, ironically enough, the most vigorous government that France has had in recent years was condemned on a charge of spinelessness. The Supreme Soviet was scarcely more irrelevant when it replaced Mr Malenkov, the "bad

manager," by a military commissar and ex-mayor in order to get a firmer grip on agricultural problems.

In sober fact, however, it was not lack of vigour but excess of it that made M. Mendès-France's ministry intolerable to the Assembly. His supporters have been fond of describing his main antagonists as *les féodaux*. The image is an apt one. M. Mendès-France has had to play in France much the same role as the Tudor monarchs played in an earlier England. Tough, determined, and sure of widespread popularity in the country at large, he has launched an open assault on local and sectional interests whose essentially feudal character is an obvious barrier to the brisk development that France

needs if it is to keep abreast of a changing world. The more baronial of the North African *colons* constitute the most visibly feudal of these groups; but in the ranks drawn up against M. Mendès-France two weeks ago were representatives of almost every special interest in France, ranging from M. Poujade's tax-dodging shopkeepers to M. Duclos's disciplined comrades, and taking in on the way both ultramontane clericals and owners of redundant vineyards. The prime minister brought a truly Tudor bluntness and impatience to the conflict, but he lacked the absolute monarch's ultimate argument; and in the end it was upon his neck that the parliamentary axe fell.

It was not the Right alone that brought him down, nor even the Right together with the Communists; among his unforgiving enemies were a number of genuine reformists, particularly in the MRP party. There was a symbolism here, although it was obscured by the unfinished vendetta that began with the EDC. M. Mendès-France was never a man of the classical Left—hence the Socialists' consistent refusal to take office in his government, although they gave him their votes time after time. Again, certain far-sighted elements in big business heartily supported his plans for economic "reconversion" and modernisation, despite the dogged resistance of the bulk of the *patronat*. Essentially, M. Mendès-France spoke for those Frenchmen who wanted urgent action, for men, drawn from all classes, who recognised and loathed the inertia in which France was bogged down both at home and abroad. His supporters were far from agreed among themselves, and some of them might have reacted sharply if he had been able to launch the economic plans for which, as things turned out, external problems left him little time. Moreover, some of his most sceptical opponents may have been right when they argued that he ought to be left in power long enough to apply his economic formulae, which, they maintained, would be exposed as inadequate. But for the moment these are academic issues. The central facts are that M. Mendès-France was brought down before he could turn his full attention to "reconversion," and that this left many Frenchmen in a mood of hope sharply frustrated.

The confused, parliamentary activity of the past fortnight has reflected this background of emotion. The swing of the pendulum from Pinay via Pflimlin towards Pineau—described by a correspondent on page 636—was in fact a swing back in the direction of the fallen prime minister; the trend was shown all the more clearly when M. Pineau not merely lavished praise on M. Mendès-France but actually sought to draw him into a new government. But there is still no such thing as an organised "*Mendèsiste*" movement. Each of the organised parties is divided over one or other of

his policies, his own party, the Radicals, showing perhaps the most bitter divisions of all, and there is over a year to go before the next elections. A vague emotional groundswell cannot, therefore, produce any immediate and constructive effect in French politics. As one of the newspapers that devotedly supported the fallen premier explained to its readers last week, it was now pure escapism merely to vent indignation on the men who defeated him; if his admirers' hopes were eventually to be fulfilled, each one of them should examine his conscience and decide whether he sincerely accepted all of M. Mendès-France's less popular arguments—for example, that small firms should be shut down and the big, efficient, but suspect concerns thereby encouraged, or that before reaching agreement with Russia on the German problem it was first necessary to grant Germany sovereignty and the right to rearm.

★

The groundswell is as yet quite inadequate to bring about any shattering of the rigid mould in which French party politics are cast. Gallic logic may suggest that this would be a good moment to slice each of the traditional parties into two parts and thus, setting the Communists aside, allow a properly organised Left to confront a similarly organised Right; but Gallic devotion to a whole range of familiar shibboleths, from laicism to *l'Europe*, forbids that. Thus, whether the first government that now takes office is maintained in power by its opponents' differences or brought down by its own supporters' differences, the outlook for the months to come is probably much the same: a quasi-caretaker government, or a series of such, forced to mark time on as many issues as possible while the parties arrange themselves with an eye to the 1956 elections. By the time those elections come, the present mood of confused frustration may have crystallised into a new political movement with a programme, an adequate team of leaders, and a national organisation; but what happens to France in the meantime? And what happens to its friends and allies?

If there were only internal problems to worry about, the country might get through a new period of *immobilisme* and uncertainty without anything more than discomfort. It is true that M. Mendès-France had fixed a "rendezvous" with the trade unions for April; but the recent upward swing of the economy has taken off a good deal of the pressure for immediate reforms and adjustments. Communist thunder has been stolen both by this economic improvement and by the alternative dynamism introduced into politics by M. Mendès-France, and it is no longer possible seriously to suppose that parliamentary democracy is threatened by the Gaullists. A France that existed in a vacuum might now relapse into almost complete inaction for several months, and feel little the worse for it.

But France does not live in a vacuum. North Africa calls urgently and insistently for decisions that only a solidly based government can take, and every hour of delay increases the already formidable difficulties that France faces across the Mediterranean. Europe's needs are scarcely any less immediate. The Council of the Republic, the upper house of the French parliament, would now be debating the Paris agreements on Western Union if the original timetable had not been interrupted by the fall of the government. Even if a new government can steer the agreements through the last twists and turns of the parliamentary maze during the next few weeks, it will not emerge on to a straight and easy path. Perplexing questions confront the whole western partnership, and would have confronted them if there had been no upheaval in Moscow last week. When and how (let alone with whom) can negotiations with the Soviet rulers be initiated with any prospect that they will be fruitful? M. Mendès-France had his own

Battle of the Docks

SINCE the London dock strike came to an end last October little has been heard of the issue on which it was fought—the claim that overtime is voluntary. But behind the scenes the argument has been going on between Mr Barrett's National Amalgamated Stevedores and Dockers Union and the port employers, and it may flare up again within a few weeks. Sooner or later the London employers will insist that men who refuse to work reasonable overtime should once more be reported to the local Dock Labour Board.

The situation is dangerous because there is no guarantee that the little stevedores' union will not again be able to sway the members of the Transport and General Workers' Union, to which nine out of ten dockers belong. The big union's officials have merely been observers at the discussions with the employers, since they themselves are perfectly satisfied with the formula, laid down in the Dock Labour Scheme, that "a man shall work such overtime as is reasonable in his particular case." So were their rank-and-file until they were induced, out of traditional solidarity, to walk out with Mr Barrett's stevedores. The NASD may again succeed in driving a wedge between leaders and rank-and-file—as, in a different way, it is still doing in the north. In Hull, Birkenhead, and Liverpool, unmoved by its suspension from the TUC, it continues to recruit the Transport Union's members.

The Transport Union is less perturbed about this than it probably should be. It says that its rival's claims are vastly exaggerated. It doubts if many of those who have applied for blue (NASD) cards have paid dues to their new union, and thinks that most of them are holding on to their red (TGWU) cards for safety. It trusts that the men will remember that the

very definite ideas on these matters. France's allies sometimes found him a difficult partner; but as they got to know him better, they discovered the virtues of a man who would promise only what he genuinely believed he could do, and who strained every nerve to reach the goals he had set himself.

The same allies are now wondering whether they will again find France a limp and limping partner, and whether they must try to carry it along with them, unwilling or at best undecided. Is there now to be a French version of the immortal phrase attributed to Mr Sam Goldwyn—"include me out"? If so, what becomes of the cherished principle "nothing without France"? The French nation, so far as its domestic affairs are concerned, may well be able to struggle along without an active and determined government for months to come; but can the free world as a whole afford such a Parisian luxury?

larger union offers much better friendly benefits; that it can keep the NASD off the negotiating machinery; and that Mr Deakin's voice carries more weight with the employers than ever Mr Barrett's could. A claim for a substantial wage increase presented this week by the union to the port employers may remind them of solid benefits received. Union officials are inclined to think that they have only to wait and all will be well.

If time, however, is on the Transport Union's side, some other things are not. One is the attitude of the British press, which consistently tends to present Mr Barrett as the brave little fighter against the big bureaucratic machine. In part, this attitude springs from the TGWU's poor sense of public relations—with its own members as well as with newspapermen; time and again impartial observers—such as those from Liverpool University in their survey of a Manchester dock strike published last month—have criticised its methods of communication. In part, it is due to the fact that newspaper correspondents, in the course of getting their stories, become friendly with the principal actors in industrial dramas, and present their side of the question in a favourable light. Mr Barrett is nothing if not a principal actor, with a developed audience sense.

The TGWU's second trouble is that it is under constant and clever attack from the Communist party. The party's objective—admitted quite frankly by a former TGWU official in a recent issue of the Communist *World News*—is to get control of the union itself. It has two methods, one direct, one indirect. The direct method is to get next year's Rules Conference of the union to rescind the rule introduced by Mr Deakin in 1950, requiring its officials to sign a declaration that they are not members of the party. This, the Com-

munists hope, may be easier after Mr Deakin retires on November 11th next. Nominations for his successor are being received this month at Transport House, and efforts will be made by the party to find a man who can successfully oppose the favourite, Mr Jock Tiffin, the present Assistant General Secretary and a firm anti-Communist.

The indirect method is to do everything possible to shake confidence in the present leadership. The London dock strike helped to do that, by setting a gulf between men and officials. From this point of view, the NASD's campaign of poaching its big rival's members is not really inconsistent with the Communist party's private aim of taking over the whole of the TGWU intact. It could help to stimulate dissatisfaction with existing officials and clear the way for more left wing successors. It is true that Mr Harry Pollitt has expressed loud disapproval of the NASD's poaching, but there may have been another reason for that. In the northern ports there are large numbers of Roman Catholics who would be put off by an obvious association between Communism and the NASD.

Is there a less obvious connection between the two? This is wide open to dispute. Mr Barrett is not a member of the Communist party; if he sometimes gets mixed up in odd ventures—like his recent statement that his members would not load any supplies destined for a Formosan war—he can justify them with a conventional left wing Socialist line. But, of his select union executive, one—Mr Dickens—is also a member of the Communist Party's executive, having been expelled from the TGWU on political grounds three years ago; another, Mr Timothy, was a member of the party until last year. Mr Barrett's opponents claim that time and again he appears ready to take a more reasonable direction only to have the reins snatched from his hands.

A third factor that weighs against the TGWU is that, through no fault of its own, it is not much good as a safety valve for the vague discontents in which the docks abound. The Liverpool survey made this point, and common sense supports it. This is not primarily because the Transport Union is "too big"—as is so often maintained. It is rather because it now stands for the observance of industrial agreements and for a policy of moderation. The docks are fertile ground for malcontents. The system of the call-stand means that the same men—the least efficient—are left until the last, to be allocated by the local Dock Labour Board's manager, or to have their books stamped so that they can draw the fall-back pay of 6s. a half day. If their homes are distant from the docks they loaf around all morning, for they must attend another call in the afternoon. Above all, relations between employers and men, and between men and men, are shifting and unstable. Some of the best dockers work

in gangs, following the same foreman whatever ship he works, and about a fifth of the total labour force is employed on a weekly basis. But others work for a different employer and with different workmates every day. Such discontents, reasonable and otherwise, used to find relief when all could get together and abuse the employers. But now that the employers provide less ground for abuse, and since the TGWU, as the largest union concerned, is more often associated with management than other unions, its meetings no longer provide a suitable safety valve.

A fourth trouble lies in the Ministry of Labour's excessive readiness to compromise, and the usual tendency of its courts of inquiry not to inquire into the most burning issues. For example, last autumn's dock strike sprang from an overtime ban, which in turn sprang from the disciplining of a few men at the end of 1953. That group was disciplined by a board on which Mr Barrett himself sat. One of the men, it turned out later, had refused to work overtime in order to attend a union meeting of the NASD; but neither he, nor Mr Barrett, if he knew, told the board at the time. This was one of the main reasons for the TGWU's bitterness in last year's struggle: the suspicion that the whole affair had been "planted." It is extraordinary that the subsequent court of inquiry did not inquire into this suspicion—either to refute or confirm it; it simply took no evidence on the subject.

★

If more trouble at the docks is to be avoided, everyone who wants to maintain order there will need to put aside complacency and go in for self-criticism. The employers—particularly at places like Hull—must press on with the modernisation of the ports, and with welfare amenities, particularly sanitary arrangements. They should engage men as far as possible on a weekly basis—as, indeed, more and more of them are doing. A trend towards fewer and larger firms would no doubt have a good effect. The union must try to produce officials who can cope with agitators, even if this means paying more in order to lure suitable men from more lucrative dock work. It should surely set up a public relations department both to keep its own members on the right lines and to inform the press. Steps should also be taken to improve the quality of new recruits to the docks; many are attracted by the relatively high earnings (averaging £11, and sometimes reaching as much as £20, a week) and the industry does not need to take the first-comers. A training scheme would raise efficiency. Finally, the Dock Labour Scheme should no longer be regarded as sacrosanct. In particular there is no reason why the unions should not extricate themselves from the machinery of discipline without any sacrifice of their powers elsewhere. It is time that all sides of this very conservative industry approached their problems with a more flexible mind.

Notes of the Week

Design for the Deterrent

THE publication of last year's Defence White Paper was almost immediately followed by the world's preview of the H-Bomb, so that there has been a full year for its implications—or fall-out—to take effect on the new White Paper which appears as *The Economist* goes to press. Perhaps the most notable effect is the virtual dropping of the idea that a period of broken-backed warfare would follow the initial exchange of atomic courtesies. The number of hydrogen bombers that need to get through to prostrate this country is small; and on the subject of "defence" the Defence White Paper admits what the Aircraft White Paper (discussed on page 649) obscures: now and for some years to come there will be no effective defence. Had there been no muddle over fighters there might have been some, and if there is no muddle over missiles there will be quite a lot in a few years—but not enough.

Thus after years of defence-spending, security depends on the deterrent—at present largely an American one, although Britain is to have the H-bomb as well as the bombers. But the new order of priorities is barely reflected in the 1955-56 estimates. The Air Force gets £540 million, or 35.4 per cent compared with 32.8 per cent of the estimates last year; the Army gets £484 million, or 31.5 per cent compared with 34.2 per cent; the Navy gets £347 million or 22.6 per cent—about the same as before. The Ministry of Supply's proportion has again risen—from 9.2 per cent to 9.6 per cent. The total estimate is £102.7 million lower than the original estimate for the current year.

This is only an instalment of the immense sum to be found to give Britain a measure of security that must seem slenderer than at any time in history. But though the failures and mistakes in all the Ministries involved are appalling, it is wrong to argue that the country has had no value for money. There has been no major war; the cold war has been fought—at times hotly—and not lost. And the speed with which scientific advance now makes strategic and tactical plans or weapons obsolete affects every country.

Mr Dulles Expounds

MR DULLES did more to clarify American policy towards Russia than towards China in his broadcast on Wednesday evening. Speaking of the recent changes in Moscow, he laid emphasis on a basic difference of attitude which may be emerging between Soviet leaders. One group would have the Soviet Union's power primarily employed

"as a tool of international Communism." The other is increasingly worried about Russia's own "welfare, security and greatness." This is to express in different words something of the rivalry between party and state, in which Mr Malenkov's overthrow has been widely interpreted during the past fortnight as representing a victory for the party. Mr Dulles has emphasised instead the role of those, in both the party and the army, who have shown how concerned they are about what is happening not only to the Russian economy but also to Russian relations with China. The Secretary of State draws two conclusions. There could be a basis for "practical agreement" with the new Russia. And, instead of trying to detach China from Russia, the West might be well advised to look at the problem the other way on, and try to draw Russia away from China.

For America to accept the idea of driving any kind of wedge between Moscow and Peking is welcome. What is less satisfactory from the British point of view is that Mr Dulles has still not given any clear evidence that the Administration really knows what it is going to do about the Chinese coastal islands, Quemoy and the Matsus. It is one thing to keep the Communists guessing, another to do the same to one's allies. His remark that the United States had "no commitment and no purpose to defend the coastal positions as such" was counterbalanced by his observation that it is doubtful whether their surrender "would serve either the cause of peace or the cause of freedom." This equivocation is reported to reflect some difference of view inside the Administration about the great difficulties it is encountering in its relations with the Chinese Nationalists. But, much as one may sympathise with Washington's predicament, two things cannot be emphasised too firmly. One is that public opinion outside the United States could not be expected to support American military action in the coastal islands. The other is that the chances of lowering tension will never be very good until the Straits of Formosa lie between the two opposing sides.

Mr Attlee Explains

MR ATTLEE has made a commendable attempt this week to reconcile his position as leader of a difficult political party and as alternative Prime Minister of Britain. First, he is reported to be ready to take back the expelled rebels into Labour's fold, although he is insisting that each case should be examined individually. Secondly, he has given a welcome interview to the *News Chronicle*, in which he has carefully redefined his recent pro-

nouncements on foreign affairs very much on the lines discussed by *The Economist* last week—and has thereby removed the left wing's excuse for misinterpreting them. But the nigger in his woodpile is still throwing the timber about. Mr Bevan, having failed to persuade the party to agree to a front bench motion calling for talks on German unity, has now put down such a motion himself, with a curiously timed proposal for top level talks on the H-bomb thrown in for good measure. Just over a hundred Labour members, rather more than a third of the party, have rallied to Mr Bevan's side; they include such former middle-of-the-roads as Mr Strachey. Mr Attlee is still a long way from getting his choir in harmony; it is a real gain, however, that the left wing should no longer be able to claim that it is merely recording his own voice.

United at Home

DESPITE—or perhaps because of—this internal squabble about foreign affairs, Labour is going to great pains to display belligerent party unity on the home front. This week it sounded a rather clumsy charge on the subjects of tea and requisitioned houses. The charge against British tea blenders flagged a little when it was discovered that the Prime Minister of Ceylon had got his figures wrong; as a table on page 654 shows, British blenders' present profits work out at about $\frac{1}{2}$ d. a lb—which provides unpromising electoral material. Labour has therefore had to fall back on castigating the Government for allowing Indian and Ceylonese tea producers to charge British traders the price that they can get on the world market. In pursuit of this campaign Labour has got hold of the profits announced by leading tea producers in 1954, but does not yet seem to have realised that these figures relate mainly to trading experience in 1953—before the boom really got under way. Conservatives, on their side, have not yet fully woken up to the fact that the relatively small figures of tea dividend increases quoted by Labour work out—when struck net of tax—to less than 1d. per lb of total Indian and Ceylonese tea exports in 1953.

Labour's second domestic tactic this week has been to object to the Bill which proposes that by 1960 the requisitioning of private houses should be wound up. The Bill contains various provisions for ensuring that the tenants do not suffer from this belated act of justice to their landlords; but Dr Dalton solemnly argued that it was "premature" to liquidate this wartime emergency measure fifteen years after the end of the war. This seems an unwise issue, even in the narrowest political terms; when Labour makes this sort of claim it only rekindles the suspicion that it still really hankers after a state of permanent emergency.

Hanging Reprieved Again

MOST people probably make up their minds about capital punishment instinctively and emotionally rather than rationally. But in last week's debate in the House of Commons most speakers relied on reason rather than on conscience, and in so far as this is a matter that can be decided on rational grounds there can be no doubt that

the abolitionists had the better of the argument—though not of the vote.

The debate was in theory concerned with the report of the Royal Commission on Capital Punishment, whose recommendations have, after sixteen months' consideration, been rejected by the Government—virtually *in toto*. But in practice the debate turned largely on the amendment proposing that capital punishment should be suspended for an experimental period. Suspension and outright abolition were outside the Royal Commission's terms of reference; yet whenever its report was quoted in the debate, it gave more support to the abolitionists than to their opponents. Thus, the Home Secretary rejected the alternative of a long term of imprisonment to hanging because of its supposed bad effects on the prisoner. A quite different view was given by his own department to the Royal Commission and expressed by that body itself. Moreover, a special institution for mentally abnormal prisoners who do not qualify for Broadmoor is now being built. Then there is the question of deterrence. Statistics of crimes of violence, the increase in which was used by the Government in support of the retention of hanging, are quite irrelevant to the argument. What is relevant is the evidence given to the commission that murder rates move the same way in both the abolition and death-penalty states of America, together with the commissioner's own view that penal policy in relation to murder should not be based "on exaggerated estimates of the uniquely deterrent effect of the death penalty."

But, in spite of evidence and argument, the death sentence, with all its anomalies, possible injustices and inherent barbarism, has been reprieved again. The abolitionists can, however, draw some encouragement from last week's vote. Tory opinion, it is true, appears to have shifted slightly against abolition compared with 1948; only 18 Conservative backbenchers voted against the Home Secretary's line. But this shift probably reflected some concealed pressure from the Government, which, though allowing its supporters a free vote, also left them in no doubt how embarrassed it would be if the abolitionists won. On the other hand, even if allowance is made for Labour members' greater freedom of action than they had in 1948, there was a distinct shift in Labour opinion. Only five Labour members voted against abolition last week compared with 74 in 1948, and the supporters of the amendment included nearly all the party's prospective leaders. There is at least a fair prospect that with the next Labour government hanging will be abolished—and this time decisively.

Malenkov's Mourners

THE Malenkov myth is well on its way. It was forecast in these columns last week that it would not be long before the deposed Soviet premier acquired a retrospective halo; and that forecast has been more than justified. The man who is now Soviet minister for power stations is already receiving glowing, if premature, obituary notices. He is praised as the great "conciliator," the man with the outstretched hand of friendship, the grossly misunderstood statesman whose repeated "overtures" were prevented only by western arrogance from bringing about a new age of

concord. In some eyes, the West has courted "ultimate catastrophe" by "refusing to respond" to Mr Malenkov's ardent wooing; and now, the mourners tell us, he has gone and it is too late.

It is hardly surprising that those who argue in this way do not bother to produce evidence of Mr Malenkov's sincere willingness to please, for the evidence is indeed scanty. Nor is it really surprising that the same voices that cried "too late" last week are now raised in calls for approaches to the very men who removed Mr Malenkov. There is quite as much logic in that as in the curious reasoning of those who, having preached for years that the free world's only hope is to outstrip the Communists in raising living standards, are now horrified at the revelation that Russia is well behind in the race and forced to move even slower owing to the burden of arms.

What is really odd is that Mr Malenkov's mourners did not wait to see whether his successors would imitate his tactics. In fact the Khrushchev-Bulganin regime has wasted no time in turning a conciliatory face to the outside world. Marshal Bulganin went so far as to reassure visiting American journalists that they should not take the more pugnacious sentiments uttered at the Supreme Soviet last week at their face value. Marshal Zhukov revealed that he dreams of visiting the United States, and Mr Khrushchev publicly chided the Chinese for keeping American airmen prisoner. What is a mere bunch of flowers picked for Dr Summerskill to this? Mr Malenkov's sympathisers in the West may retort that the new regime is merely indulging in disarming tactics. Just how did Mr Malenkov's foreign policy reflect anything different from that?

More Bidding for Germany

DR ADENAUER has reason to be pleased about the fall of Malenkov and the accompanying revelations of Soviet agricultural troubles. He has long been convinced that the key to Soviet policy lay in its rulers' efforts to get men back to the land. Now he forecasts that it may be easier to negotiate with the realistic Mr Khrushchev than with Mr Malenkov. More surprisingly, the Chancellor has indicated that there should be five-power negotiations, including Federal Germany, before the German army is set up. It is true that he did not say exactly how soon after ratification of the Paris agreements such talks might take place, and it may be recalled that three years will be needed to establish twelve German divisions. But he conveyed the impression that the right to rearm might be a useful counter in the bargaining with Moscow.

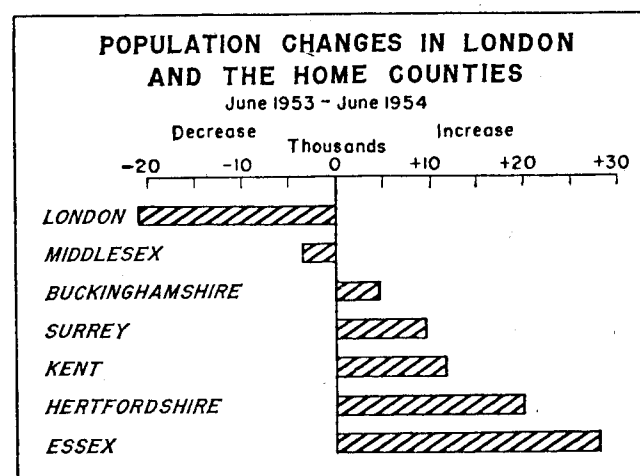
The struggle for German neutralisation is not likely to relax if the agreements are ratified, as Dr Adenauer confidently expects they will be, in the *Bundestag* next week. The public has undoubtedly been attracted by the campaign against rearmament that is being waged by the Socialists, nationalists, groups of Protestant clergymen and important sections of the trade union movement, helped by intense Communist activity. It is hard to see how government speakers can make headway against a barrage of arguments very potent in German ears. The independent German radio gives full publicity to the opposition, whose cause has been furthered this week by a horrifying broadcast from

Dr Otto Hahn, the famous nuclear physicist. Another broadcast, although on the purely peaceful uses of the atom, has been postponed at the direct request of Dr Adenauer, who is under fire on that account.

Propaganda for peace and German reunion tends to become anti-western in its effect. This was shown by the meetings that were held in Western as well as Eastern Germany in memory of the RAF's destruction of Dresden in February, 1945, when tens of thousands of refugees, in flight before the advancing Russian armies, were killed. The attack was indeed indefensible; but it is deplorable that the Germans should be whipped up to resent it now. Any such sentiment plays into Russian hands. And it may be expected that the new leaders will not be slow to meet it halfway. With Marshals Bulganin and Zhukov in power in Moscow, it is a wide open question what offers will be made in future to win Germany's neutralisation. There may well be a hint of surprising things to come in the proposal made at a Communist-sponsored conference last week in Warsaw. For the first time the suggestion was put forward that, in exchange for this prize, the Russian army would withdraw from Poland as well as from Eastern Germany. The Soviet bidding, it seems, may be raised again.

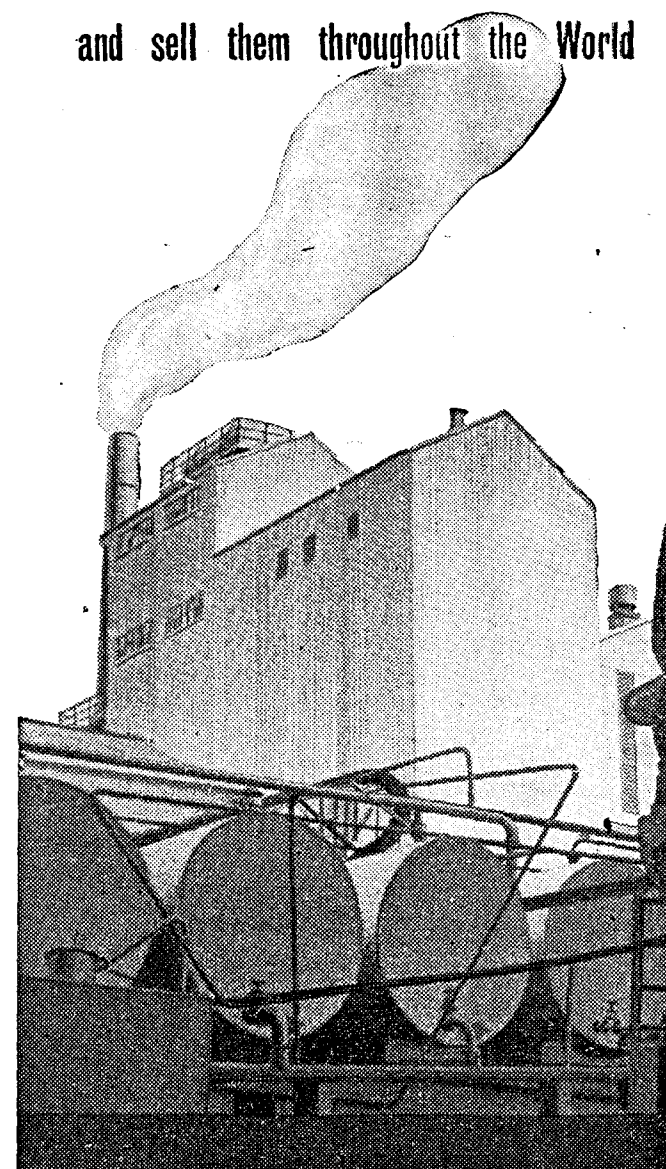
China's Conscripts

SOME press reports from Peking last week gave the impression that the Chinese government had just decided to introduce nation-wide conscription. In fact, universal military service was decreed at a meeting of the State Administrative Council in Peking on September 9th last year. Details appeared in the Chinese press five days later. It was announced that a first intake of 450,000 men would be called up between November, 1954, and the end of the present month. The term of service was given as three years for the army, four for the air force, and five for the navy. Youths who provided their families' sole manpower, or were only sons, could claim deferment.

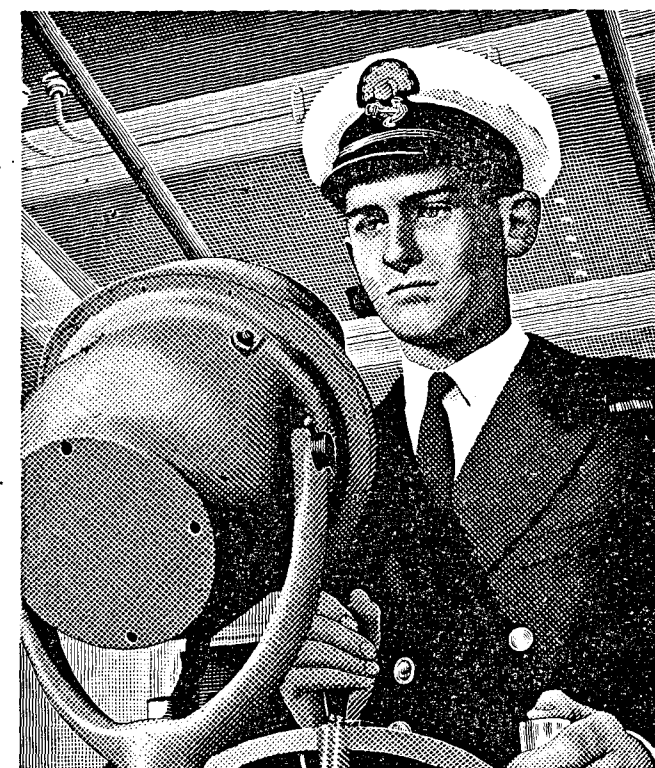


Source: Registrar-General's estimates of the population of England and Wales at June 30, 1954. HMSO.

Marchon manufacture at Whitehaven
detergents and detergent raw materials
and sell them throughout the World



Marchon
PRODUCTS LIMITED
Head Office and Works: Whitehaven, Cumberland
London Office: 140 Park Lane, W.1



PROGRESS IN ELECTRONICS

Despite its innumerable applications, the magnet is still popularly associated with its use as a navigational aid. This is perhaps not surprising when one considers that the earliest experiments in magnetism were connected with the compass and its use in navigation.

It is said that the Chinese were using a form of lodestone compass in B.C. 2637, but the experimental study of magnetic direction finding devices really began in A.D. 1000 and reached something of a milestone in the 16th century with the work of Dr. Gilbert, who was physician to Queen Elizabeth.

It is only within the last twenty years, however, that revolutionary advances have been made in navigational aids. Radar was, of course, the most important of these advances and it owed its successful development to the invention of an electronic tube known as a magnetron, and this device, in turn, depended for its efficiency upon the "Ticonal" permanent magnet—an alloy having great field strength, stability and uniformity.

Mullard's work in the field of magnetic materials has been particularly outstanding. In addition to "Ticonal" permanent magnets, two other materials now in quantity production are Magnadur, a non-metallic permanent magnet, and Ferroxcube, a non-metallic H.F. core material. These materials are contributing to important developments in other electronic applications such as television receivers and line communications equipment.

Progress in magnetic materials continues, and through this the future may well see developments of equal significance to those which have gone before.

Mullard

MULLARD LIMITED, CENTURY HOUSE, SHAFTESBURY AVENUE, LONDON, W.C.2
Factories at: Blackburn Fleetwood Gillingham Hove Lytham-St. Anne's Mitcham
Padiham Rawtenstall Waddon Wandsworth Whyteleafe



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.

Ancient Chinese tradition was maintained by the Communist regime in the system of demanding from an area a fixed quota of conscripts.

In a huge country with poor communications, it is obviously not possible to set the full machinery of nationwide conscription in motion at one stroke, and last autumn the Chinese press was explaining to the public that universal service would have to be brought into operation by stages. The *People's Daily* of Peking made a point of warning those already in the army that the conscription decree did not mean that they could expect an immediate release. The press foresaw a good deal of "misunderstanding" and was at pains to insist that conscription was an "advanced system" essential to China's national defence, as to which "no relaxation could be allowed."

Last week's announcements in Peking concerned the future organisation of the army. The official armed forces gazette announced that in future there will be fourteen army corps, including a special political division which will presumably be based on the Soviet model. At the same time, new senior ranks, including marshals of the republic and a chief marshal, were introduced, and China finally abandoned the proletarian principle that officers should resemble their men in appearance.

The Political Screen

TELEVISION is so rapidly becoming the most important means of getting party propaganda across to the electorate that Labour's experimental programme last week deserves a critique of its effectiveness rather than of its content. The idea of concentrating on a single subject—the need for protection of the consumer against shoddy merchandise—was undoubtedly successful. By the end of the programme many viewers must have been ready to swallow the assumption that whenever they make a bad buy in the shops it is all Mr Thorneycroft's fault. Miss Elaine Burton also emerged as a definite television personality, despite her tendency to overact her astonishment as each tattered product was paraded before her. She triumphantly refuted the male political hypothesis that—apart perhaps from Lady Tweedsmuir and Mrs Barbara Castle—lady politicians should be heard but not seen.

Where the programme failed was in those parts that were obviously intended to fit into the tradition of TV. The worn-out shoes and carpets merely looked like old shoes and carpets, and it required a great effort of mind to remember that they were really relatively new ones. The idea of bringing in two members of the ordinary deluded public was also a failure. Utterly honest people both, they were quite unable to act their allotted roles of piteousness recollected in tranquillity; the only emotions they got across were, respectively, that they felt clever and hugely delighted to appear on the screen. The bluff manufacturer, who agreed with Miss Burton that manufacturers of shoddy goods should not be allowed to undercut him, was also a poor propaganda point. The lesson for politicians of both parties is that they would be wise to stick to their own political methods of presentation; when they try to imitate the panel game policy of professional television producers, odious comparisons will always be made.

Killing the Comics

THE Home Secretary has acted very promptly in trying to crush the horror comics, and everyone will sympathise with his aims. But the Bill that was published last week—with the pleasing title of the Children and Young Persons (Harmful Publications) Bill—has drawn a net whose mesh may yet be too wide. An attempt has very properly been made to confine its application to horror comics and nothing else by defining them as follows:

Any book, magazine or other like work which consists wholly or mainly of stories told in pictures (with or without the addition of written matter), being stories portraying

- (a) the commission of crimes; or
- (b) acts of violence or cruelty; or

- (c) incidents of a repulsive or horrible nature;

in such a way that the work as a whole would tend to corrupt a child or young person into whose hands it might fall (whether by inciting him to commit crimes or acts of violence or cruelty or in any other way whatsoever).

This is certainly specific enough to safeguard works of literary merit; and the emphasis on pictures is wise. But it could still catch an illustrated magazine that published pictures of modern warfare, from the laudable motive (more or less) that people ought to know about it. It is surprising that any reference to motive has been omitted from the Bill, just at a time when many people think that it ought to be included in the law against obscenity. It is true that it is very hard to determine a person's motives, but if a court had to try to do so, it would at least draw the net somewhat finer.

Another striking omission is that the penalties apply to "a person who prints, publishes, sells, or lets on hire" a horror comic, but not to those responsible for the pictures and captions. It is strange to punish the bookseller, who conceivably (although improbably) might not know what he was selling inside an apparently innocuous cover, and to take no action against author and artist, who must certainly know what they were doing. Parliament will have to scrutinise this Bill very closely—and it is to be hoped that it will not allow this particular measure to divert its attention from the wider—and at least as urgent—need for a revision of the whole law of obscenity as at present defined.

Dangerous Driving

THE House of Lords always offers a difficult course for any change in the motoring laws, and the new Road Traffic Bill came a cropper at the first hurdle. The peers rightly threw out a clause which proposed that the testing of old vehicles might be carried out not only at official centres but also by selected private garages, acting as Government agents. Their action may make it difficult to inspect as many vehicles as the Government would like, but only a particularly dim bureaucrat could have failed to see the danger of the original proposal. If there are four garages in a locality, and one became a Government inspecting centre, where would all the owners of old cars think it advisable to take their business? The lucky proprietor would probably not even need to drop a hint.

The results of the peers' second stricture may be less happy. The Government has agreed to consider a clause

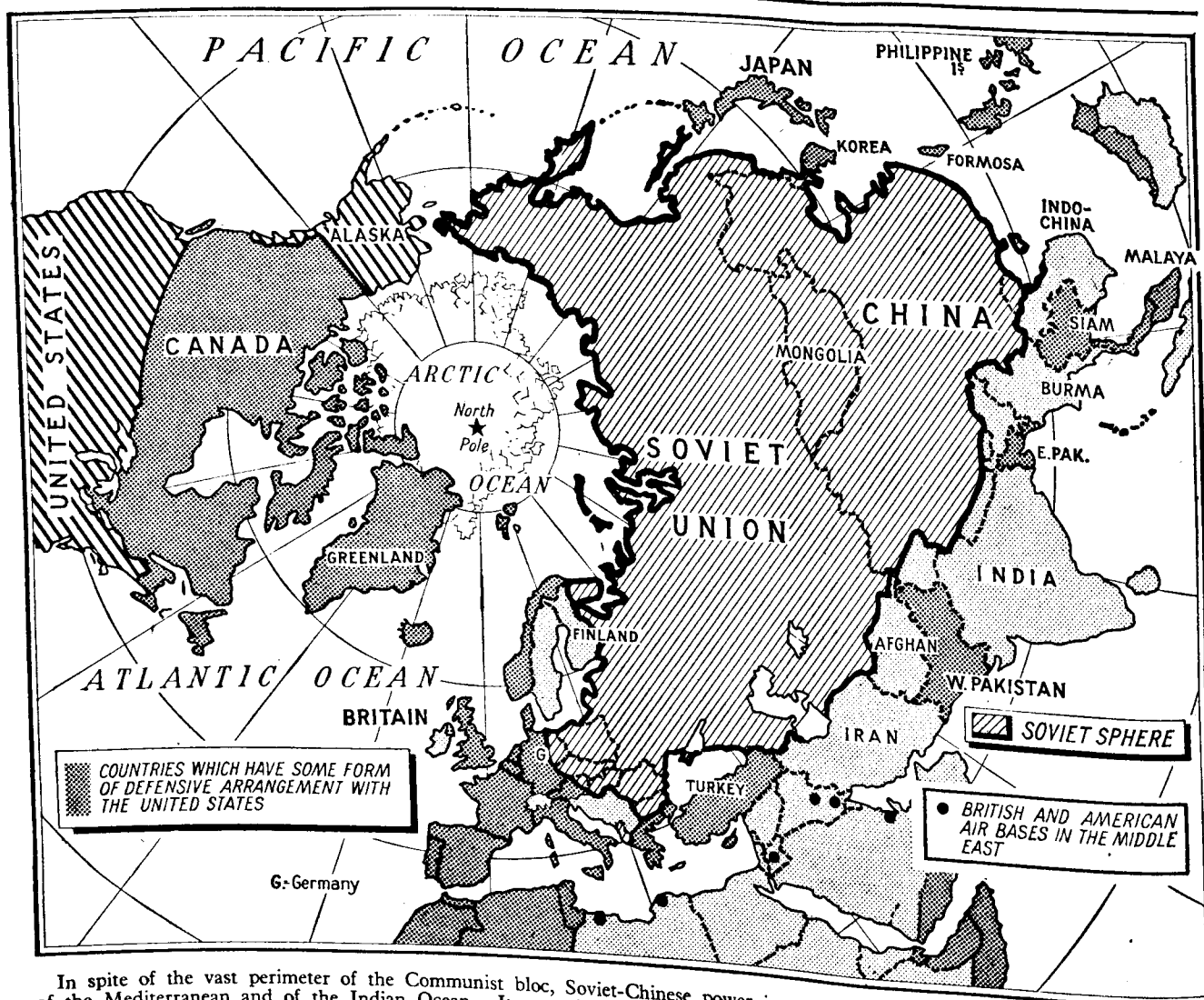
that will make it possible to send to prison, for up to five years, any dangerous driver who causes a death on the roads; at present these drivers can only be imprisoned on a manslaughter charge, and the Lord Chief Justice believes that "juries hate the word manslaughter" and that their verdicts are apt to be over-generous and perverse. But the real trouble about the present law—as with the suggested new one—is that the punishment meted out to a dangerous driver depends on the sheer lottery of whether his victim is strong enough to survive. Justice is a monstrous thing when it varies according to the thickness of a particular pedestrian's skull.

Trek from Sophiatown

MERCIFULLY the first stages of the South African government's Western Areas resettlement scheme have gone off without incident. There was at one moment

a real danger of an explosion in which the sufferers would have been mainly innocent Africans. Responsibility for the tense atmosphere does not rest entirely with the government, whose arbitrary actions, however, did not inspire confidence. As it turned out the elaborate display of police strength and the theatrical banning of public gatherings (since lifted) were unnecessary.

The Western Areas plan envisages the transfer of some 60,000 Africans from the townships of Sophiatown, Martindale, and Newclare, which with the rapid growth of Johannesburg have become isolated pockets in a predominantly white residential area, to new houses built at government expense at Meadowlands some fifteen miles away on the outskirts of the city. The condemned townships are for the most part slums of indescribable squalor. Most of the inhabitants rented their houses and shacks; freehold ownership belonged to only a few and there were many complaints of rack-renting. In the new area freehold ownership is not allowed; instead the Africans are offered 30-year leases at rents adjusted to the income of the family. The scheme had been first devised and approved by the United Party-dominated city council, but later, when the



In spite of the vast perimeter of the Communist bloc, Soviet-Chinese power is at present contained just short of the Atlantic, of the Mediterranean and of the Indian Ocean. It nevertheless gives an appearance of menacing solidarity; and in world war the Communist system would benefit from internal lines of communication. Conversely, Soviet propaganda increasingly emphasises encirclement by America and its allies; and in world war the on the theme more than ever. As seen from Moscow, this is borne out by the map; even the former gap between Nato and Seato, between Turkey and Siam, has now been partly filled by Pakistan. From any of these territories the Russians believe that atom bombers could be directed against them.

Nationalist Minister of Native Affairs, Dr Verwoerd, began to take an interest, they dropped it. The government thereupon appointed a special board armed with the powers of a local authority to carry out the plan.

Some critics have attacked the scheme as a fraud because, they say, there are worse slums in other parts of Johannesburg which should have been tackled first. They object, moreover, to the destruction of property of a habitable standard at a time when the city is desperately short of African housing. But it is something gained that at least a part of Johannesburg's half-million African population is now to be decently housed. The real malice of the scheme is that it is naked *apartheid* in conception.

Building New Hospitals

THE health service has proved to be such an expensive part of the social services that any proposal to spend additional large sums on it is bound to be regarded askance, particularly as the Minister of Health's statement on new hospital building coincided with a supplementary estimate of £6 million for this year's health service bill. Nevertheless, replacement of old hospitals is in many cases long overdue, and expansion to meet new needs cannot be denied for ever. What is ominous for the taxpayer is that from Mr Macleod's statement it seems that there is to be more expansion than replacement. The public will have to face the fact that the new capital spending will be followed by a bigger bill for hospital maintenance.

Since 1948, hospital boards have been allowed certain sums for their capital expenditure each year, but they have not been sure enough of their financial future in this respect for them to carry out a planned and co-ordinated works programme. They have now been assured that, subject to Parliament's approval, their present capital allocations will be maintained and even increased over the next three years to enable them to carry out their ordinary capital works. They have also been promised, first, a sum of £2 million in 1956-57 and £4 million in 1957-58 for replacing inefficient boilers and obsolete laundry and kitchen equipment with a view to reducing their maintenance expenditure; and, second, £7½ million and £10 million in the same two years to enable them to start large new building projects, costing not less than £250,000 each.

This assurance of certain grants for large-scale building will undoubtedly be welcomed by the hospital boards. But it does not imply that the hospitals are to be given block grants for new schemes, similar to those given to the universities. Which projects put forward by the boards will be accepted by the Minister of Health and started in the two-year period cannot be foreseen; nor, to judge from the ones Mr Macleod mentioned last week as likely to be begun, are the principles guiding him in selection entirely clear. New hospitals for new centres of population or where present facilities are inadequate have a recognisable priority. But what determines which old hospitals should be lucky enough to secure their extensions, while others, equally hard pressed, have theirs turned down? Mr Macleod might well be asked to throw more light on this aspect of the new grants.

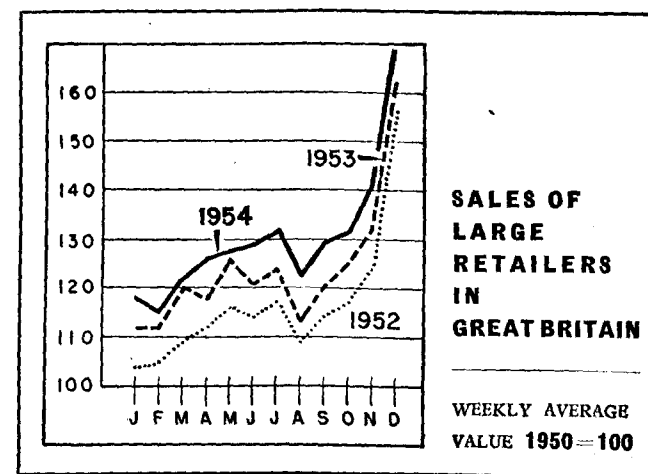
Higher Prices for Farmers

FARMERS have been awarded an all-round increase in guaranteed prices as the result of a special price review. Formally and logically, this result has no bearing on the more important annual review of farm prices which is also now taking place; the two reviews relate to different periods and are conducted along different lines. Livestock prices up to April 1st of this year and crop prices for this year's harvest were fixed a year ago; and these have now been adjusted in such a way as to recompense farmers in full for the increase in their wages bill during this period. This adjustment merely follows the established but unhappy convention that if costs rise suddenly during the period covered by an annual review, so shall prices.

Nevertheless, the prompt and full recoupment of the special review, coupled with the Chancellor's honeyed words at the farmers' banquet, is causing most farmers and politicians to assume that the annual price review will have an equally generous conclusion. The temptation to woo farmers in an election year is almost irresistible; possibly some Conservatives reflect that next year will be soon enough to inject a little realism into agricultural policy. But the consequences of this approach could be very dangerous—both for agriculture and the Conservatives. There can be no quick turn-round in agricultural policy, and the prices fixed now will have an important influence on both production and subsidies two years and more hence. If farmers are now given full compensation for their increased costs at the annual as well as at the special review, this will not only make a sizeable hole in this year's budget; it will make a hole in next year's as well.

Tito Comes Home

"It is really a long time to be away from the country, especially for a dictator." Thus spoke Marshal Tito to the crowd who greeted him at Belgrade railway station on his return last week from his ten weeks' tour to India and Burma. He spoke ironically, but the West will be



inclined to take him seriously and agree that a dictator who can travel so far and for so long, and yet return to find everything still "strong and monolithic" (in spite of Messrs Djilas and Dedijer) is indeed a rare bird who is entitled to crow a little over his achievement. It is unlikely that he would be able to see so much of the world if he had remained in the company of Rakosi, Chervenkov and Bierut.

Moreover, the tour was satisfactory, in an unspectacular way. Marshal Tito talked with important Asian leaders who feel very much as he does about the dangers of a world divided into two hostile blocs and are equally unwilling to throw in their lot with either; and he has returned with a reinforced conviction that he has hit on the right path for Yugoslavia. It is true that there are not many other safe paths open for the Yugoslavs; but there is no reason to doubt the sincerity of Marshal Tito's belief that his country's present course best serves the cause of peace. Nor is there yet any reason to cast doubt on his repeated and emphatic assertions that Yugoslavia's improved relations with the Soviet bloc do not imply any change in its policy of "friendship and co-operation" with the West.

Mr Molotov would evidently like to think otherwise. Whatever policies Moscow may now change or drop, the

Need for Reform

We called attention to the fact that the old constitutional practice of requiring every minister appointed by the Crown, or removed from one appointment to another, to vacate his seat, and present himself before his constituents for re-election, had ceased to be needed as a control upon the possible aggressions of the Crown, and had become purely and sometimes seriously mischievous; inasmuch as it gave, not to Parliament (which might have been proper enough), but to a cross-grained or malignant majority in any small borough, a veto upon the appointment of the Sovereign. . . . Lord John Russell saw the absurdity of carrying the antiquated custom as far as we now do; and in his new Reform Bill introduced a clause providing that the seat of the minister should not be vacated where merely a *change of office* was in question. That clause, however, shared the fate of the whole measure; and at this very moment, in the crisis of a war, and in the most anxious condition of the public mind, the House of Commons, after a fortnight's adjournment, in consequence of a ministerial break-up, has had to adjourn for ten days more, because one cabinet minister has moved from the Home Office to the Treasury, and another from the War Office to the Colonies, and both are, therefore . . . compelled to put themselves again upon their trial before the country, and solicit Tiverton and Wiltshire previously to ratify the decision of the Crown. This piece of pedantic red-tapism may be worthy of the slavist habits of routine, which in this sad war seem to have clogged the movements of every department of the state machine, but is surely unworthy of a free, sensible, and serious country. Why not at once proclaim openly what is the plain truth—that every man, by the mere fact of his election, is declared by the country to be competent for office. He is sent to Parliament to aid in governing the Empire; and if the Queen selects him to govern it in Downing Street as well as in St. Stephens, his constituents should regard this as a compliment to their choice, not as a sort of stigma which it requires a re-election to wipe away.

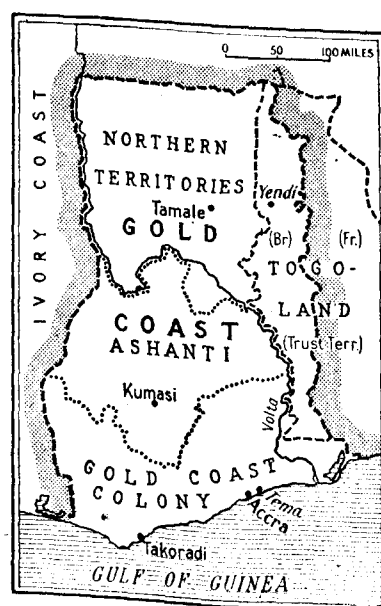
The Economist

February 17, 1955

wooing of Tito is not among them; on the contrary, it seems that it is to be intensified. In his review of world affairs before the Supreme Soviet last week the Russian Foreign Minister dropped a broad hint that the Yugoslavs had not been as forthcoming as they might have been; and he announced that the Russian leaders were striving for "a possible concerting of efforts (with Yugoslavia) in such a matter of decisive importance to all peoples as the safeguarding of peace and international security." In other words, every effort is to be made to induce Yugoslavia to become a cornerstone of Molotov's all-European security organisation. Nobody is better equipped than Marshal Tito to understand the drawbacks to this arrangement.

Revolt in Ashanti

DR KWAME NKRUMAH'S troubles are growing. Somewhat belatedly he decided that he must take the Ashanti National Liberation Movement seriously, and offered to parley—not on the Ashanti leaders' demand for a federation of Ashanti, the Colony and the Northern Territories, but on regional devolution. But now, with the backing of the Muslim party of the North, the Ashanti leaders have refused. Their movement's slogan has been altered from "No



federation—no independence" to "No federation—separation." Several of Dr Nkrumah's close friends have deserted his own party and joined the movement, notably Mr Joe Appiah. The influential Mr Mainoo is wavering. The Asantehene, the traditional ruler of Ashanti, has also emerged from behind the scenes and is now openly associated with the movement for Ashanti separatism. Though his autho-

rity is only moral (it fully compares with that of the Kabaka of Buganda), his emergence is significant; for he cannot afford to risk what remains of a symbolic kingship in a lost tribal cause.

So far, fortunately, the challenge has not become a challenge to law and order. But it clearly has great attractions for Ashanti minds. Although the grievances of the cocoa farmers about price policy have played a part, the basic causes of unrest are tribal rather than economic. The movement's terminology is clothed in constitutional jargon—federation and secession—but its real protest is against the transfer of power to Africans with a European outlook, whether politicians or officials. With this reaction the Colonial Office has clearly no sympathy, and it has refused

the movement's request for a Royal Commission, leaving Dr Nkrumah (and the Governor, Sir Charles Arden-Clarke) to settle matters internally. This is a crisis for the cause of African self-government. The Gold Coast—a compact, prosperous, viable African territory—is the key experiment in democratic African home rule; if tribal separatism triumphs there, it will be widely taken by critics of British colonial policy as a sign that Africans south of the Sahara are "not yet ready" for full responsibility to run their own affairs.

Help for Brazil

AFTER the death of President Vargas last summer, Brazil faced an extremely difficult economic situation brought on by inflation and a foolish attempt to hold out on coffee prices. Despite a series of cutbacks in the price of coffee and efforts by President Cafe Filho to put the country's books in order, the position is now more critical than ever. Loans of \$1 billion are outstanding against Brazil even if one does not take into account undisclosed internal dollar obligations. This year, Brazil is due to repay nearly \$200 million and the country's dollar shortage is getting continually more acute despite cutbacks in the allocation of foreign exchange for imports. Foreign exchange holdings, moreover, are dwindling under the pressures of an inflation which caused an increase of more than 35 per cent in wholesale prices in 1954.

Brazil's main source of strength is the fact that for strategic and commercial reasons the United States will continue to step in when matters threaten to collapse. Brazil is traditionally a major customer of the United States, which increasingly regards it as its stablest friend in Latin America. This attitude was expressed last week when the Export-Import Bank agreed to an emergency request for aid from Brazil and lent President Cafe Filho's government \$75 million. The money will be used, in large measure, to pay for imports of capital goods over the next six months. This new loan comes on top of \$200 million borrowed from a group of private banks last November.

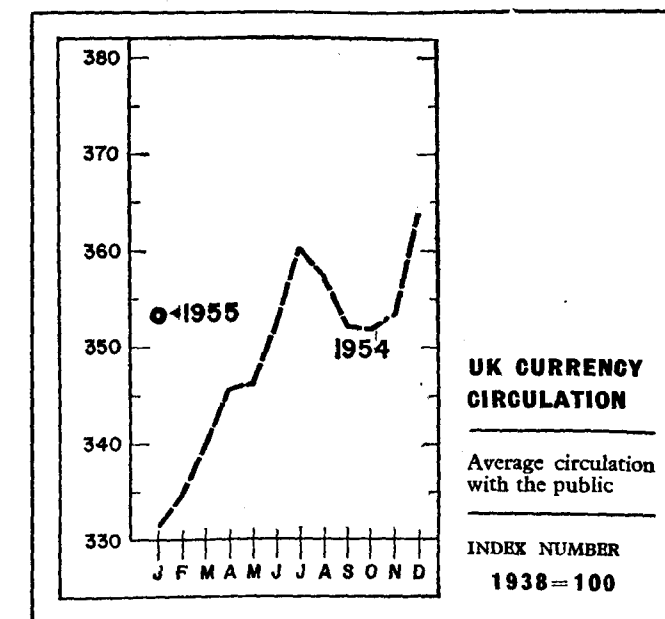
Although Brazil's earnings in foreign exchange are usually larger in the second half of any given year, it is difficult to see how it can hope to pay off its many debts. Ultimately, the country will have to realise that, even in a vital election year such as this one, one cannot have both a vast social works programme and a sound balance of trade without increasing production. The Export-Import Bank's recent loan of \$730,440 to a Brazilian steel manufacturer in order to increase production at Monlevade is, in the long run, a sounder step than the pumping of further millions into the great inflationary balloon.

Clouds Over Nyasaland

IF the proposals for changes in the constitution of Nyasaland could be taken as evidence that the local administration were alive to the dangers building up in the

protectorate, and determined to deal with them, they would be doubly welcome. But, sensible as they are, they spring more from the previous Colonial Secretary's visit to the protectorate, and his evident anxiety about it, than to any drive and imagination on the spot. Though they make a concession to African demands for much more political influence, they are in no sense part of a wider plan to reduce the growing pressure of African discontent. They would give Africans two more seats in the Legislative Council—five out of a total of 23—and they lump Europeans and Asians together on a non-African common roll to elect six members; but the official side remains firmly in control. This may perhaps be suited to Nyasaland's limited political experience, lack of leaders, unpreparedness for elective methods and the state of Federal white public opinion; but being in control should not necessarily mean being inert.

The disturbances in the southern province are fresh in the mind; and among the reasons for the administration's inertia are its knowledge that discontent remains and its anxiety to do nothing that will start more trouble. But the land question becomes ever more urgent; there is exactly the same sense of grievance, based on misunderstanding, among Africans both in the Cholo district and in the districts round Limbe and Blantyre (which, it is now proposed, should become one municipality) as there is in Kikuyuland. There is still time to apply variants of the Swynnerton plan, and the other post-emergency proposals for relieving Kikuyu rural poverty, in Nyasaland before discontent is organised by troublemakers. The arrangements for winding up the "tangata" system (squatter rights on European companies' land) and the settlement of uncultivated land should be pushed forward, but they need to be supplemented by a far wider plan to improve African agricultural conditions. Most of the powers exist; the companies say they are eager to co-operate; it is widely known what is necessary; money could be found. What is lacking is forceful leadership of the kind to be found in territories next door to this key province of the Central African Federation.



Books & Publications

Politics Down Under

AUSTRALIAN GOVERNMENT AND POLITICS.

By J. D. B. Miller.

Duckworth. 240 pages. 15s.

AMONG the "white Dominions" Australia is worthy of special study by the British people at the present time. It is the fastest expanding of the various British communities—expanding, moreover, with the aid of an annual immigration that is still 50 per cent British. But because it is so often represented as a sunnier home from home, and because Australian political nomenclature is borrowed extensively from the British, it is too readily assumed that in some way Australian federal government is a close copy of British parliamentary government. In fact, its differences are as striking as its resemblances. A better understanding of this has long been needed, and Mr Miller's book, cogent, lucid, up to date (1954) and highly readable, will admirably inculcate it. It is a fine study of a federal adaptation of British parliamentarianism that has been subtly woven into a wholly dissimilar environment, and it should be read not only by students or specialists in Australian or South Asian affairs (or by emigrants), but by political experts generally—for at a time when Britain is creating so many federal states, without any first-hand understanding of the problem, Australia's experiences are a suggestive case-history.

The circumstances that have given Australia, a country of 9 million people, thirteen Houses of Parliament and 680 MPs, is not simply an historical accident that calls for correction in the interests of cost and efficiency. Mr Miller distinguishes various types of federal situation, and finds that Australia's is based on distance and the separate local interests of a community of an otherwise remarkably homogeneous people. Indeed Australia is a great crescent of fertile islands between a sea of sand and a sea of water. What is significant in the fifty years since federation is not only the growth of the Federal government and its acquisition of certain functions from the States, but the simultaneous growth of the State governments in their own sphere, and in accordance with the needs of economic development, for which they are the agencies. It is true that the State governments do many of the things which local government does in Britain; but their main function is the administration of huge inhospitable development areas, so huge and so scattered that their

problems are entirely different from anything understood in Britain—problems, moreover, which could never be tidily centralised.

For the same reasons, Australia's party system is differently organised from the British, though it has a progressive and a conservative wing. But it is, and must remain, a three-party system, with the Country Party strongly entrenched in the rural interest. Mr Miller gives a most valuable analysis of the pressure groups or syndicates that arise in such an environment and the machinery through which they bring themselves to bear; the trade unions (with their Roman Catholic and Communist tugs-of-war) through the arbitration and wage-fixing systems; the manufacturers through the Tariff Board; the farmers through the marketing boards. He describes the circumstances that make it so difficult, for example, to nationalise an Australian industry; these have nothing to do with the provision of Senates, State or Federal, or the more obvious brakes on legislation, but everything to do with the splitting of sovereignty.

The checks and balances of the Australian constitution are intricate, like the American. The Australian politician's power is correspondingly circumscribed—and the public likes it so, as Mr Miller's examination of the history of referenda suggests. But the upshot is a system of government that enables the country to expand even if it puts a premium on inflation. Expansion in Australia is a hard fight with nature. This book usefully illuminates the political and administrative machinery of that struggle and leaves one with more respect than one expected to feel for the men who have to operate it in a society fiercely partisan, strongly political and tenaciously egalitarian. Mr Miller has made a notable contribution to the understanding, not only of Australian institutions, but of Australian political motivation.

A Classic of Detection

THE PILTDOWN FORGERY.

By J. S. Weiner.

Oxford University Press. 226 pages. 12s. 6d.

LET no one imagine that because this book concerns a palaeontological *cause célèbre* it is addressed solely or even mainly to connoisseurs of palaeontology. As well might one suppose Mr Freeman Wills Croft's "Death of a Train" written exclusively for railway-

THE ECONOMIST, FEBRUARY 19, 1955

men, or Miss Dorothy Sayers's "Nine Tailors" for campanologists. "The Piltdown Forgery" is detective story, pure and simple; a perfectly magnificent detective story, with the advantage of being true.

The first two chapters form a prologue, explaining the situation over which the author found himself fruitlessly mulling as he travelled home, one evening in 1953, from a palaeontological congress. Every advance in palaeontological knowledge through the last forty years had made Piltdown Man look odder and more anomalous; yet it was impossible to write him off. A human brainpan, a simian jawbone, even found in close proximity, would have been thankfully dismissed as unrelated fossils but for two facts: first, the typically human wear on the teeth; second, the subsequent discovery, at a nearby site, of a similar set of fossil fragments. The teeth alone might not clinch the matter; opinions had varied in 1912, when Mr Charles Dawson announced his discovery. The second set of fragments did clinch it; a double coincidence of fossil man and fossil ape was too much to swallow. Piltdown Man outraged all palaeontological knowledge; a fortuitous collection of fragments outraged the laws of probability; total impasse. . . . On the baffled Dr Weiner, brooding on this impasse, there breaks a flicker of luridly suggestive light. Those teeth. . . . That impossible jaw. . . . Those improbable coincidences. . . . They could all be explained if—if (despite all differences of style, one is irresistibly reminded of the sudden, hard-earned illumination of Inspector French) someone had been doctoring the evidence. Teeth can be artificially abraded, sites can be salted. . . .

The hypothesis is tested. It proves correct; jawbone and canine are not fossils at all but artificially stained frauds. Frauds by whom? Through succeeding chapters Dr Weiner follows the course of investigation: further tests on the Piltdown fragments, documentary studies, examination of the animal fossils and flint tools found (?) in the Piltdown gravel, interviews with surviving participants in the original dig, with relatives, acquaintances, colleagues. . . . A, B, C, D are progressively exonerated; little by little, there emerges a portrait of the hoaxer; inexorably his lineaments shape themselves on those of Mr Charles Dawson. Of Mr Dawson's exclusivity? Was he, at first, himself a victim? What were his motives? No answer. Possibly, just possibly, "he might have been implicated in a joke, perhaps not even his own, which went too far." (On his death-bed, one remembers, he was inarticulately trying to explain something about a skull.)

How pleasant that this detective story is not concerned with murder. Mr Dawson was undoubtedly very naughty. He wasted a great deal of other people's valuable efforts; he bedevilled palaeontology for a whole generation; he

brought aid and comfort, however illusory, to obscurantists. But one cannot cherish any really hard feelings against him. It was a wonderful leg-pull and it makes a wonderful story.

A Canvas too Broad

THE GREAT INFLATION 1939-1951. By A. J. Brown. Issued under the auspices of the Royal Institute of International Affairs.

Oxford University Press. 333 pages. 30s.

PROFESSOR BROWN is an erudite and conscientious economist; and from this spring both the virtues and the defects of his book. His task, under the auspices of the Royal Institute of International Affairs, was to examine the worldwide increase in prices between 1939 and 1951; and to explain to the general reader why it occurred. His theoretical—as distinct from his practical—approach is comprehensive, sometimes rather confusingly so. He rejects any attempt to analyse the process of inflation merely in terms of the pressure of demand upon inadequate supplies or stocks, and makes extensive use of such trusted (and rusted?) old tools as the quantity of money in different countries at different times. He says in his preface that he has accepted some suggestions from Professor R. G. Hawtrey "with very great profit." The general reader, for whom the book is supposed to be written, therefore finds himself looking at a very broad canvas from every possible angle at once.

In this mammoth task Mr Brown's basic raw material consists of the cost of living indices in nearly fifty countries between 1939 and 1951. These show that "the most frequent price increases in the years under survey were only some 50 per cent greater than the smallest recorded increase, while the largest increases were thousands or millions of times as great as those most frequently met with." Price inflation, he concludes, is therefore not simply an accident; it is "a disease which (beyond a certain point, at least) feeds upon itself." He then attempts to diagnose the disease in the large number of cases before him; and the reader is whirled away through a wide-ranging analysis of the effects of the multiplier, war expenditure, hyperinflation, price control, excessive liquidity and high interest rates.

Unfortunately, it soon emerges that the cases where price inflation really got out of hand cannot be made into very interesting economic studies. Their troubles usually lay in war or revolution or Latin American misgovernment or administrative breakdown—and these are not factors that are easily brought out by bare analysis of the (sometimes suspect) official statistics that flood across Mr Brown's desk. The most interesting parts of the book therefore deal with the maturer countries. Here Mr Brown moves steadily—although sometimes, especially in his treatment of price controls and interest rates, very controversially—towards a general conclusion about society's prospect of keeping price

inflation within tolerable bounds under conditions of full employment. He believes that "the United States might achieve it; for the United Kingdom the prospect is far more doubtful." This is a book into which it is profitable to dip, and with which it is sometimes easy to disagree. It has less value if it pretends to present a compact picture of twelve tumultuous years in the world's economic history.

Irish Inconvertibility

THE IRISH POUND.

By Frank Whitson Fetter.

Allen and Unwin. 136 pages. 16s.

EVERY student of monetary history is familiar with the report of the Bullion Committee of 1810. It has been reprinted and edited many times. The report of the committee which investigated the Irish currency in 1804 is far less well known, although it is in many respects more original and more interesting. In 1797 the Bank of Ireland had been compelled by the Government to suspend the redemption of its notes in gold. The period of Bank restriction continued in Ireland until June, 1821, whereas it terminated in England a month earlier. The twenty-four years of inconvertible paper in Ireland witnessed many interesting events in the monetary and banking spheres. Important questions of theory and policy arose. The Bank of Ireland unduly expanded its note issue and the Irish pound depreciated. Many of these problems were investigated by the Select Committee on Irish Currency in 1804.

Several of the members of this committee acted also on the Bullion Committee, and many of the same writers and politicians took part in the controversies that raged round these two inquiries. The proceedings of the Irish Committee are difficult to procure, except in public libraries. Professor Fetter has rendered a valuable service to students of economic history by reprinting the report with selections from the minutes of evidence. He has contributed an introduction that throws a flood of light on Irish monetary and banking questions at the beginning of the nineteenth century. This introduction traces the events that led to the appointment of the committee, the theoretical and practical issues it discussed, and the conclusions it reached. A full account is given of the developments that followed the publication of its report, ending with the amalgamation of the British and Irish currencies in 1826.

The most valuable part of Professor Fetter's introduction is his study of the theoretical questions investigated by the committee. He interprets old controversies in modern terminology and shows that many problems of monetary and banking policy have not changed very much with the passage of time. He makes the original suggestion that the recommendations of the committee for stabilising the exchange rate between London and Dublin contained the

nucleus of the sterling area and foreshadowed the present relation between the British and Irish monetary systems.

Translator's Skill

VERSE IN TRANSLATION.

By H. A. Siepmann.

Batchworth Press. 336 pages. 25s.

THE art of translation is little understood, and not enough has been written of its trials and pleasures. Fortunately for the reader, there have always been some who enjoy translation for its own sake, and Mr Siepmann is one of them. In this book he has set out a selection of his verse translations, mostly from French and German, but a few from Latin. With each translation he sets out the text of the original, and adds notes on his methods and on the difficulties he has encountered. A short introduction describes his aims: in it he says little that is new, but nothing off the point; the problems are posed clearly. He makes it clear that this is not an anthology of good or even favourite poems: good, indifferent, or sometimes downright bad, he has chosen them as tests and indications of the translator's skill.

Mr Siepmann's standard is high, and to read his versions and his notes adds greatly to one's understanding of the poems. He keeps to his own first principle: that a translation should not by its diction betray that it is not an original. He only fails in some modern French poems, written in colloquial style, where one feels not so much that he has clung to the French as that slang is a foreign tongue to him. As usually happens, German proves more untranslatable than French: the difference in feeling too often goes more than word-deep. The versions of Heine are not perfect, but they could not be. Those of Schiller are admirable; and in translating some minor poets Mr Siepmann improves on the original. The translations from French are mostly excellent. Obedient to the order of the alphabet (which he has followed so rigorously as to find a poet beginning with X in order to complete his muster) he starts with Aragon's *Les Yeux d'Elsa*, an immensely difficult task which he fulfils admirably. The few translations from the Latin are among the best in the book.

At the cross-roads between Mr Siepmann's two paths, as translator and as central banker, he presents a curiosity: some tart and entertaining epigrams by Dr Schacht.

The Malaysian World

MALAYA, INDONESIA, BORNEO AND THE PHILIPPINES.

By Charles Robequain. Translated by E. D. Laborde.

Longmans. 467 pages. 30s.

MR ROBEQUAIN'S own title for this impressive survey was "*Le Monde Malais*," and one wonders why it has been exchanged for the cumbersome collection of country names that heads

the English edition. There are purists, no doubt, who would quail at the use of the word "Malay" to cover the Philippines, but English has this advantage over French that the word "Malaysian" can be used in much the same way as the author uses *malais*, to cover an ethnic group which is to be found in varying numbers and proportions from the southern border of Siam across the vast crescent of scattered land that reaches to New Guinea and to the Philippine Islands.

It is a difficult task indeed to write a book about so vast and varied a region that will be both readable to the layman and useful to the specialist; the more difficult when the region is in full transition owing to the ferment of nationalism which prevails no less in Malaysia than elsewhere in Asia. A large proportion of the facts M. Robequain has gathered are basic and indestructible: history can be falsified, but not altered, and geography is immutable. But when he reaches the field of politics, M. Robequain finds himself outdistanced by events, and his breathless revisions and additions here and there are insufficient to enlighten the student of the contemporary scene. The same criticism, to a lesser degree, can be made of the economic aspects of this work. Too many of the statistics are out of date, in most cases no doubt because no more recent ones are available. It is of somewhat academic interest, for instance, to read the production figures for various minerals in 1939, without being given even an approximate idea of the corresponding figures in any year since the war.

This does not mean, however, that the value of M. Robequain's labours should be minimised. M. Robequain has, in fact, produced a survey of this vast area remarkable both for its breadth and its lucidity, which appears to be in no sense impaired by the translation. His years as professor of tropical geography at the Sorbonne and his travels to parts of Malaysia have well qualified him for his forbidding task, and the Institute of Pacific Relations, in co-operation with which the book has been published, deserves thanks for making it available to the wider public. The many photographs and the geological and economic maps greatly enhance the practical value of M. Robequain's study.

Books Received

AUTOMATIC MERCHANDISING.
By Martin V. Marshall. *Harvard Business School*. London: Bailey Bros. and Swinfen. 286 pages \$3.50. 28s.
Mr Marshall's book is the result of a doctoral dissertation devoted to the whole subject of using vending machines in the distribution of consumer goods.

MAN ON HIS NATURE: The Gifford Lectures, Edinburgh, 1937-38.
By Charles Sherrington. *A Pelican Book*. Penguin Books. 311 pages. 2s. 6d.

THE CLERICAL ORGANISATION OF THE HOUSE OF COMMONS 1661-1850.
By Orlo Cyprian Williams. *Oxford University Press*. 381 pages. 35s.

Letters to the Editor

Millions for Cinderella

SIR—Mr Grimond makes the good point that if the nationalised industries are to be accountable on commercial lines they should distinguish in their capitalisation between the elements of equity and prior charge. Unless grave maladjustment of the economy is to result it will be necessary that the claims of nationalised industries upon the available capital resources should be measured by competition in the capital market with the claims of commercial industry. Any such test is vitiated by a Treasury guarantee of the interest on their issues.

Unless nationalisation is advocated on ideological grounds there seem to be only two arguable grounds for nationalising a productive industry. (1) That it is, or is bound to become, monopolistic and had better, for that reason, be in public hands. This is presumably the case for railways, as it was for electricity. (2) That it provides an essential service which cannot be expected to yield a profit and therefore should not be left to competitive industry, as in the case of, for example, defence or education. Electricity is an example of an industry which the Treasury guarantee has assisted to achieve a disproportionately rapid rate of capital formation since the war. In consequence, resources which would have been better applied to the re-equipment of industry have been utilised to foster consumption—an unwise policy for an economy dependent on competitive world trade.

Diversion of investment by administrative action—by Treasury guarantees, control of capital issues, etc.—can only be justified if it is believed that governments are better informed than the market. The most advantageous distribution of available resources is best governed by the collective sense of all investors, which decides, through the free operation of the market, what should be the cost of money in one industry or another.—Yours faithfully,
London, EC3 ERIC MACFADYEN

Price Rings in the Corner

SIR—"The main arguments in favour of resale price maintenance," you say, "are that it enables small retailers to keep alive, to hold sufficient stocks and to provide additional services after sale." I had always supposed that this was the main argument against it.

Could you be a little more explicit? Why do you wish to retain in being any retailer of any size who is too inefficient to survive free competition? And why in this context do you agree with the

Lloyd Jacobs Committee's distinction between collective and individual resale price maintenance?—Yours faithfully,
P. J. D. WILES
New College, Oxford

[We did not say we agreed with these arguments about cossetting small retailers; but—as collective resale price maintenance should be fairly easy to attack, and individual resale price maintenance very hard—there would surely be some advantage in moving one step at a time.—EDITOR.]

India – Progress and Plan

SIR—In your supplement of January 22nd, after describing the recent increase in agricultural and industrial production, you go on to state (p. 17) that: "Expanded output has brought about a five per cent increase in consumption. The rate of investment may have risen by nearly double that figure. This is a much more encouraging outcome than the rise to seven per cent forecast by the Planning Commission for 1956."

Surely this is a *non sequitur*. The aim of the plan was to increase net investment from an estimated 5 per cent of national income to 7 per cent. If the rate of investment has increased by 10 per cent then its present share of national income is still no more than 5½ per cent. Am I not right in thinking that this is far from encouraging? Indeed, in so far as one can base any conclusions on estimates of this nature, it seems rather the contrary.—Yours faithfully,
M. W. TUCK
Imperial Chemical Industries

Economic Dividends

SIR—I have just noticed your underlining of Lord Kennet's remarks on the advantage to the national economy of the release of profits beyond the optimum by way of dividend. One cannot dispute the truth of such an observation, but there is a real danger in the interpretation of the qualifying term "optimum"; particularly in periods of rising prices, when reported profits are inflated by the financial gain derived merely from price changes.

To retain liquid working capital in a business, after proper allowance has been made for depreciation on current values of assets, over and above the needs of maintenance or planned expansion of the requisite amount of essential capital, is not good business for the country; but how many businesses are aware of how they stand in regard to the real "optimum" position?—Yours faithfully,
WILLIAM E. SPRUCE
Burgess Hill

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.

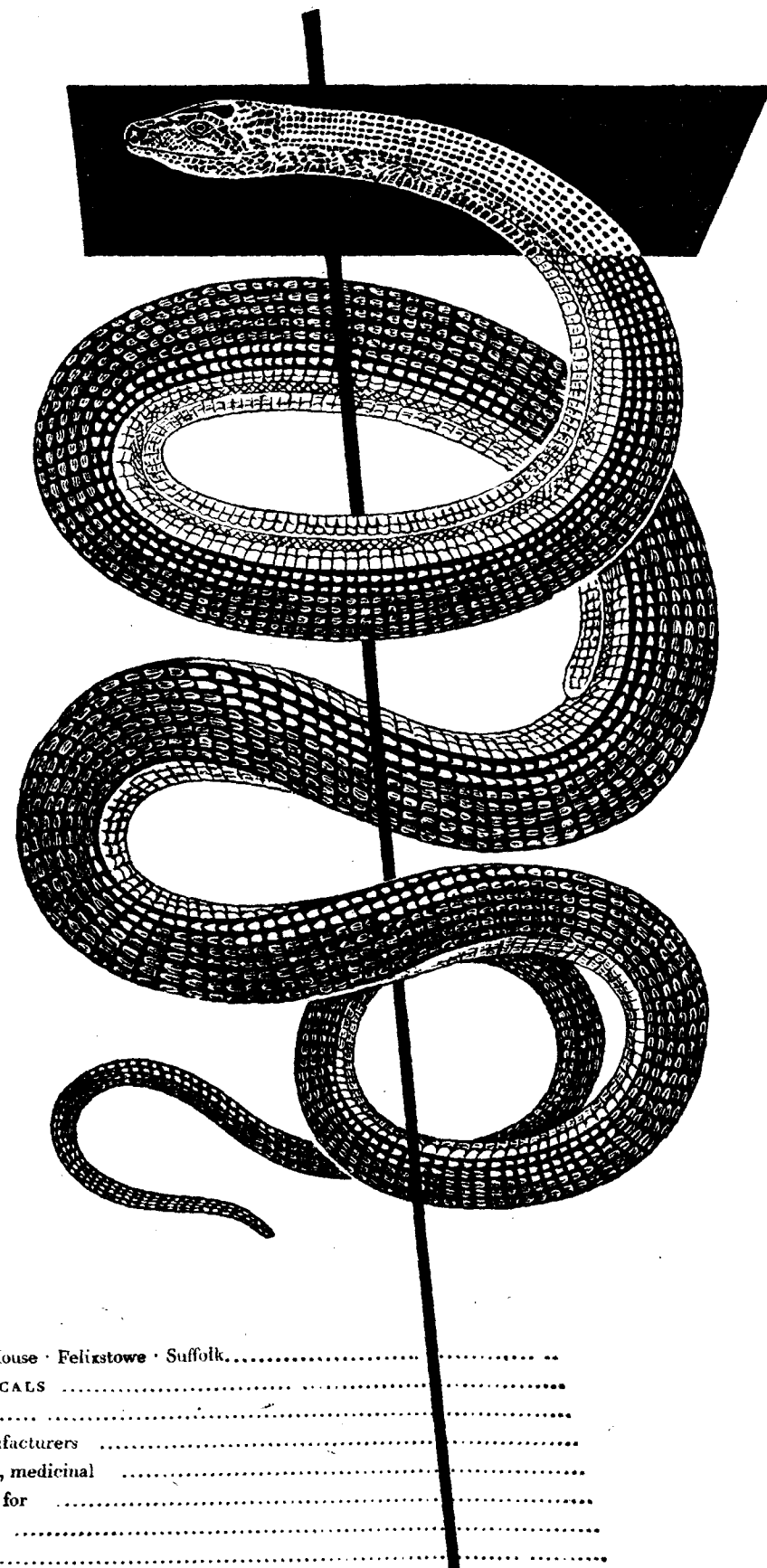
And the snake of Æsculapius has, since classical times, been a symbol of healing.

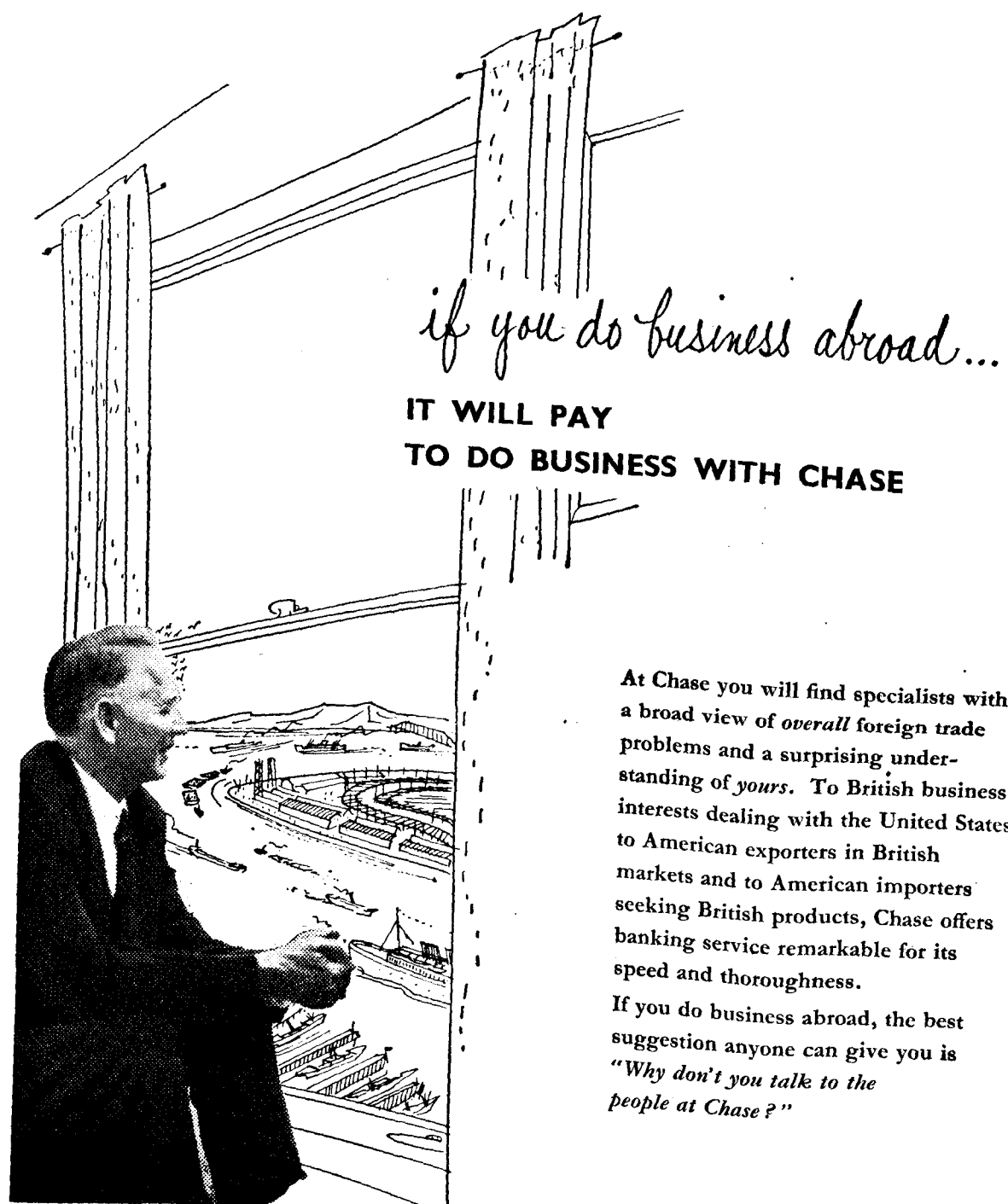
Agriculture to produce man's food,
and medicine to care for his health...

The improvement of crops
has been the main business of Fisons
for a hundred years and more,
almost since the science and production
of chemical fertilizers began.
and, in recent years, Fisons have struck roots
in the field of chemicals for medicine.
Fisons today contribute to the harvests
and health of the world.

FISONS LIMITED, Harvest House, Felixstowe, Suffolk.....
FERTILIZERS · HEAVY CHEMICALS
Fisons are among the largest manufacturers
in Great Britain of pharmaceuticals, medicinal
food preparations and fine chemicals for
Industry. Many of Fisons products in
these fields are household names

it's all in **FISONS** field





IT WILL PAY
TO DO BUSINESS WITH CHASE

At Chase you will find specialists with a broad view of overall foreign trade problems and a surprising understanding of yours. To British business interests dealing with the United States, to American exporters in British markets and to American importers seeking British products, Chase offers banking service remarkable for its speed and thoroughness.

If you do business abroad, the best suggestion anyone can give you is "Why don't you talk to the people at Chase?"

The Chase NATIONAL BANK OF THE CITY OF NEW YORK

Incorporated with Limited Liability under the laws of the U.S.A.

Trust Department — 11 Broad Street, New York, N. Y.

LONDON: 6 Lombard Street, E.C.3 • 46 Berkeley Square, W.1

The Chase National Executors & Trustees Corporation Limited,
6 Lombard Street, E.C.3

- OVERSEAS BRANCHES
- Paris
- Frankfurt/Main
- Tokyo
- Osaka
- Havana
- Mariano
- San Juan, P.R.
- Santurce
- Panama
- Colon
- David
- Cristobal
- Balboa
- Offices of Representatives
- Mexico, D.F.
- Buenos Aires
- Rome
- Beyrouth
- Bombay

American Survey

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Old Tariffs Fade Away

Washington, D.C.

THE House Ways and Means Committee, with fanfare and trumpeting, reported the President's Reciprocal Trade Bill to the House last week without important amendments. Meanwhile another committee was reminded of how really unimportant, by any but psychological tests, the Bill is. Though the State Department insists that it plans to use the modest tariff-cutting authority in the Bill for another round of multilateral negotiations, even with the new legislation the United States will have very little to give away. This was made clear by the testimony of a number of non-government experts before the Joint Congressional Committee on the Economic Report—including that of Mr Willard Thorpe, who in his State Department days was something of an architect of multilateralism.

Nevertheless, the sixteen days of intensive hearings before the Ways and Means Committee did reveal some genuine evidence of a trend in public opinion toward liberalism in trade—a trend which, in the end, may be more important than the actual Bill. Perhaps the most significant indicator came from the protectionist forces themselves. A number of their witnesses made the significant concession that the United States must, in fact, concern itself with the economies of its allies, asking only that it do so without sacrificing the witnesses' particular industries. This alone is a marked change from the old-style protectionism which had only to show that a domestic industry was being harmed in order to carry the day without further discussion. In addition, the protectionist forces concentrated more than ever before on the single, emotionally powerful, concept of "defence essentiality." The domestic watch makers, for example, even went so far as to approve the Bill—with the sweet reasonableness of the cat that has just swallowed the canary—adding only a righteous plea that skills vital to national security (such as their own) should be preserved from destructive foreign competition.

As usual the committee was confronted with a dazzling array of figures on imports, employment and relative shares of markets, and as usual the statistical battle left the uninitiated with the feeling of a draw. Yet, in the end, the assiduous work of the Committee for a National Trade Policy, whose researchers display the speed of light in producing figures to dispute the claims of any and every protectionist witness, managed almost by itself to persuade doubtful Congressmen that the world will not come to an end if tariffs are slightly liberalised. And it was a leading witness from this group of businessmen, formed last year to press for the President's programme, who most deeply

impressed the congressional committee. Mr Charles Percy, president of a camera-making firm, testified that imports were giving his business trouble, but he welcomed the competition and was confident that he could win the day by American ingenuity and imagination. Representative Noah Mason of Illinois, one of the few pre-Cambrians left in the House (he was one of only four members who voted against the extension of military conscription), told Mr Percy that "thou almost persuadest me to become a Christian."

★

The famous Bill, whose doubtful future so dominated the meetings of the International Monetary Fund last autumn and whose fate is being eyed even now at Geneva, has taken its first hurdle and will shortly be voted on in the House. This success is, perhaps, to be attributed less to the persuasiveness of the freer traders than to the firm hand of Mr Sam Rayburn, Speaker of the House, who made certain that the five new Democrats appointed to the Ways and Means Committee would have the proper views. The Senate is now the main hope of the protectionists. They confront a Finance Committee with a doubtful majority for the general principle of liberalism in trade; perhaps more important, they have in the persons of Mr Lyndon Johnson of Texas, the Democratic leader, and Mr Robert Kerr of Oklahoma, a senior member, Senators who will probably do all they can to burden the Bill with an amendment restricting oil imports. The President's announced opposition to oil quotas—together with the vital interest of New England and the eastern seaboard in obtaining cheap fuel oil—may turn the tide. Nevertheless, the protectionist forces profess to see in the powerful Finance Committee a ray of light at the end of their tunnel.

From their point of view, however, it remains a tunnel. The Bill's final prospects are good. This raises three related questions, the last two of which were explored in detail before the Joint Economic Committee. The first is: how much would passage of this Bill reveal a change in sentiment in the United States? Despite the protectionist forces' shift of ground before the Ways and Means Committee, and despite a definite swing in public opinion generally toward more liberal trade, a qualification is necessary. It centres on the old, and perhaps insoluble, problem of the relative persuasiveness of any specific protectionist plea as against the general liberal case. The reluctance with which a number of Congressmen voted or will vote for the Bill is apparent; they have no doubt

received campaign contributions from industries or workers in their districts which stand to lose, or believe they stand to lose, from import competition. Such reluctance will be overcome, no doubt, only by the modesty of the programme and the genuine wish to do the statesmanlike thing provided too much is not demanded. It is entirely possible, for example, that the Act ratifying the newly renegotiated General Agreement on Tariffs and Trade will prove more than timid lawmakers can stomach.

Second, there is the question of what is accomplished if the Bill does pass. In addition to extending for three years the power to negotiate reciprocal trade agreements with other countries, it grants three new types of tariff-cutting authority. Tariffs may be cut progressively by 15 per cent, but more important may turn out to be the right to reduce to 50 per cent *ad valorem* any tariff higher than that, and the right to cut by one-half of the 1945 rates the duty on any item not normally imported or imported in only negligible quantities. The authority to make these latter reductions unilaterally was denied the President by the Ways and Means Committee in its only substantial amendment. According to Mr Thorpe all of this "will mean relatively little effective reduction in tariff rates." Furthermore, the Bill preserves intact the notorious "escape clause"; under this an industry which considers itself damaged by foreign competition can appeal for a readjustment of rates. This clause is deemed the single most important deterrent to the development of American markets by foreigners.

★

The third, and most important question is: How much do American tariffs matter anyway? It is difficult to get round the quiet argument made to the Joint Economic Committee by Professor Arthur Upgren of Dartmouth College in which he stressed that the "limitations" of a liberal commercial policy as a means of assisting the rest of the world are "very great indeed." Though he is no protectionist, his points were driven home with telling effect. More than half of American imports enter duty-free and vary only with the prosperity of the domestic economy; if tariffs were abolished altogether—a patently ridiculous assumption—imports might increase by no more than \$2 billion a year. Under present conditions of profitability in American manufacturing, lower tariffs would simply lead the domestic producers to reduce prices in a probably successful effort to retain their markets.

Professor Jacob Viner, of Princeton, taking a somewhat different tack, pointed out that, despite the reduction of many tariffs by some 75 per cent under the reciprocal trade programme thus far, these cuts have "in large part been those that could be made without appreciably reducing the control of our protected industries over domestic markets." And yet imports have increased since before the war by more than 50 per cent a head by physical volume.

It seems entirely possible that during the three-year lull in tariff controversy which would result from passage of this Bill, the subject of American duties will diminish in importance both here and abroad. With the two sides at home as evenly balanced as they are, and with the emerging awareness that the importance of the subject may be over-rated anyway, tariffs might enter the limbo of issues on which basic policy is fixed and on which controversy hovers desultorily around the fringes.

Drawing the Line

THE Secretary of State's speech on Wednesday did something to meet the demand that a definite line should be drawn between Formosa and the mainland. But the line was not drawn in such a way as to satisfy those Senators and other influential Americans who have been making the demand. For they feel that Quemoy and Matsu, just off the mainland, should be excluded from the commitment to defend Formosa and the Pescadores. Mr Dulles, however, said that the United States cannot avoid defending Quemoy and Matsu so long as the Communists insist that their attacks on these islands are preliminaries to an attack on Formosa. Furthermore, he doubted whether it would serve "the cause of peace or the cause of freedom" for the Nationalists to evacuate them.

One of the chief uncertainties about the Mutual Defence Treaty with Formosa, which was approved by the Senate with unexpected speed last week, is that the United States might be drawn by it into war with Communist China through Matsu and Quemoy. Other fears are that the treaty might oblige the United States to support a Nationalist attack on the mainland and that it might reinforce the Nationalist claim to sovereignty over Formosa. Senator Morse attempted to have reservations on these points written into the treaty. But in the general mood of urgency which surrounds this question the Senate was ready to accept Senator George's authoritative assurance that the President was morally bound by the observations on these doubts in the Foreign Relations Committee's report on the treaty. In the end only six Senators went so far as to vote against the treaty, on the grounds that it would encourage rather than restrain General Chiang Kai-shek's belligerency.

But concern about this is more persistent than the votes showed. It was strengthened by the subsequent announcement from the Nationalists that the United States was in fact committed to defend Quemoy and Matsu, which led to the demand for clarification. According to Mr Joseph Alsop, the confusion arose because Mr Dulles, perhaps in order to facilitate the evacuation of the Tachen Islands, gave a pledge to the Nationalists which the President was not then prepared to make good. Mr Eisenhower is certainly more in touch than is his Secretary of State with the political realities of Washington and possibly also with the immediate military situation in the Far East.

Atomic Fallout

THIS week, on Yucca Flat in Nevada, members of the Atomic Energy Commission and guests from the Joint Congressional Committee on Atomic Energy were waiting to see the latest nuclear devices being tested. It would need the roar of an atomic explosion to silence not only Mr Molotov's most recent boast about Soviet supremacy in nuclear weapons, but also the angry bickering and recrimination that has characterised the AEC of late. Two of its commissioners, its chairman,

(Continued on page 629)

Deficit in the Schools

PRESIDENT EISENHOWER acknowledged the physical crisis facing American education in his Message on the State of the Union when he asked Congress to come to the aid of the schools this year instead of waiting until 1956 as had been intended. Now he has acknowledged the political crisis in education by rushing his detailed proposals to Congress sooner than expected in an attempt to get in before the mass of Bills with which the Democrats are seizing the initiative in the schools.

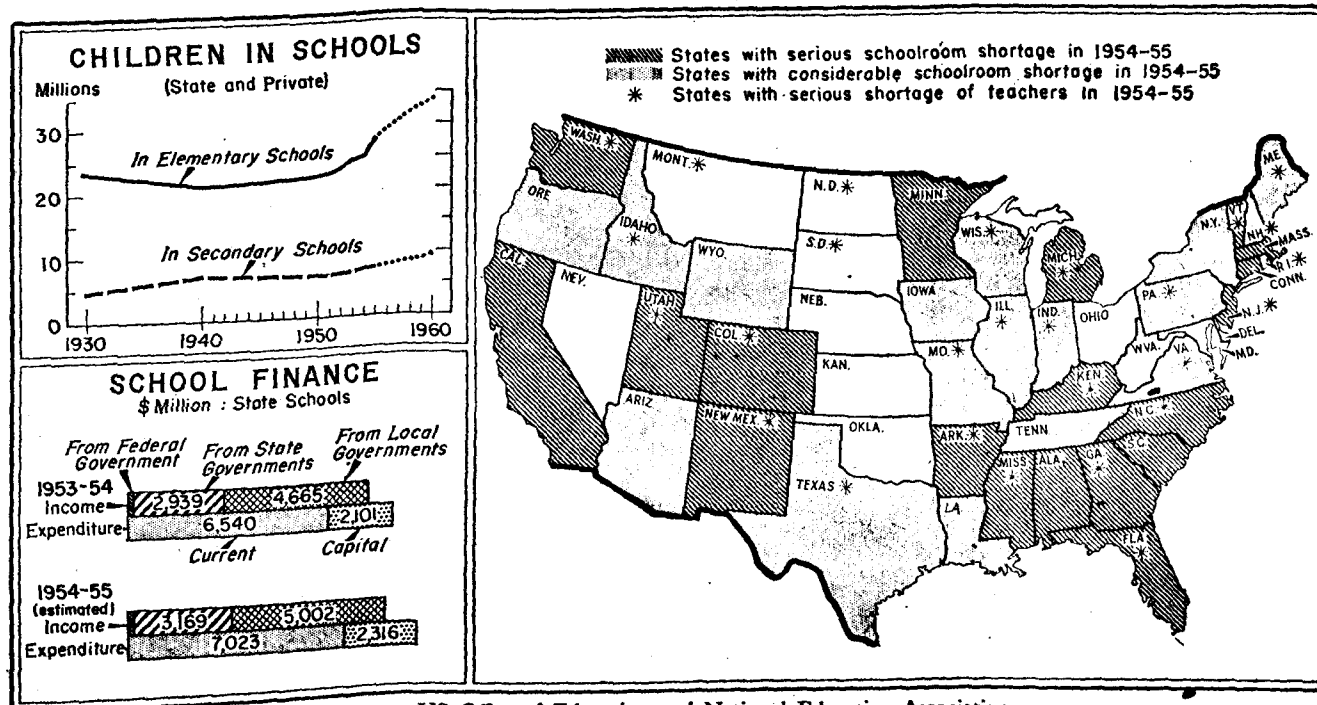
The President's recommendations, however, were not only rather too late but much too little—in the view of the Democrats at least. There is no argument about the general extent of the crisis, although detailed assessments vary somewhat. For the country as a whole there is an absolute shortage of over 300,000 schoolrooms for the 30 million children now in the state schools; over four million more go to private schools. According to the National Education Association, not a single state considers that it has a satisfactory number of schoolrooms. At present the shortage is greatest in the elementary schools, but the wartime crop of babies has begun to reach the secondary schools. Each year, until 1960 at least, 50,000 new classrooms will be needed for the 1½ million extra children entering the schools. By means of record capital outlays on school construction—now running at \$2 billion a year—educational authorities are keeping up with the flood but little more. Overcrowding is general, shift systems are frequent, and unsuitable and dilapidated buildings are being used. Capital expenditures need to be more than doubled to meet the deficit in classrooms.

President Eisenhower is concentrating on this emergency and leaving the needed "reassessment" of the whole school problem, and particularly of the shortage of teachers, for the educational conference he has called for this autumn. Mr Eisenhower is following his usual formula for federal aid, helping the states to help themselves and thus saving federal money. His threefold plan would cost the Treasury about

\$1.1 billion over a period of years. The federal government would buy school bonds in cases where local authorities cannot sell them at a reasonable rate; this would not, however, work everywhere, since many communities have reached the limit of their statutory borrowing authority. The President's alternative is federal help for the financing of special building agencies which lease schools to educational authorities. Finally, Mr Eisenhower suggests a limited amount of direct aid for those districts which are too poor to take advantage of his other recommendations.

Some communities would, however, hesitate to make the open declaration of poverty that would be needed to obtain the last form of federal help and in many places State Legislatures would have to act before use could be made of the other proposals. To many members of Congress the President's recommendations therefore seem entirely inadequate. They argue that local authorities are already struggling as hard as they can without outside help to meet the school crisis and that only direct grants from the federal government can do any real good. One suggestion is for \$500 million a year for two years for school building, to be matched by state contributions.

The President stressed the danger of over-centralisation in education, and the point carries weight with those Senators and Representatives who believe, as he does, that the states should be left to their own devices as far as possible. Moreover, there are members of Congress in both parties who feel even more urgently than does the President that the federal deficit must be ended and that any further strain on the federal budget must be avoided. For these reasons his school proposals may well have wider support when it comes to a vote than appeared in the initial reactions. Indeed, it now seems fairly certain that before long the federal government will, for the first time, and after many attempts, be playing a substantial and sustained part in the financing of education in America.



(Continued from page 626)

Mr Lewis Strauss, and Mr Thomas Murray, are at loggerheads, while its third member, Dr Thomas Libby, refuses to intervene. The nomination of Dr John von Neumann has not yet been considered by Congress and so far the President has nominated no one to fill the vacant fifth place on the commission.

Most of the trouble has arisen over the controversial Dixon-Yates contract, under which a private company is to furnish the publicly owned Tennessee Valley Authority with electric energy in order to replace power diverted to atomic plants. Mr Murray has testified that the staff of AEC has already spent 2,087 hours on work arising out of the politically inspired fight over the Dixon-Yates contract; he claims that, as a result, both the development of atomic weapons and the entry of industry into the new world of atomic fuel have been neglected. Mr Murray, moreover, agrees with the Democrats on the Joint Committee that the Dixon-Yates venture is ill-conceived. Mr Strauss, on the contrary, is an adamant supporter of the contract whose financing provisions were approved last week by the Securities and Exchange Commission. Supported by President Eisenhower, Mr Strauss maintains that this contract is in the best interests of the United States and that it has not interrupted the work of the AEC.

It is nearly impossible to tell whether or not the internal wranglings in the AEC have slowed down the development of atomic weapons. It is fairly clear, however, that the "share the atom with industry" programme, which the commission was to carry out, has fallen behind schedule. Despite Mr Strauss's assurances that private industry is being encouraged to co-operate with the commission in the search for cheaper and more efficient reactors, many Congressmen are convinced that information and help has been doled out slowly and on a suspiciously selective basis. In fairness to Mr Strauss, it should be said that firms wishing to enter the field of atomic energy are having difficulty in raising capital and obtaining public liability insurance. Nevertheless, the atmosphere surrounding the supposedly non-partisan AEC has deteriorated so badly and has become so intensely political, as to invite the suggestion from a member of Congress that the present commissioners should resign.

Wall Street's Watchdog

New York

IT was natural that Senator Fulbright, chairman of the Senate Banking Committee, should call on the assistance of two experts from the Securities and Exchange Commission in his "study" of the stock market. For the SEC resulted from a previous congressional inquiry into the market, after the 1929 disaster. If Senator Fulbright and his colleagues find anything wrong in Wall Street now, therefore, it will be the SEC that is on trial.

When comprehensive federal controls over the securities market were provided by the Securities Acts of 1933 and 1934, the SEC was set up to enforce them. The first of these two Acts is designed to protect the public against fraud by ensuring that sellers of a new security tell the truth and supply a potential buyer with sufficient informa-

tion regarding the risk he is taking. All new issues exceeding \$300,000 must, accordingly, be registered with the commission and the latter examines their prospectuses. The Act of 1934 gives the SEC broad powers over the operation of stock exchanges, brokers and dealers. In 1935, moreover, the Public Utility Holding Company Act was passed, giving the SEC the right to simplify the entire financial structure of public utility companies. To these major responsibilities have been added many others, and the commission's activities range from arbitration of colourful proxy fights between rival groups of stockholders, to the publication of valuable statistical surveys of capital markets.

In preventing fraud and ensuring that adequate information is provided for the public, the SEC has been highly successful. It has been criticised chiefly because of the costs and delays incurred in the process of registering a stock and drafting its prospectus. It is to this that aggrieved investment brokers attribute the rapid growth of the practice of placing securities privately with large institutional investors, where they are exempt from SEC control. For small borrowers, issuing securities up to \$300,000, there is a shortened form of registration. In contrast to last year, the SEC is no longer prepared to ask Congress to extend the limit to \$500,000. The reason is that small borrowers, particularly those who issue penny uranium shares, have flooded into the market and that they are the most prone to fraudulent practices.

Untouched by Human Hands

IT is increasingly clear that there will be a dual industrial revolution in the second half of the twentieth century; atomic energy will be added to conventional fuels and automation will transform technology. Automation is the operation, control and scrutiny of machines by other machines instead of by the human brain. At its simplest, automation controls a furnace by a thermostat; at a more advanced stage, an electronic computer installed by an insurance company does, by itself, the work of 100 punch-card machines served by 135 human operators. At the new Ford Motor Company plant in Cleveland, a series of electronic brains and "automated" machines, serviced by 250 skilled men, turn out in one day twice as much work as was formerly done by 2,500 employees. Complete assembly of an engine block used to require nine hours; with automation it takes less than fifteen minutes and electronic brains can be obscured neither by weariness nor boredom.

The human and social implications for a society whose labour force is increasing by about half a million a year are vast and disturbing. Already it is known that full automation in the automobile industry would mean that 200,000 men could produce more than the million United Automobile Workers now employed. Their head, Mr Walter Reuther, president of the Congress of Industrial Organizations, is preparing to meet the challenge: "We must accommodate ourselves to the implications of the new electronic-atomic solar revolution, rather than conduct a vain embittered fight against it."

The main problem, from the point of view of labour, is to maintain a steady increase in mass purchasing power and

A door with a difference

For modern interiors in offices, showrooms, shops, hospitals and restaurants; for doorways through which the traffic is brisk and businesslike, specify Pilkington's "ARMOURCAST" doors. They are made from $\frac{1}{2}$ " Toughened Rough Cast glass, 78" x 33" or 78" x 30", fitted with hinges and locks in Bronze Metal Antique finish. Non-standard sizes to order.



PILKINGTON'S

"ARMOURCAST" Glass Doors



For further information on the use of Glass in building, consult the Technical Sales and Service Department at Pilkington Brothers Limited, St. Helens, Lancs., or Selwyn House, Cleveland Row, St. James's S.W.1. Telephones: St. Helens 4001; Whitehall 5672-6. Supplies are available through the usual trade channels.

to ensure that companies do not dismiss large numbers of workers suddenly when introducing automation. Hence, 1955 will see a great drive for a guaranteed annual wage, for training programmes for semi-skilled workers and for increased participation by organised labour in the management and planning of industry. Trade union membership has never been greater, treasuries are full, and industrial competition is intense. For these reasons, labour leaders feel that they will obtain what they ask for and that booming industries will go a very long way to avoid a wave of strikes. Moreover, at a time when there are 3.3 million unemployed, which is, admittedly, some 400,000 less than at the worst point of the 1954 recession, the Administration cannot afford to appear hostile to labour.

Mercury Goes Up

FROM A CORRESPONDENT IN CALIFORNIA

THE mining of quicksilver, or mercury, is an industry where profits have often slipped through the fingers as easily as the product itself. But last year it suddenly became an attractively stable business, thanks to an upward surge in the price of the metal and an unprecedented purchase programme undertaken by the United States government. During 1954 the price of mercury on the New York market rose steadily to a record level of \$325 for a 76-pound flask; a year earlier it had been \$186 and the post-war low was \$70 in 1950. But because such price bubbles have usually collapsed in the past, American production of mercury, which had fallen to the lowest point in the country's history four years earlier, did not begin to mount significantly until the government announced its programme in July. It was prepared to buy 125,000 flasks of domestically produced mercury (nine times the entire output in 1953) within the next three years at a price of \$225 a flask; this was the first time substantial official encouragement had been offered to domestic producers.

Technically the programme establishes \$225 as the ceiling price for government purchases—and means that there have so far been no such purchases, since the market price is much higher. But it also built a reassuring floor under mercury prices: for, in addition to the domestic guarantees, the government undertook to buy 75,000 flasks from Mexico, which provides about 10 per cent of United States imports of mercury. The goals thus set seem almost impossible to meet.

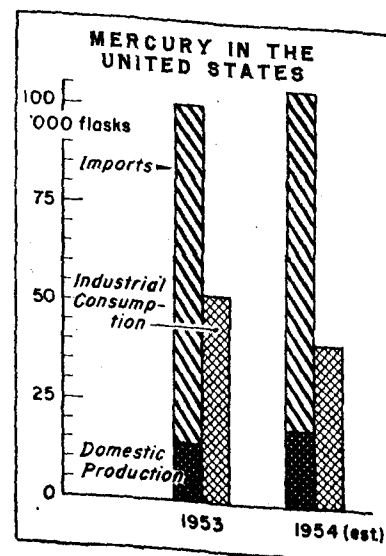
This move "to broaden the mobilisation base of the metal and increase its supply for defence and industrial purposes" was obviously intended to minimise American dependence on overseas sources (largely Spain and Italy). Less obvious was the specific reason for the government's interest, since both the government procurement agency and the Atomic Energy Commission declined comment on rumours that the recent sharp price rises had been the result of plans for the increased use of mercury as a circulating medium in atomic reactors. Officials have denied that the huge surplus of supplies over industrial consumption—64,000 flasks in 1954—has been disappearing into the strategic stockpile, but disappear it apparently has.

This mystery did not cool the quicksilver fever which the announcement of the government's programme had

THE ECONOMIST, FEBRUARY 19, 1955

generated in the west, where 95 per cent of the domestically produced mercury comes from, mainly from California. Long-idle mines, most of them with a history of shutdowns and costly reopenings caused by rapid price fluctuations in the world mercury market, were suddenly in demand and the few still active mines made hasty plans for expansion. In San Francisco, the California Quicksilver Producers' Association, which purchases the output of small mines, reports that it is buying from forty different producers, ten times as many as a year earlier.

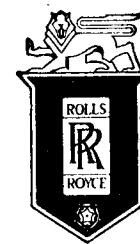
The largest domestic producer of mercury, the New Idria Mining and Chemical Company, stepped up production at its mines 200 miles south of San Francisco from an estimated rate of less than 300 flasks monthly in the autumn of 1953 to 500 flasks a month in September, 1954, and was reported to be aiming at an eventual output of 1,000 flasks a month. One of the few quicksilver companies whose shares are publicly traded, New Idria saw its 50 cent par stock rise from \$1 a share to \$4 in 1954, even though it had neither paid dividends nor shown profit for a number of years. New Idria and two other companies,



which mine in California and Nevada and have also been pushing up their output, had together been responsible for about 75 per cent of domestic output of mercury. The quicksilver boom has also stimulated colourful one- and two-man undertakings, reminiscent of the prospecting days of the California Gold Rush a century ago. Quicksilver had then an auxiliary importance as an ingredient in the gold-reduction process; in fact, two of these old mercury mines, New Almaden and New Idria (named after European mercury centres) are both said to have produced more wealth than any of the famous California gold mines. Today quicksilver prospectors at New Almaden live in aluminium trailers, complete with television sets, within sight of the abandoned nineteenth-century buildings of the old mining town. They are digging pits on the site of the old furnaces, to recover metal which leaked out of the retorts during the eighty years the mine was in operation.

Another team of two men expects to make a profit of \$20,000 to \$25,000 this year from the ore they are digging out of a small cave where, according to local legend, Indians once obtained the red quicksilver ore, cinnabar, to use as war paint. The two miners are extracting a remarkable yield of eight to ten flasks a month from a retort which handles only two tons of ore a week. It is not likely, however, that such undertakings can be continued profitably if the price of mercury actually drops to the \$225 a flask at which the government will purchase it. But no such drop is in prospect and so the small-scale producers are still as jubilant as the larger companies, who see their futures safe for at least three years.

THE ECONOMIST, FEBRUARY 19, 1955



ROLLS-ROYCE AERO ENGINES LEAD THE WORLD

*Rolls-Royce built the first
propeller turbine aero engine to fly.*

The World Overseas

The Arabs and the West

FROM OUR CORRESPONDENT IN CAIRO

THE Arab League has always been able to withstand outside pressures better than internal stresses. That is one reason for the intense crisis caused by the announcement that Turkey and Iraq had agreed to agree. Former regimes in Egypt have always made use of Saudi Arabian antagonism towards the Hashemite Kingdom of Iraq in order to play up their predominance in the League, and this policy had put such a strain on the relations between the two countries that the efforts made in recent months to secure better understanding collapsed at the first serious dispute.

The proposed agreement between Turkey and Iraq hardly warrants all the fuss, either in Egypt or the western world. It provides simply for military staff consultations and for tax-free, unimpeded transit of military stores through either country to the other. It is difficult to say what exactly it contributes to western strategy or "perimeter defence," or why it was so urgently necessary. The psychological importance of Iraq's commitment to the western powers was already achieved by its undertaking to accept American military aid and by the severance of diplomatic relations with Russia.

Egypt's leaders have concluded that Iraq has jumped the queue for military aid before they have been able to prepare their own people for Egypt's acceptance of it. The significance of the agreement is that Iraq may now be able to co-ordinate and elaborate its defence system with that of Turkey. It is therefore unimportant to Egypt that the text of the agreement is a modest affair. Iraq has, as Egypt sees it, reduced the claims of Egypt and the other Arab states to western military aid by attaching itself to the well-established claim of Turkey and by appearing to separate itself from the needs of those Arab states bordering Israel. Iraq is accused of sacrificing the common interest for its own.

Lieutenant-Colonel Gamal Abdel Nasser, the Egyptian prime minister, contends that the Iraqi-Turkish agreement will be like the Turco-Pakistan agreement in its failure to strengthen the area. As he sees it, Turkey and Pakistan would, in the event of war, be so engaged themselves that they could add nothing to the security of Iraq. On the contrary, Turkey in particular requires the defence in depth which the Arab world could provide if it were given help to build up its defences. He believes that the very process of creating Arab bases would educate the people away from their nationalistic resistance to western policies and so

strengthen the West, whereas the Turkish-Iraqi agreement will not materially improve the strategic position and will strengthen the opponents of the West.

In short, before the crisis, the difference between Iraq and Egypt was largely a question of the speed of advance towards co-operation with the West. There was no irreconcilable conflict of policy to justify the violence of the Egyptian campaign against Iraq and its prime minister. Passionate polemics turned into a question of principle the Baghdad announcement that the agreement with Turkey would be signed whether the Arab League agreed or not, although there was no real reason why the evolution of the Arab Collective Security Pact should not have proceeded parallel to the Iraqi-Turkish agreement. There was little of the calm logic of Colonel Nasser's criticisms in the vituperation of the Egyptian broadcasts to the Arab world. Propaganda charged logic with emotion to an abnormal degree and to the detriment of Egypt's own aims.

For what the Egyptian propaganda did was to make it easy for Nuri es-Said to stick to the agreement. With the exception of the most extreme opponents of the prime minister, popular opinion united behind him. Even people who contended that the announcement of the agreement was badly worded and unnecessarily precipitate, who believed that it was dangerous and damaging to weaken the structure of the Arab League, came in the end to believe that they must stand behind Nuri es-Said and that Egypt was doing more than he to harm the League. The breach between Nuri and Saliah Jabr which has been almost complete since the oil debate in Parliament in 1952, was bridged, at least temporarily, by considerations of this sort. Even in other Arab countries there were many people who thought Egypt had gone too far.

The dispute between Egypt and Iraq was an embarrassment to all other Arab states except, perhaps, Saudi Arabia which promptly affirmed its complete agreement with Egypt in the belief that by so doing it would still further cement the Saudi-Egyptian combination which has been a feature of Arab politics ever since the formation of the Arab League. Neither Lebanon, which has for some time favoured better relations with Turkey, nor Syria, which still hopes for a friendly settlement of some of its northern frontier problems, saw any real harm in Iraq's action except the way in which it was done. As to Jordan, Saudi Arabia's influence combined with West Bank opposition to Turkey's friendship with Israel, brought it out more strongly in



"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.

Brush Electrical
Engineering Co. Ltd.

Mirrlees, Bickerton & Day Ltd.

J. & H. McLaren Ltd.

The National Gas and Oil
Engine Co. Ltd.

Petters Ltd.

THE BRUSH GROUP LIMITED
Manufacturers of electrical equipment and diesel engines for industrial, agricultural, traction and marine purposes

DUKE'S COURT · DUKE STREET · ST. JAMES'S · LONDON · S.W.1 and throughout the world

favour of "Arab unity," which in effect meant opposition to Iraq. In the end, Egyptian opinion seems to have prevailed to the extent that Iraq will go to the signing alone and publicly unblest.

Nuri es-Said was not helped by Turkey's relations with Israel. He might have believed that he could better influence Turkey from a friendly position; the Turks went some way to meet his difficulty by nodding acquiescence as they listened to the familiar Arab case. But in this situation their position *vis-a-vis* Israel and the Arab states respectively is likely to be much the same as that of Britain and the many other countries that find it possible to have relations with both at once; thus within a few weeks of reaching agreement with Iraq, they are about to entertain an Israel economic mission at Istanbul.

The point about the inter-Arab quarrel that has been too little noted so far is the extent to which the Arab states are still subject to Egyptian influence. Although there was considerable irritation at the Cairo premiers' conference, although there were strong objections to some of Egypt's propaganda, although Egypt itself was offended by the indecisive nature of the talks and the Levantine delegates departed from Cairo in an ill humour, there was not one state which publicly defended Iraq. They sat on the fence with their legs dangling on the Egyptian side. It is clear that whoever wishes to influence the Arab bloc as a whole cannot yet afford to disregard the attitude of Egypt.

The position of Iraq was understandable. More than any other Arab state, it feels vulnerable and pressed for time. The years of abortive discussion about the Arab Collective Security Pact were hardly comforting. Egypt displayed neither sympathy nor understanding of its needs. Iraq, on the other hand, appeared careless of Egypt's opinion. In the end, all were losers, including the western powers.

The Arab League has been severely shaken and both Iraq and Egypt will find it difficult to restore the semblance of unity. Egypt has declared that it will denounce the Arab Collective Security Pact as soon as Iraq signs the agreement with Turkey. The policy of the western powers suffers because the pact, however ineffective it has been so far, has at least been the concept of an Arab defence system which was to be built with western aid. It is true that Egypt's behaviour has run counter to the westerly trend of its own policy and that the logic of its position dictates that it cannot abandon that policy; but, for the moment, the course which was set fair for the emergence of the Arab world from its relative isolation has been severely disturbed.

Mr Khrushchev's Animal Farms

MR KHRUSHCHEV, in his newly won position, seems very eager to rewrite his past, particularly as an agricultural policy maker. In his confession before the Supreme Soviet Mr Malenkov was, therefore, compelled to shoulder the blame for the unpopular agricultural measures taken during Stalin's life, while leaving the credit for the more recent tax reliefs and higher prices for farm produce with the party—that is, with Mr Khrushchev. In fact it was Mr Malenkov who first announced the post-Stalinist policy of incentives. But Mr Khrushchev's camouflage is

unlikely to succeed. In the Russian countryside he is still remembered as the champion of the abortive plan for "agro-towns" and as the man who tried to deprive the peasants of their small plots, those remnants of private property. This programme was so unpopular that it had to be shelved. Ironically, in fact, it was Mr Malenkov in person who disavowed it as a "reckless and untimely" scheme at the Party congress held towards the close of 1952.

But Mr Khrushchev remains in charge of agricultural policy, and he has just announced his plans for the future. The dramatic upheaval at the Supreme Soviet on February 8th overshadowed the preceding meeting of the Central Committee of the Party. It was there, however, that Mr Khrushchev not only proclaimed the supremacy of heavy industry but also outlined the next five-year plan for agriculture. Within the next five or six years the Soviet grain crop is to exceed 160 million tons, and the output of livestock products is to be roughly doubled. No targets were given for actual livestock breeding.

Mr Khrushchev omitted to say that the grain target now set for 1960 is actually lower than the original 1955 objective of 180 million tons. Soviet grain figures, however, are



very obscure. Up to 1952 they referred to the standing or "biological" crop and were therefore highly inflated in comparison with normal and realistic "barn crop" calculations. Then Mr Malenkov officially admitted this distortion, and no official figures have been given since. From the circumstantial evidence available it may be gathered that the present yield is somewhat below the record of 130 million tons. Mr Khrushchev's new objective may well be calculated in real terms. Even so, it seems strangely low when taken in conjunction with his other schemes.

His vast plan to "conquer virgin land" in Kazakhstan and Siberia apparently still stands; 100,000 new permanent settlers are to be sent there this year. The continuation of the process despite the general change in economic policy is not surprising, since the factories producing the chief tools needed for the "conquest"—tractors—can easily be switched to less peaceful uses. Now, on paper at least, some 30 million tons of additional grain are expected from the 70 million acres of new land to be reclaimed by next year. This is not all. Mr Khrushchev has just produced yet another gigantic scheme, his own version of the race "to equal and surpass America": large-scale maize cultivation is to provide the fodder for Soviet livestock.

In 1953 the total area under maize in the Soviet Union was less than 9 million acres and the maize crop amounted to 3.8 million tons. By 1960, according to Mr Khrushchev,

the area under cultivation is to be raised to over 70 million acres and the harvest is likewise to be increased eightfold, reaching nearly 30 million tons. Is Mr Khrushchev becoming "dizzy with success"? He appears bent on gigantic plans and the use of storm tactics, in comparison with which Stalin's "plan to change nature" seems the fruit of sober calculation. Indeed, to the sceptic with a long memory his plans recall the wild schemes in vogue during the early years of the Stalinist era—when it was, for example, suggested that the mass rearing of rabbits be undertaken to make up for the slaughter of cattle during collectivisation. Mr Khrushchev will surely endanger his political future if he chases after similar hares.

Three-fifths of the planned grain output is destined for human consumption. Two-fifths, or about 65 million tons, is earmarked for livestock feeding. This should provide a more plentiful supply of badly needed foodstuffs. By 1960 production of meat, fats and milk is planned to be double the 1954 level, that of eggs to be 120 per cent higher and that of raw wool 80 per cent higher. It is impossible to say how much of this is meant to be achieved by the improvement of stock and how much by increased numbers; no targets for livestock breeding are given. It appears that some progress has already been achieved in this field, though not at the pace foreshadowed by Mr Khrushchev.

SOVIET LIVESTOCK NUMBERS
(In millions)

	Cattle	Of which Cows	Pigs	Sheep and Goats
1928	66.8	33.2	27.7	146.5
1950	56.0	23.5	19.5	90.0
1953 January	56.6	24.0	28.5	109.9
1953 October	63.0	26.0	47.6	135.8
1954 October	64.9	27.5	51.0	138.4
1954 October (plan) ..	65.9	29.2	54.5	144.4

It may be seen from the table that, with the exception of pigs, the plan was not fulfilled last year. The failure in cow breeding must be a particularly painful disappointment since their milk yield has also fallen short of expectations. Besides, the low target for pigs is something of a puzzle; and Mr Khrushchev, instead of boasting about achievements, complained about the poor quality of pigs sent for slaughter. It is difficult to assess the real prospects for future livestock development, but the reckless plans for the expansion of the fodder basis tend to make one sceptical.

Some progress has been achieved in Soviet agriculture since 1940 despite the ravages of war. The share of wheat in the total grain harvest has risen at the expense of rye. The yield per acre is also slightly higher than before the war. Yet the lag in agriculture has always been officially admitted. Progress, it has been said repeatedly, has not corresponded to the growing needs of the economy nor even to past investments. More rapid expansion is thus indispensable, but are Mr Khrushchev's shock tactics the best way to achieve it? The growth of agricultural production was always an important part of the post-Stalin campaign to woo the consumer. Now that other pledges to the public are to be broken the role of food supplies becomes even more vital. Mr Khrushchev may learn again that shock tactics do not pay dividends in the countryside and the lesson may spell his political doom.

Siam Heads off Communism

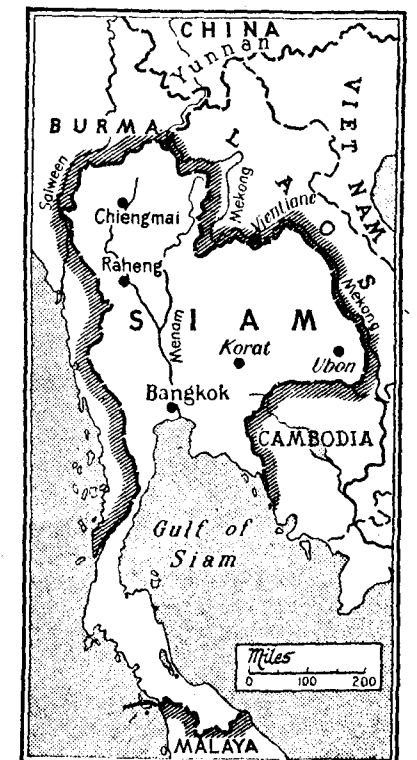
THE £170,000 face-lift that Bangkok is undergoing in honour of next week's meeting of the South East Asia Collective Defence Treaty powers may or may not enhance its claim to become the permanent Seato headquarters. The Siamese might well argue that their capital has stronger claims than roads hastily widened or canals filled in for the occasion. For besides being an independent country—which gives Bangkok the edge over Singapore in Asian and American eyes—Siam can claim to be the least Communist-infiltrated country in South East Asia and the one in which, short of outright aggression, Communism is least likely to find a foothold.

Politically speaking, Siam is in a transitional state. The bloodless military coup of November, 1951, restored the one-chamber legislature of the 1932 constitution for a provisional period of ten years. Half the 246 members of parliament are nominated by the King, and half were elected in February,

1952. The elected members include about thirty members of small opposition parties. The cabinet itself mostly consists of military or naval leaders, under Field-Marshal Pibul Songgram, whose wartime collaboration with the Japanese is viewed with greater indulgence in retrospect than in the difficult days of 1942.

To a large extent, Siam's relative immunity from subversion is the work of the energetic and controversial chief of police and deputy minister of the interior, General Phao Sriyanond. Much has been written about General Phao's para-military police force, with its tanks and parachute corps; less than justice has been done to the progressive and often ingenious schemes by which the general seeks to arrest or prevent the growth of the kind of discontent that provides a breeding ground for Communism. The perennial problem of usury, for instance, is being dealt with by the simple expedient of not renewing the licences of pawnbrokers as they expire. The State then takes over the pawnshops and makes loans at minimal rates of interest.

To keep the youth of the country on a path reasonably straight and narrow, General Phao has inaugurated a corps of young detectives, open to boys aged twelve to twenty. Badges and books of rules are provided and the eager youngsters, with eyes open for pickpockets, are less likely



to be tempted into gangsterdom or the arms of Communist agents. The reproach that such methods are liable to develop a police state is less relevant than some Western commentators might accept. In any case, with 42,000 police in a nation of 18 million, Siam is far indeed from being the police state depicted by Communist propaganda.

With little real poverty—by Asian standards—and a well-established social welfare system, including free medical treatment in Bangkok and many towns, Siam is not a natural field for Communist infiltration. The government, however, with commendable scepticism and foresight, is making assurance doubly sure by land reform, housing and agricultural schemes, both with and without American or Colombo Plan aid. The new large-scale housing scheme, under the control of the ministry of the interior, is of special interest. The job is being tackled on a triple front: mortgages for land owners to build afresh or renovate old properties; land and new houses for hire purchase; and houses for rent. The rented houses are of three types: lower income houses at ten shillings (thirty baht) a month; middle income houses at £2 a month; and communal units, each with a small plot of land. The entire community is provided with its stores, school, post office and other facilities. Mortgages are spread over fifteen years and there is no interest. To prevent speculation, title deeds are not transferable until the fifteen years have elapsed.

The self-help settlement scheme is also interesting. The scheme has a dual purpose: to keep peasants on the land and away from the towns; and to put more of Siam's fertile but unowned and uncultivated land to productive use. Applicants for land are considered on a basis of need and vocational competence. The government undertakes the surveying, land improvement, the building of offices and staff housing, road construction and irrigation, and provides medical care, machinery and public utilities. Loans are provided for settlers' homes, farming implements, feed and livestock. Each settler gets ten acres of land, of which the first two acres are cleared for him; it is his responsibility to clear and cultivate the remainder. Title to the land is transferred if the loan is repaid within eight years and if at least three-fifths of the land is under cultivation. There are at present eight of these settlements and more are on the way. At some of the older ones settlers have built themselves, out of their profits, larger and more luxurious houses than those originally provided.

Across the Mekong

In the well-fed, prosperous north-west there are few problems now that the majority of the Chinese Nationalist troops in adjoining Burma have been sent to Formosa. The relatively poor north-eastern provinces, however, are uncomfortably close to Yunnan, headquarters of the "Free Thai" movement of the Siamese exile, Pridi Phanomyong, and to Laos, where the Communist-controlled Pathet Lao "state" remains a menace in the background. Although twenty thousand of General Phao's 42,000 police are stationed along the eastern border, it is clearly an impossible task to prevent infiltration. The Mekong, in any case, is a physical but not an ethnic barrier: the majority of Siamese in the north-eastern provinces are Laos, who speak the same language as the Laotians beyond the river, and frequently intermarry with them. There again, however, the government is pressing ahead with schemes designed eventually to raise living standards which, though higher than in neighbouring countries, are lower than elsewhere in Siam.

THE ECONOMIST, FEBRUARY 19, 1955

American aid is being used for railway building, agricultural experiments and training stations for the introduction of new crops, water tank installations to offset the unpredictable rainfall, and fish hatcheries. These are long-term schemes, but given freedom from direct aggression and the guarantees of the Manila Pact, the Siamese have grounds for believing that such schemes will ensure their continued freedom from Communism.

La Ronde.

FROM OUR SPECIAL CORRESPONDENT IN PARIS

AFTER two weeks of crisis it appears that logic has little hold on parliamentary activity in the country of Descartes. Two weeks ago the "leftist" government of M. Mendès-France was defeated, ostensibly over its North African policy. The Socialists were the only party not to desert his sinking ship. Proof was finally given, it seemed, that without the Communists there is no centre-left majority in the present Assembly. Yet two attempts to recreate the centre-right coalition—under the Conservative M. Pinay and the Christian Democrat M. Pflimlin—have failed. As this report is being written the Socialist M. Pineau has undertaken to try to form a government. On paper his programme differs little from his predecessor's; and as if to stress this paradoxical continuity, M. Mendès-France was offered a key post in the new team—an offer which he declined for obvious reasons.

It calls for a bold man to forecast the verdict of this unpredictable Assembly, but it would be strange if, with the wheel taken out of M. Mendès-France's hands, the ship were allowed to proceed on its former course. Did the only motive for getting rid of the captain lie in his stand on the EDC? True, there are substantial differences between the outgoing cabinet and the one now contemplated. For the first time since 1951 the Socialists would sit on the government benches and the Christian Democrats (MRP) would play their part in a reputedly leftist coalition. Yet even if M. Pineau manages to capture enough votes for the investiture, he is unlikely to keep them for long. He can stay in power only by stalling. If he follows in the footsteps of M. Mendès-France and tries to act, he will mobilise against himself the colonials, the beetroot growers and other conservative lobbies. North Africa, the wage increase or the question of Catholic schools will bring about another victory of arithmetic over improvisation and with it another crisis.

The mood of the deputies is unpredictable because the Assembly is worried about the popular reaction to its performance. Though the average Parisian shrugs his shoulders when the word crisis is mentioned, deputies in raised great hopes in the country and that a disappointment may have grave consequences for the parliamentary regime. The manner in which he was brought down and the ensuing scramble for portfolios did little to enhance its prestige. The "plot" was there for everyone to see.

The whole performance really flopped because of over-elaborate preparation. There were no less than five alternative casts ready to take over from M. Mendès-France, with MM. Pinay, Pflimlin, Pineau, Mayer and Faure as the leading actors. In a single government there is not enough

ECONOMIST, FEBRUARY 19, 1955

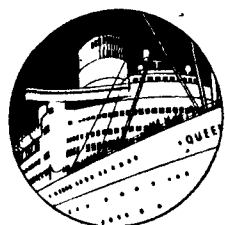


DOWN GOES THE PLUNGER and in the river distance a white, white plume goes up, sudden and silent. Seconds later comes the sound, the crack of the explosion, a thundering, a rumbling. The jam is cleared. The logs are free to jostle and leap and run with the current, glistening, wet, shining as they go, travelling with the river to the mills. It's all in the day's work in Scandinavia where, at Bowaters' groundwood mills, spruce is pulped and pressed, baled and loaded into ships to cross the North Sea, destined for the Bowater paper mills in the United Kingdom.

Every day of the year the Bowater Organisation is at work converting timber into woodpulp into paper. From its mills in Europe and North America comes newsprint in a never-ending stream for the newspapers and journals of the world; other printing papers for the magazines and reviews that carry colour and interest into countless lives; paper for the protection of food and for packages of almost infinite versatility.

Bowaters

THE BOWATER PAPER CORPORATION LIMITED
Great Britain United States of America Canada Australia South Africa Republic of Ireland Norway Sweden



Whether a trip round the lighthouse or a voyage across the world—nickel helps

A trip on a motor boat—traditional part of a seaside holiday—and a voyage to the new world require vessels of a very different type. For the motor boat a 12 h.p. engine may be adequate, but the Queen Elizabeth can call on 160,000 h.p. to drive her 83,673 tons through the water, not to mention additional power to provide for the comfort of her passengers and the safety of the ship.

Nickel plays a part in both of them. It strengthens and toughens the steels and alloys used in their engines, and, in the case of the big ship, goes also into decorative metal work, galley equipment and navigational aids. Throughout industry nickel helps equipment to perform better and last longer.

**MOND
NICKEL**

THE MOND NICKEL COMPANY LIMITED
SUNDERLAND HOUSE  CURZON ST. LONDON W1

We do the lot

Cabinets, colour-schemes, curtains or candelabra... anything you need to make your offices fit for a king-pin of commerce. Peter Catesby and his staff can do the whole job from first thoughts to final touches. They will plan, suggest, and develop your ideas, and supply everything that you agree is wanted to make your surroundings come to life with a personality all your own. It's not just a knack; it's more than a flair; a *je ne sais quel*.

A sort of mild case of inspiration.

Well, anyway, try it.

Catesbys

CONTRACTS & EXPORT LIMITED

TOTTENHAM COURT ROAD · LONDON · W.1 · MUSEUM 7777

room to accommodate all the *ministrables*. The subsequent bargaining in the lobbies was so unashamed that even parliamentary old-timers, with few illusions left, commented bitterly that the only way to have a stable government is to appoint a hundred ministers and 426 under-secretaries (there are 627 deputies, of whom 99 are Communists).

Such a cynical comment, however, cannot explain the whole story. Although the elections are fifteen months ahead, electoral prospects have played an important role in the present crisis. The rightist label is now unpopular and the Christian Democrats want to get rid of it while there is still time; the Radicals want their electors to forget that their own internal division brought about the fall of their popular premier. Therein lies the explanation of the failure of the first two contenders. To serve once again under the Conservative Pinay would have branded the MRP as a right-wing party for ever and widened the gap separating them from the Socialists. To show a sense of unity the Radicals then asked M. Pinay's successor, the Christian Democrat M. Pflimlin, to include some Mendèsistes in his team. To make matters more farcical the demand was made by none other than M. René Mayer, the executioner of M. Mendès-France. Thus in the early hours of Monday morning the second abortive attempt to find a new French premier was abandoned.

Confusion in Palais Bourbon

And so to M. Pineau, the Socialist candidate whom many Christian Democrats prefer to their own. It is in their ranks that his candidature arouses the keenest enthusiasm. It enables them to argue that they were always right in pressing for a "progressive and European" majority. The Paris agreements did not rehabilitate M. Mendès-France in their eyes. M. Pineau has apparently all the virtues of the conciliators. He was in favour of EDC and he also voted for the Paris agreements. He is a Socialist, but also a "realist," friendly to M. Monnet.

Among other parties the feelings are more mixed. Many partisans of M. Mendès-France realise that a Socialist interlude will really blur the outline of the alliance and postpone a regrouping of the left. The Conservatives are suspicious of the man who wants to continue a policy of reform in North Africa and are generally hostile to a Socialist. In M. Pineau's own party the former opponents of EDC clamour that this unholy alliance with the MRP is a calamity. They would have to serve a Socialist candidate who advances a programme as bold as an electoral platform and therefore unacceptable to this Assembly. They fear that Socialist promises will benefit the Communists who will be able to resurrect the old axiom, "working class restaurant with bourgeois cuisine."

The Socialists, however, will have to back their candidate and many other deputies must argue that this Assembly has anyhow a perfect technique for preventing bold reforms. The hopes raised by M. Mendès-France may induce it to accept a Socialist interlude before coming back to one of the older formulae. Confusion reigns in the Palais Bourbon, where, after a constitutional reform, even the procedure of investiture is not quite clear. One must therefore wait for M. Pineau to form his government before assessing his prospects. But in the present atmosphere of crisis it is unlikely to prove more than an interlude.

Struggle Over German Prices

THE benefits of the large reserve of gold and foreign exchange in Federal Germany's central bank are growing more obvious. This week, the travel allowance, already very generous, has been increased to DM 600 (£50) each time for as many pleasure trips as the citizen wants to make in the area of the European Payments Union; and, for the first time, a travel allowance of DM 1500 has been granted for non-business visits to the dollar countries. Another sign of the German moves towards complete convertibility is the bonfire of over 400 foreign exchange regulations which the central bank made recently. Now the chief controversy in this field is over the question whether the freedom of transferable D-marks could be granted to the chronic debtor countries, such as Turkey, with whom Germany still has bilateral trading and payments agreements.

German exporters, particularly of consumer goods, are nervous lest they should lose their market if the under-developed lands are given the opportunity of spending the proceeds of their sales to Germany in the United States or in Germany's European competitor markets. Arguments on this matter inevitably lead to the conclusion that the chief exporters to the under-developed lands should come together in joint enterprises and selling agreements. Such ideas range from proposals for outright cartels to reasonable suggestions that British, German and French engineering firms should combine on big development projects.

But the advantage of a substantial reserve in the *Bank deutscher Länder*—now equal to six months imports—is emerging in another field. It is seen that it provides a safeguard if Dr Erhard takes steps to prevent prices from rising by fostering imports. These steps are now being taken. Duties on about 700 items were lowered by the *Bundestag* at the end of January, and Dr Erhard has now asked for permission to lower others at will without the changes having to be approved by parliament. His object is to counter any increase in the cost of goods bought on the world market, as well as of those internally produced.

Swollen Order Books

Dr Erhard must take some such action, as a matter of political urgency. He has asserted that rearmament will not halt Germany's rising standard of living, whereas there are already signs that even the prospect of defence contracts will raise prices. The steel industry is hard-pressed to cope with its swollen order books. Part of the boom is thought to be due to manufacturers ordering more than they currently need, in case of a shortage or the introduction—against official promises—of a system of allocations.

Steel imports from other members of the coal-steel community already enter Germany duty-free, and nothing further can be done by Dr Erhard in that direction. Moreover, the coalowners' demand for an increase in the internal price for coal has also been taken direct to the Luxemburg High Authority, much to the annoyance of the Bonn Ministry of Economics. This *démarche* on the part of the mining concerns was, however, probably a tactical move to prove to the High Authority that the Ruhr must be allowed to extend the powers of "Georg," the coal selling agency, in order to maintain collieries which are working at a loss.

There can be no doubt that a rise in coal prices would lead the mineworkers union to make still bigger demands for increased wages, over and above the 12 per cent rise which they are now claiming. In the meantime, the owners' proposal has already been seized upon by the Social-Democrat Party as evidence that rearmament will hit the workers. Every bullet is welcomed by the Socialists for their very effective campaign against the western alliance.

Sweden's Battle Over Wages

FROM OUR SCANDINAVIAN CORRESPONDENT

ONE of the most threatening industrial disputes in Swedish history came to a head this week. On Monday evening the industrial employers' association announced that unless a wages agreement had been reached for the paper and pulp industry by next Tuesday, it would declare a general lock-out which would affect half a million workers—five-sixths of those employed by members of the association and the largest number of Swedish workers ever to be involved in a labour dispute. The 37,000 workers in the pulp and paper industry, which accounts for 28 per cent of Swedish exports, have been demanding a 16-18 per cent rise; and it was their threat of resorting to strike action which led to the employers' ultimatum.

Most organised labour in Sweden has been putting its annual series of wage claims before the employers in the last few weeks. Negotiations are conducted piecemeal between individual unions and managements, according to an agreement reached in 1938 by the Confederation of Trade Unions (LO) and the Employers' Association (SAF). Although Swedish wages are already the highest in Europe, this year nearly the entire labour force is claiming increases ranging from 3 to 35 per cent, and averaging 10-15 per cent over the whole economy. Both the government coalition of Social Democrats and Agrarians, and the public at large have been anxiously following the negotiations; for it is generally accepted that widespread increases without a corresponding rise in production can only result in an inflationary wage-price spiral.

Hr. Sköld, the Social Democrat finance minister, has called repeatedly for restraint. His warning has been echoed, somewhat tepidly, by the LO, which counselled its 1,350,000 members to seek increases "on a limited scale." An overall 10 per cent increase in wages would represent 2,400 million kronor (£70 million) in additional spending power this year—equivalent to the total budgetary expenditure on social services. Since the government further liberalised trade with OEEC countries and the dollar area last autumn, imports have risen sharply. Wage increases will, it is feared, lead to a further rise in imports, endangering the already precarious equilibrium of Sweden's balance of payments. Higher production costs will jeopardise the competitiveness of Swedish goods in export markets, as well as the maintenance of full employment. If cheaper foreign products flood into Sweden, foreign currency reserves—at present sufficient to cover three months' imports—will dwindle.

Hr. Sköld's plea for restraint has not, apparently, fallen on completely deaf ears. For instance, 10,000 workers in the leather and shoe industry—which, like the textile industry, has been experiencing a recession—have accepted a 3 per cent rise; 140,000 forestry workers and lumberjacks, and 20,000 workers in the carpentry and furniture industry have agreed to a similar increase; 45,000 iron and steel workers are to receive 2.8 per cent and 122,000 building operatives 2 per cent more. The highest increase so far is 13 per cent for 5,000 stevedores, who had no rise last year. The Union of Salaried Employees (TCO), over 300,000 strong, has just presented its demand for a 10 per cent increase. This claim is a typical one for about one-third of the labour force, which receives fixed wages and salaries, and resents the fact that the remaining two-thirds, notably workers in the manufacturing industries, are on far more advantageous piece rates.

"Over-full" employment has led to competitive bidding amongst employers, so that real wages often considerably exceed the contractual rate. This, indeed, is one of the root causes of Sweden's economic difficulties. While the cost of living has remained reasonably stable—in the last two years it has increased less than 2 per cent—average wages have increased 7-8 per cent. Taking 1938 as 100, industrial wages had risen by 1953 to 339, the cost-of-living index to 203 and production only to 142. While production rose rapidly during and immediately after the war, since 1950 the pace has slackened. The 1954 increase of 4.5 per cent was only half the average for the other OEEC countries.

Last December the government, resolved to prevent a repetition of the 1951 inflationary boom, ordered public authorities and state-owned enterprises to place no further contracts without prior approval. Increases in the military stockpile were suspended. The 10,000 million kronor budget presented this January by Hr. Sköld was designed to check public and private spending. Last week the *Riksdag* approved a 12 per cent investment tax and a 10 per cent duty on motor cars. (In 1954 Sweden imported 90,000 cars.) These measures have been sharply criticised by Liberals and Conservatives, who advocate a more flexible interest rate policy, as well as by Hr. Strand, the spokesman of the Social Democrat trade union wing.

Until the last round in the present battle over wages has been fought, it is difficult to assess the extent of the inflationary danger to Sweden's economy, or to judge whether the government has taken defensive measures in time. Hr. Sköld, who has already shown considerable courage in preaching the unpopular doctrine of wage restraint, probably has several shots left in his locker.

COMMODITY REPORTS

Special and regular reports on the supply and demand position and on the price and market prospects for most commodities can be prepared for individual clients by our Commodities Department. Scope, length, frequency and cost are determined by clients' needs.

Further information from:

The Economist Intelligence Unit
22 Ryder Street, London, S.W. 1.
Whitehall 1511, Extension 147.

HOW MUCH MONEY ARE YOU WASTING ON FUEL?

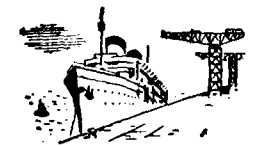
The heat energy from at least 5 million tons
of coal evades British Industry every year!

Anglo American Productivity Report on Fuel Conservation

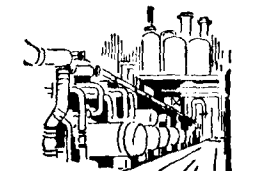
VERY few industrial firms are run as economically as they could be with better thermal insulation. Factories all over Great Britain are eating up fuel in a way that saps both their own profits and the nation's economy. Maximum fuel saving and the economical distribution of heat energy depend largely upon first-class insulation. Indeed, improved thermal insulation can save up to nine-tenths of present heat losses.



THE CHEMICAL AND INSULATING CO. LTD.—plays a major role in reclaiming heat energy previously dissipated through inefficient insulation. This leading organisation in the specialised field of thermal insulation maintains sales and contracting offices throughout Great Britain. It manufactures insulating materials, for sale in bulk or in prefabricated shapes, for temperatures as high as 2000° F. The head office or your nearest branch office will be pleased to answer any enquiries.



THE DARLINGTON INSULATION CO. LTD.—a subsidiary company of The Chemical & Insulating Co. Ltd., is a contracting organisation for the supply and installation of all types of heat, cold, or sound insulation. Power Stations, Oil Refineries, Shipping and Industrial Plants are all achieving higher efficiency per ton of fuel since consulting this company. Requirements are so diverse that each problem is individually studied, to ensure an efficient, economical and lasting installation.



IPSCOL LTD., another subsidiary company, makes automatic industrial process control equipment, and S. T. TAYLOR & SONS LTD. make sheet metal and light plate structures and casings for all types of insulation.

THE CHEMICAL AND INSULATING CO. LTD.

DARLINGTON

SUBSIDIARY COMPANIES

The Darlington Insulation Co. Ltd., Newcastle upon Tyne
For all types of insulation against heat, cold and sound
S. T. Taylor & Sons Ltd., Gateshead-on-Tyne
Fabricators in sheet metal and light plate

The British Refrasil Co. Ltd., Stillington, Co. Durham
Lightweight high temperature insulation for the aircraft industry
Ipscol Ltd., Hythe, Southampton
Makers of boiler and industrial process equipment

*What
shape is
an*

idea?

In the early stages of a new product, a number of things can happen between the birth of an idea and the appearance of the finished working drawings. And one of the first thoughts that often enters the mind of the designer is—does the idea lend itself to fabrication in plastics? B.I.P. is well qualified to answer this question. Within our organisation are specialist technicians and draughtsmen who have given the whole of their

working life to plastics, right from the early days. They develop and make many lines in the Plastics Industry, from moulding powders to tools and presses and the finished article. Together with our Product and Mould Design Service they constitute an organisation which is unique in the Plastics Industry. The benefit of their research is freely at your disposal. Use it! It costs you nothing and may save you a lot.



The most comprehensive service in plastics

BEETLE UREA & MELAMINE MOULDING POWDERS • BEETLE POLYESTER RESINS • BEETLE RESINS FOR THE PAPER, PAINT, TEXTILE, WOODWORKING & FOUNDRY INDUSTRIES • MOULDING TOOLS & PRESSES

BRITISH INDUSTRIAL PLASTICS LTD., 1 Argyll Street, London, W.1

THE BUSINESS WORLD

Reshaping the Coal Board

ON Monday next, a new coal board will be at work. There is a slight air of Muscovite drama in this, but it would be a disservice to make politics out of what has happened, just as it would be a great mistake to under-estimate the tasks that face the new board. The changes, which the Minister alone had power to make, are at the nub of a report on the National Coal Board that Dr Fleck, the chairman of Imperial Chemical Industries, and four colleagues, have presented to the board. For just over a year, they have been engaged in a searching examination of the board's structure and the way it works; they started this job at the invitation of the board, and their report is a model of clarity and good sense on most major issues of policy.

Their first recommendation is to the Minister of Fuel and Power: the board should have twelve members, including a chairman and deputy chairman, six full-time members and four part-time members. The Government have promptly accepted this recommendation, and the members of the former board (chairman, two deputies, and four each full- and part-time) put their resignations in the Minister's hands. He is retaining Sir Hubert Houldsworth's services as chairman (Sir Hubert's appointment has another eighteen months to run); his deputy is to be Mr James Bowman, who has been chairman of the Northern Division, and the previous deputies, Sir Eric Coates and Sir Walter Drummond, are retiring. So is Sir Charles Ellis, who has been a member of the NCB since it started in 1947, and two of the part-time members, Sir Geoffrey Heyworth and Mr J. H. Hambro. These two places remain to be filled, to bring the part-time complement up to four. The six full-time members will be in position on Monday: Mr J. Latham (Finance); Dr William Reid (production); Mr R. E. Thomas (marketing); Mr

A. H. A. Wynn (scientific); Sir Andrew Bryan (staff); and Mr W. H. Sales (industrial relations).

There are only three former full-time members in this list, and it is clear that major changes in the conception of the board's composition and functions have been at work. "However competent individuals may be in their own particular fields, it will be no use appointing them to the board if their personalities are such that they cannot work together as a team. In this respect, the experience of the board in the last eight years has not been happy." Secondly, the Fleck report urges that full-time members will have to be found mainly from within the industry in future; that is a matter of training good staff and paying them enough ("the salaries of the chairman and other full-time members should be substantially increased"); their appointments ought to overlap to give continuity, and they ought not to be appointed for fixed terms of years. If the full-time members must be found increasingly from the industry itself, the part-time members, declare the Fleck committee, may be of special assistance to the Minister in advising him on the appointment of the full-time members, and they should have right of access to him. It is an interesting proposition; some measure of outside independence is desirable, but is the selection of part-timers from panels provided by the FBI, the TUC and the British Employers' Confederation the inevitably right field of choice? In the last analysis, the proposal would give the part-timers the whip hand over the board's full-time members. It cannot be right.

Leadership is of the essence. "We are satisfied," say Dr Fleck and his colleagues, "that in the past the (eleven functional) departments at headquarters have not always or consistently received the support which is their due and without which their task cannot be

properly carried out." The open, unqualified support of the NCB has not always been accorded to them; and since the board started its life short of good staff, the need has been for more firmness and guidance from the top—"firmer than it is and has been since nationalisation." The chain of command must be kept taut and the quality of the links must be strengthened—better management at all levels, more people of ability, better techniques for them to use, and better discipline.

★

Here is the difficulty; there were not too many good men in colliery management, and many of them have gone since 1947. So, although the basic structure of the NCB is right, as the report holds, quick promotion has come to more people than is good for them or for the industry. Many of the people in key positions in the divisions and areas know little of modern methods of management. It is not that the number of staff is too large—40,000 out of 750,000 is not out of line, if their average quality were higher. The NCB needs a staff department to provide more training and impose a sterner standard of efficiency in filling staff posts. In summary, this may sound self-evident, but who can doubt that it is right? It is certainly argued in cogent detail in the report, and without any suggestion of turning over stones to see what scampers out. The report is certainly all the stronger for its level headed balance on the need for improving the quality of staff, and for leading them wisely and firmly.

In two respects, perhaps, it might be said to leave important matters in doubt. It plumps for keeping the eight divisions (with their 48 areas and 900 pits) as management units "doing for the areas everything that the board and their headquarters cannot do." In other words, the divisions should not be given autonomy; every major element of policy—wages, prices, marketing, investment—must be settled centrally. Coal as a public service and the industry as a single unit are the twin assumptions. When the report turns to the matter of "standards" as a yardstick of efficiency, it will have nothing to do with financial tests. Coal is as Nature left it; what it will bring is "not within the control of the management"; and, for a good measure of topsy-turvydom, the yardstick of financial results is "dangerous, particularly because it may easily lead to complacency where profits are being made, or to an unwillingness to spend money fruitfully when a loss is being incurred." Only an obsession with producing the biggest output of coal irrespective of unit costs could lead to this doctrine. Is not the right course to spend money even more fruitfully where profits are being made—that is, where costs are low? In the course of the next generation it may well be that the realities of marginal costs are going to play a bigger part in the efficient development of the coal industry than is at present realised. Then, the role of the

divisions may not be so merely mechanical as is thought to be proper today. It seems clear, for instance, that the prompt and liberal endorsement of capital schemes, totalling £131 million in 1953, which the report finds has been granted on too little, not too much, scrutiny, ought to be brought within some more rational economic discipline than now exists.

Down to the area—each of which is a large business in its own right with an average turnover of £10 million—the revision of the board's structure and chain of command has a convincing ring. The areas are the messiest features of the organisation; they differ, and so their administration should to some extent differ too. There ought, nevertheless, to be a standard framework, better management, less interference with production and smaller powers of capital investment. But in the end it is people who win coal, and the relations between the area manager, the pit manager and the men determine what will be produced. Here the Fleck report, understandably, is less illuminating than on other matters. The NCB should "clarify the organisation between the area and the pit." A thorough investigation of this complex stratum of the board's organisation is urged. There should be more training to help the pit manager to meet his heavy responsibilities, and more assistance for him by appointing administrative and personnel officers (the latter to be drawn less than in the past from the trade unions). These will be valuable improvements, especially in the large pits. But it is on the toning up of management from Hobart House down to the smallest pit that salvation ultimately depends. If there is sloppiness at the top (as there has been) why should the colliery manager bother to lead his men firmly? If one pit manager is allowed to rule his own roost without reference to his area leaders, how can good administration be expected in the rest of the area?

This is a significant week for the Fleck report to appear. Coal is short, and the railways and power industries are contemplating large new investment pro-

Are you

PLOUGHING BACK ENOUGH

to keep pace with changing

capital replacement costs?

Our indices for nearly twenty

types of equipment are the

most economical way of measuring

the rise in costs over the last fifteen years

The Economist Intelligence Unit

22 Ryder Street, London, S.W.1.

Whitehall 1511 Extension 40

grammes designed to reduce its use within the next generation or two. But coal is not a dying industry. Demand will increase whatever happens in traction and power, and a resuscitated coal industry alone will enable the needs to be met. If the objective quality of this

Power from the Atom

IT is a bold and imaginative step to draw up plans for the large-scale generation of atomic electricity before the first experimental power stations anywhere in the west are more than part completed. Atomic science has shown in many ways that it can reward abundantly the kind of enterprise that goes all out for the highest stakes. Under the programme announced by the Government this week, the British Electricity Authority is making just such a bid.

In two years time, BEA will start building its first two atomic power stations; it will take until mid-1957 or thereabouts to make the necessary preparations.

In ten years time, there should be twelve completed atomic power plants, and a quarter of the new generating capacity annually installed will then be atomic-powered.

From the middle sixties it is conceivable that BEA will cease to build any more coal-fired stations and all its new plant will be atomic.

This programme is for commercial atomic power stations. They will be owned and operated by BEA; and built by contractors for them with all the technical assistance that the Atomic Energy Authority will be able to contribute. Thus the plan is something apart from the experimental atomic plants and power stations that will be built and designed during the same period by the Atomic Energy Authority itself in its programme of basic engineering research. Moreover, the new plants are intended to be base-load plants; they are not experimental stand-by capacity put in to handle peak loads. BEA expects to spend about £300 million on their construction during the ten years covered by the plan, and to trim its schemes for the construction of conventional power stations accordingly. It would be understandable if BEA, or public utility undertakings in other countries, were anxious to get early experience of atomic power generation and to make their own assessment of the new techniques. But to plan a ten-year atomic investment programme on this scale argues something more than a desire to acquire the know-how of a novel and technically important method of producing electricity; it points to strong confidence in the commercial future of atomic power. Electricity supply experts have sometimes been cautious about the economic aspects of atomic power; but the need for an alternative to coal-fired stations has begun to argue itself. It is well known that Sir Christopher Hinton, who has been responsible for all the atomic construction in this country, is no believer in pilot plants and has

report can be kept in the forefront of all the discussions and changes that are needed at the board, it will prove to be a monument of managerial reform—helpful, non-partisan, and designed to produce a more efficient coal industry.

so far been astonishingly successful in bringing plans of nightmare complexity from blue print to full production without the need for any intermediate trial and error. He will for many years be responsible for guiding and advising BEA's atomic enterprises and with the weight of his advice in favour of full-scale planning, has only been necessary for the scientists of the Atomic Energy Authority to produce their estimates that atomic power would cost no more, and might cost less, than power produced by a modern coal-fired station, to make atomic power attractive.

Their cost estimates must presumably be closer to reality than earlier exercises since the building of the Atomic Energy Authority's own power station at Calder Hall is well towards completion. This station is likely to be the first atomic power plant in the western world to operate and is the prototype for the first two power stations that BEA will start building in 1957. Its capital cost is estimated at £15 to £20 million, and its life working range between 10 to 20 years—another unknown about atomic reactors. In the roundest figures, the initial cost of uranium fuel for such a reactor might be £5 million and it will probably have to be completely replaced every 3 to 5 years.

The accompanying table shows a rough break-down of the costs of the 12 proposed atomic plants, as they are outlined in the programme. They will have a combined capacity of 1,500 to 2,000 megawatts and their total cost, including fuel and ancillary equipment, may reach £300 million—equivalent to between £150 and £200 per Kw capacity compared with £60 per Kw for a modern coal-fired station. These higher capital costs for the atomic powered station will presumably be offset by lower running costs—and there will be room for some nice economic argument about the price of uranium or the value of by-product plutonium; there will be considerable play here for the relative bargaining strengths of BEA and the Atomic Energy Authority which will design the plants, train the engineers, handle the fuel and for many years provide technical supervision of the programme. The early plants will be of the type that produces plutonium which is a valuable atomic fuel. BEA will buy outright its uranium fuel from the Atomic Energy Authority and will be the owner of whatever plutonium is produced in the plants. This it will sell back to the Atomic Energy Authority. The price of the plutonium will be a big factor in deciding the eventual cost of the electricity generated. The two sides seem to meet on common ground with a price of

"many thousands of pounds a kilogram" for the plutonium. With the assurance of this by-product revenue, BEA should be able to generate at "about" 0.6d. per unit—exactly the same as BEA's estimate of the generating cost in a modern high-efficiency coal-fired station.

But at this stage, any estimates about capital costs or generating costs can only be approximate, and BEA is proceeding with its initial investment of about £40 million for the first two stations on the broadest of assumptions that the cost of the atomic stations will not be higher than those of a new coal-fired station. The time for precise calculations will come after the Calder Hall reactors start to work.

More important to BEA than the actual generating costs of the plants, which are bound to come down as designs improve, is the prospect they offer of some release from BEA's dependence on coal supplies. Electricity consumption has been expanding steadily at the rate of about 7 per cent a year, and estimates suggest that this rate of expansion is likely to continue until the early sixties, when it might level off slightly to a rate of 6 per cent per annum and further to 5 per cent in the seventies. In 20 years, consumption might be three and a half times today's level. A different price policy might produce different results on the pattern of demand, but on the basis of its present structure, BEA

THE ATOMIC PLAN

	Building		Power	Total Cost
	Starting	Completed	Megawatts	£ mn.
2 power stations	1957	1960-61	100-200	30-35
2 " "	1958-59	1963	100-200	30-35+
4 " "	1960	1963-64	combined rating of more than 1,000 megawatts	125
4 " "	1961-62	1965		
Building cost of 12 power stations	10 year programme		1,500-2,000	200
Uranium.....	10 years' supply		...	40
Ancillary equipment..	"		...	30
Prototype expenditure	"		...	30-40
Total cost of programme.....				300

might need almost to treble its existing installed capacity of 20,700 megawatts to 57,000 megawatts by 1975.

BEA has never yet managed to complete more than 1,500 megawatts of new capacity in any one year, but by the sixties it hopes to be bringing in up to 2,000 megawatts of capacity a year. BEA used 37 million tons of coal last year to feed its 20,700 megawatts capacity. Even assuming that the efficiency of all the stations can be raised to about 30 per cent, which is today's best standard, BEA would need the equivalent of 65 million tons

of coal a year for 1965 to meet the estimated demand for electricity, and possibly 100 million tons by 1975. Requirements could rise after that by between 4 and 5 million tons a year. It is difficult to see how this coal could be obtained, and alarming to contemplate what its cost might be. Oil provides an alternative fuel but on present standards an expensive one, and it is against this background that atomic power as suggested by the Atomic Energy Authority at a figure in the region of present coal generating costs at present coal prices becomes economically inviting.

Starting slowly and gaining momentum, the plan prepared for BEA by the Atomic Energy Authority provides for the installation of its first four atomic stations between 1957 and 1963, giving between 400 and 800 megawatts of atomic capacity out of a total capacity that will by that date be approaching 35-40,000 megawatts. But between 1960 and 1965, BEA will speed up atomic construction and put in hand 8 stations with a probable capacity of more than 1,000 megawatts. By the end of the first ten years BEA might therefore have 1,500 to 2,000 megawatts of atomic capacity and perhaps 35,000 to 38,000 megawatts of coal fired capacity. But by that time, assuming BEA is installing 2,000 megawatts of new plant every year, 25 per cent of the new plant would be atomic stations and they would all be base-load stations gradually building up to form the back-bone of the power supplies. The second decade, from 1965 to 1975, might see atomic capacity making up 10,000 to 15,000 megawatts, and coal fired stations, 42,000 to 47,000 megawatts of the 57,000 megawatts capacity that the country is estimated to need by that date. It is quite possible also that from the mid sixties or early seventies all the new power stations would be atomic. These figures suggest that the change to atomic power will be gradual, but since the atomic stations will all be base-load plants, they will in fact be supplying a higher proportion of the total power requirements than mere figures of capacity suggest.

Instead of rising steadily and insatiably, BEA's coal requirements might begin to level off to between 60 and 70 million tons a year during the sixties, and the 2,000 odd megawatts of atomic capacity installed would be producing roughly the same amount of electricity as 5 to 6 million tons of coal. These comparisons need not be regarded as too precise, in order to show that by the sixties and seventies BEA's difficulty may be, not to sell electricity or to build power stations, but to buy enough fuel to keep its turbines turning. The atomic fuels, uranium, plutonium and thorium, may well be more readily available at those dates than coal in Britain in the quantities required and may be no more costly to use. Other countries with a wider choice of fuels may want to look more closely at atomic costs. But to the Atomic Energy Authority in Britain must go the credit for drafting the world's first commercial atomic power project, and to BEA the credit for planning to put it through.

Judgment on the Comet

THE bid to put the Comet back in the air has begun. The government on the one hand and British Overseas Airways Corporation on the other have announced that the Comets will go back into service; modified and strengthened in accordance with the recommendations of the Court of Inquiry that investigated the disappearance of two Comets in succession over the Mediterranean early last year. The Minister of Transport and Civil Aviation, to whom the Court made its report, announced on Wednesday that the government fully accepted its recommendations and he gave some indication of what this decision would mean in practice. The first Comets, the only ones that went into service, cannot be modified and will be used for research. But the Comet IIs and IIIs can be brought up to the new standards suggested by the Court and BOAC is increasing its present combined order for the two types from 17 to 20.

It has taken just over a year to determine why the first jet airliner ever to go into passenger service, the Comet G-ALYP, ended its bright career in flames off the coast of Elba one Sunday morning in January, 1954. During that year not only the future of the Comet, but the future of all jet airliners has been *sub judice*. The Court of Inquiry that investigated this accident, and the subsequent disappearance of another Comet under closely similar circumstances in the following April, published its report last week-end. Until it did so, airlines and aircraft manufacturers could not tell whether, and under what limitations, civil jet flying might be resumed, nor whether the jet airliner was still a competitor for international air traffic.

★

The Court has accepted the evidence of Sir Arnold Hall, director of the Royal Aircraft Establishment, that the first crash, at least, was due to metal fatigue and in all probability, the second, too. On the future of the Comet, the Court has approved the steps that the de Havilland Aircraft Company, the manufacturers, and the Air Registration Board (which certified the Comet for passenger operation) have proposed to deal with fatigue risks. Evidence before the Court on measuring the strength of a pressure cabin and the stresses upon it led the chairman, Lord Justice Cohen, to say:

I may perhaps appropriately express the hope that this procedure will reassure the public as to the integrity of pressure cabins and will justify Sir Arnold Hall's confidence that the Comet aircraft will fly again.

The grounds for this confidence emerge from the body of the Court's report; the patient re-piecing of wreckage; the experiments, tests, measurements, and

deductions made by de Havillands during the construction of the Comet and by the Royal Aircraft Establishment during their post-mortem on it. The report crosses a virtually undefined scientific frontier, examining the behaviour of metals under stress, the nature of fatigue, and pressure differentials. The over-riding conclusion that emerges from this detailed analysis is that the Comet cabin was too highly stressed to have a long life. That is, the pressures exerted on the envelope were beyond the strength of the metal to carry them for long. At certain points, the metal skin was carrying loads as high as 70 per cent of its ultimate strength, and was thus especially vulnerable to fatigue. It was demonstrated in three ways:

(1) A Comet being fatigue tested in the water tank (to stimulate the effect of cycles of pressurising and de-pressurising) failed from fatigue after the equivalent of 9,000 hours flying.

(2) Experiments on other Comets showed that at the point where the failure first occurred (the corner of a cabin window) local stresses were very high. With such high stresses applied intermittently, fatigue failure would be rapid.

(3) Navy salvage vessels still in the Mediterranean when these inferences were being reached, were moved from areas where they had found most of the wreckage and given a course to trawl which, according to calculations, should yield the primary wreckage. The calculations proved to be right; the trawlers recovered a section from the top of the cabin. This had left scratches and traces over the other wreckage, demonstrating that it must have been the first to fail. It had split along two small windows—around which the structure was heavily stressed—and these splits showed signs of fatigue.

Any one of these demonstrations alone might not have proved conclusively that the failure of the Comet during flight was due to fatigue arising from local over-stressing. Taken together, they are difficult to disprove. There remains the second problem. How was this high stress concentration, with its invitation to early fatigue failure, allowed to occur? De Havillands were aware from the start that the danger points of the Comet cabin were its doors and windows. The Court's conclusion is that in the light of existing knowledge, when the aircraft were designed and built the de Havilland Aircraft Company had taken every precaution. They had tested and re-tested—and possibly over-tested—large sections of the Comet fuselage. The results of these tests suggested to them that the cabin would have a fatigue life of about ten years' flying. The Court offers explanations for the astonishing discrepancy between an estimated ten-year life and an actual failure after a year's flying. The Company's tests were not, as it turned out, truly representative of conditions in actual flight; but

the makers are not blamed for not making greater use of strain gauges, nor for believing that their static and fatigue tests gave a relevant assurance for actual flight.

Yet why did the fatal areas of heavy stress escape detection for so long, during the design and development of the aircraft and also during the detailed examination after the Comet crashed at Elba in January and before permission was given late in March to resume passenger services? The answer seems to be that the actual area under extreme stress was small, localised around rivet holes and similar points. Measurements taken by de Havilland in the window areas covered what the Court described as "a considerable distance" (it was a matter of 3 to 4 inches) and revealed a working stress of 28,000 lb per square inch. Strain gauge readings taken at one particular point by the Royal Aircraft Establishment gave a reading of 43,000 lb per square inch. It is perhaps difficult for any layman to appreciate just how much new knowledge of fatigue and stress problems has been brought to light only during the Comet investigations at Farnborough. The wide gap that has been opened up between what was known before about pressure cabins and the forces exerted on them, and what is known now leads the Court to clear the makers of any blame for the weakness of the Comet cabin.

★

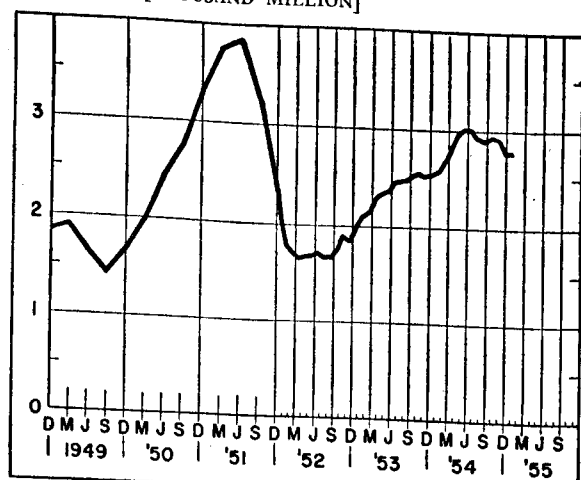
What is the conclusion for the future? The loads carried by pressurised cabins will have to be kept relatively low—that is, low in relation to the ultimate strength of the structure—if early fatigue troubles are to be avoided. Additional strength can be provided only at the expense of extra weight. Since the Comet investigations have shown that a small area of stress can lead to catastrophic failure, parallel tests on two complete airframes will be made before an airliner is granted its certificate of airworthiness. One will be a fatigue test to destruction on the lines of the water tank tests carried out on the Comet. The other will be a static test with detailed strain gauge readings; taken together, these tests should give a reliable picture of the strength of the cabin. Even so, they will not reproduce all the stresses that occur in flight; some conservative assumptions will still have to be made about these. On the fatigue tests alone there would be doubts about whether a single cabin was representative; the fatigue life of nominally identical structures can differ widely. Hence the importance of ensuring that no high stress concentrations are allowed to build up in parts of the cabin. It is stress that invites fatigue, and low stress is the greatest safeguard against failure through fatigue.

These conclusions apply to all highly pressurised aircraft, whether jet or turbo-prop, whether built in this country, or in the United States or in France. Water tanks are being assembled in California as well as at Farnborough. For the Comet in particular, they mean that window shapes must be altered; the placing of

rivet holes and "local stress raisers" must be assessed in a new light; heavier, stronger materials must be used for the cabin structure. These are de Havilland's own suggestions, approved by the Court. But the Court has gone further and suggests that the whole Comet control system should be reconsidered. Loads sufficient to break up a pressure cabin could be created by the action of the controls. The failure of the Comets may have been due to fatigue under load, but could a disastrous build-up of that load be helped by the action of the controls? There is no evidence to show that any such thing happened, but the Court was told of differences of opinion among pilots about the present control system, and of criticisms of the "lack of feel" of the controls made by one of the Indian assessors who conducted the inquiry into the Comet that crashed near Calcutta in 1953. The Court therefore concludes that a change in the control system is desirable. This recommendation will give rise to considerable relief among experts who have not been satisfied beyond all doubt that metal fatigue *per se* presented the complete explanation for the Comet disasters.

It now rests with the airlines and with the flying public to weigh the known risks with the known advantages of jet flying. By using the more powerful engines now available, it will be hoped that de Havillands can put Comet IIs and Comet IIIs into the air strengthened and heavier, but with their economic performance unimpaired, and their safety assured within all reasonable limits. Those Comet IIs that are being modified for the RAF will be delivered towards the end of this year. The airlines however may not want the same kind of aircraft, with the same range and payload for delivery in two or three years' time that they would have accepted last year, when Comet II services were originally scheduled to start. During the next few weeks, de Havillands will hold talks with the customers for the Comets; after these talks it will become clearer what form future Comet production will take.

GOLD AND DOLLAR RESERVES
US DOLLARS [THOUSAND MILLION]



Business Notes

Whitewash for Fighters

IT is difficult to reconcile the sorry record of disappointment and delays over aircraft delivery that is given in the White Paper (Cmd. 9388) jointly presented by the Ministers of Defence and Supply on the supply of military aircraft with the bland assertions of that same white paper that the RAF is not equipped with obsolete aircraft and that the country's air defences, far from being inadequate, are the best in the world at the present time. Statements of this kind, of questionable accuracy and impossible to substantiate, can only seem deliberately designed to lull the public into a wholly unjustifiable state of complacency; they are likely to frighten this country's allies a great deal more than its potential enemies. This is not the way to inspire confidence in the government's determination to press forward with a realistic defence policy. Whitewash simply will not stick on aircraft.

The two that have given the most concern, the Swift and the Hunter fighters, are on the way to becoming classic examples of how aircraft development should not be handled. Their arrival in squadron service has been so long delayed that, except for reasons of prestige, no one much minds whether in fact they ever do arrive. Strenuous efforts have been made to salvage the Swift aircraft because it would have been a useful stepping-stone to the introduction of guided missiles. This hardly seems good enough. Why should men and resources still be diverted to testing and further developing aircraft for which—to give one example—11 different designs of tail have been proposed?

The Hunter, which is going into service, is an elegant and beautiful aircraft likely to earn high praise from its pilots, but, like Ferdinand, it has shown no disposition to fight. Apart from the succession of mechanical troubles that prevent the firing of its guns (what use are its four 30 mm cannons, even though they may deliver ten times the fire of the MIG?), the Hunter's performance is not up to the standard originally demanded by the RAF. The white paper admits that there is still room for development, but the Hunter is virtually obsolete. It is doubtful whether a day fighter of this class, without radar and without guided missiles, can do a useful job in intercepting high flying jet bombers of the kind that constitute the most serious threat to this country. The aircraft and the missiles that will do this are on order, and unless they, too, run into troubles as severe as those that have handicapped the Hunter and the Swift—which would mean that none of the lessons of the past ten years have been learned—then the front-line life of these aircraft is at the best about three years. This is the net product of five years of development and lavish sums of money.

New Methods for Supply?

IF the Swift and the Hunter were the only examples of misdirected energies it might be possible to accept the white paper's explanation that the deliberate dropping of research into high-speed and swept-wing aircraft was the basic cause of their troubles. But one aircraft after another has run into difficulties; the Navy's strike aircraft, the Wyvern, is still unfit for service 10 years after work first began on it. The anti-submarine Gannet has been lamentably delayed and both these are relatively slow, straight-wing aircraft. The Canberra bomber is one of the few wholly successful postwar military aircraft; the Valiant may prove to be another but is not yet clear of development.

These experiences seem at last to have made some dents in the armour of complacency that is encountered just as frequently in the design offices of the aircraft industry as it is among the government's technical advisors. The development policy of the past ten years has been based on the conviction that this country can do by inspiration what in other countries is reached by basic hard work. The Swift and the Hunter were each intended to be a "jump ahead" of competing design; so was the Javelin which, in spite of the optimistic statements made about it in the white paper, shows disconcerting behaviour in the air. Their delivery record points the obvious moral.

The white paper hints that at last this lesson has been learned; that for the future, development will proceed by smaller steps. If this policy is faithfully followed, it should mean that an aircraft is more likely from the start to have its designed performance and will spend less time in teething troubles. Other steps, the promise of more research and the ordering of more prototypes to speed up testing, are largely administrative measures that, without a basic change of outlook, can alone do little to improve deliveries. There is, however, little evidence yet that this new policy is being put into practice. There is no visible stepping stone between the Hunter and the massive supersonic P.1 fighter that will replace it; what new fighters will fly this year under government sponsorship are likely to be even more advanced in their way than the P.1.

There is, moreover, no evidence of an intention to overhaul the government machinery for aircraft development. The obvious lesson of the white paper is that the system is even more in need of attention than the individual projects. There is no incentive under present arrangements to meet delivery dates and design specifications because there are no sanctions against manufacturers who fail to do so. An overhaul of Ministry of Supply methods and their responsibilities to other government departments on the one hand and to



"FIBERITE" Packing Cases in solid and corrugated fibreboard.

Imperial Tobacco's income comes from three sources and, fortunately, these can be traced with some precision in the

materials outside the group as well as inside it. Such profits are added to those earned from cigarettes and tobacco in the consolidated accounts. The increase in the consolidated trading profit from £21,024,368 to £22,633,318 points directly to bigger earnings by these subsidiaries. Lastly, there is the income that Imperial Tobacco Company receives from its investments, notably from its holding in the British American Tobacco Company. The increase in BAT's dividend last year is reflected in the expansion in "dividends and interest" from £3,004,243 to £3,618,810. After tax the group's net income went up by about £1.3 million; of this increase just over £300,000 more was paid out to ordinary stockholders.

The society at December 31 still had a small depreciation (£69,097) on its gilt-edged portfolio of £6.7 million whereas at the end of 1953 there was a depreciation in terms of market prices of £340,865 on a portfolio of £8.7 million. The depreciation had thus been nearly cleared off. What

is more significant is that the society seems to have foreseen the present fall in the gilt-edged market and provided against it. The holding of British Government stocks has

ABBEY NATIONAL RECORD
Years ended Dec. 31
(£ million)

	1953	1954
Shareholders' funds.....	151.2	181.2
Depositors' funds.....	20.1	21.3
Mortgage assets.....	156.4	180.7
Total assets.....	181.2	213.5
Liquid assets.....	23.5	31.4
Ratio liquid to total assets.....	13.0%	14.7%
Reserves.....	7.7	8.4
Ratio reserves to total assets.....	4.2%	3.9%

been cut from £8.7 million to £6.7 million while the holding of loans to local authorities, which are immune from market fluctuation because they are unquoted, has been built up from £9.6 million to £19.3 million—a shrewd investment change, that must be paying good dividends now.

Skirmish in Tea

A FREE market is a sensitive thing, constantly expressing in price the mood of the moment among buyers and sellers. To the tea buyer's own efforts to bring prices down have recently been added the campaign waged in Parliament and the press and the resistance of consumers. Last Wed-

nesday that pressure was for an hour or so strong enough to topple a market that had been weakening for some time.

Where the Money Goes

	s. d.
1 lb. of tea at Colombo auction this week.....	4 8½
Buying agent's commission	1 11½
Export duty.....	5
Freight and insurance to London, and handling charges.....	6
Blending and distribution, including blender's gross profit of 1d.....	1 0
Retailer's margin.....	8 7½
Total.....	8 7½

Present retail price 8 4*

* Retail prices are still below replacement costs of tea in Ceylon.

If the London market settles down at about the present level and prices in Calcutta and Colombo fall into line, it should be possible to avoid another increase in retail prices. The testing time still lies ahead, however—from April to August, when shipments from India are seasonally low.

Building Society Growth

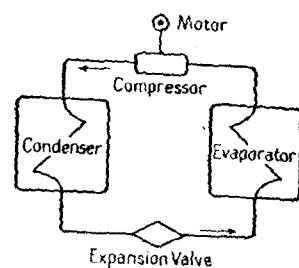
A GUESSING game has begun about the building societies' figures for last year. That they will show an outstanding increase over 1953 and all earlier years is not in doubt. The Building Societies Gazette suggests that a figure of £1,900 million for total assets (against £1,642 million in 1953) is not impossible. The Building Societies Associa-

Heat Pump in the Kitchen

ANY refrigerating mechanism works by taking in heat in a region of low temperature and giving it out in a region of higher temperature. A domestic refrigerator is concerned with the colder region, its storage compartment, not with the surrounding air that it makes slightly warmer. The essentially similar "heat pump" at the Royal Festival Hall is concerned in winter with the warmer region, the interior of the hall, not the River Thames that it makes slightly cooler (in such British summer months as require it, the system can be operated to cool the hall). A domestic heat pump that has now come on to the market makes use of both regions; it takes heat from the interior of the larder and from a refrigerated compartment within itself and delivers this heat into a 30-gallon storage water heater.

Most electric refrigerators work by compressing the "refrigerant," a volatile liquid, so that it condenses into a liquid and gives out heat in the warmer region, and then passing it through an expansion

valve into an evaporator that the compressor has been exhausting; the volatile liquid under very low pressure boils there, taking in latent heat from the cooler surrounding region within which this takes place; and then is sucked into the compressor to repeat the cycle. The



efficiency of the mechanism depends upon the amount of heat it can shift in this way and the amount of work—in this case electrical energy—that it expends in doing so.

Such heat pumps theoretically offer very high ratios of efficiency, depending upon the primary temperature at which

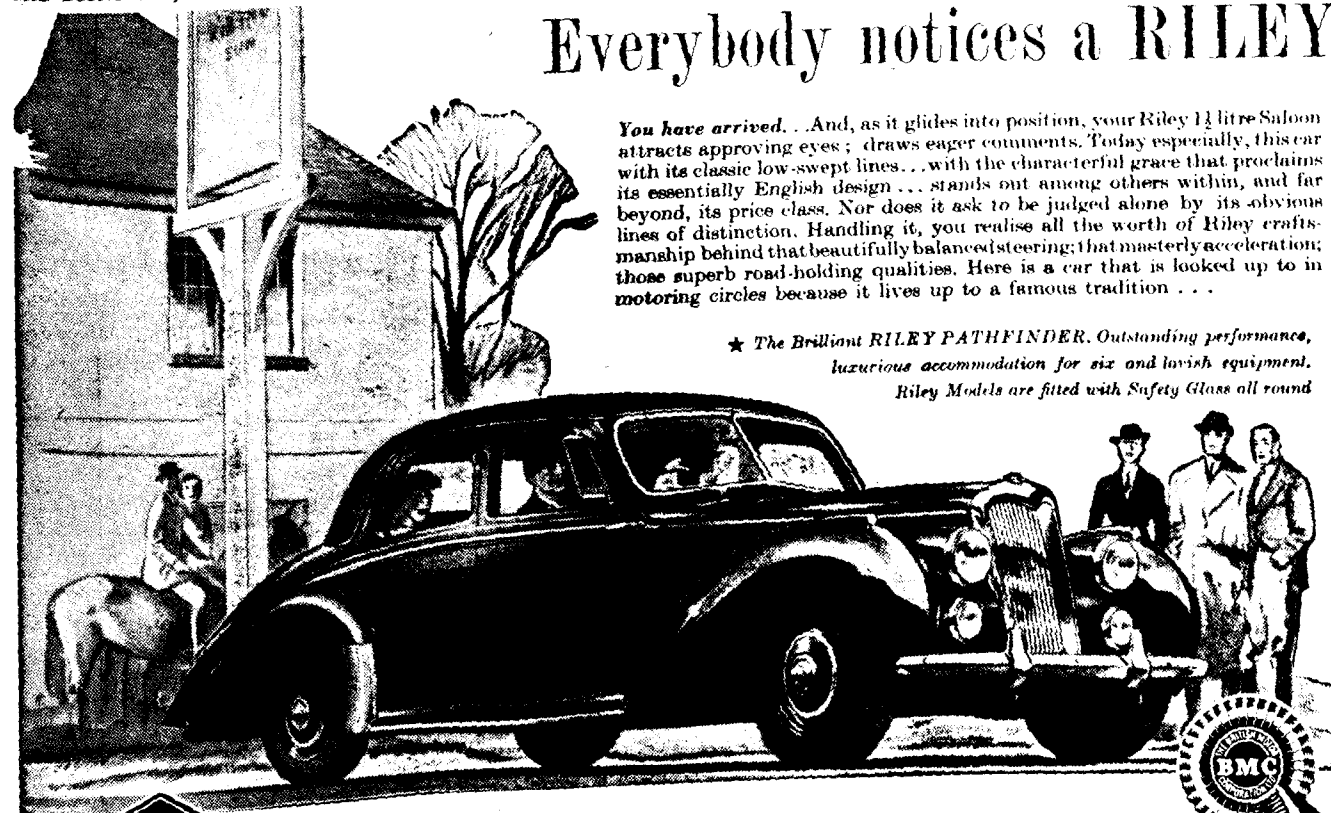
they are designed to operate; the domestic version now offered to British housewives, designed to operate at a comparatively low temperature, is still estimated to put into the water container twice the heat equivalent of the electrical energy that it consumes. Two British companies are known to have been experimenting with domestic apparatus based on the heat pump principle—Ferranti and a smaller London concern, Brentford Electric. The smaller company is now offering its own version through certain Electricity Boards; it is quoting an approximate price of £125 including purchase tax, and taking orders for three months' delivery. Ferranti's version is listed at about £141 including tax; this has been sold on a limited scale in the Manchester area.

This initial cost might roughly be compared with a small refrigerator, costing perhaps £60 with purchase tax, and a storage water heater, which costs £60-£70 including tax. The combined units in the heat pumps, according to their two makers, would have a running cost considerably lower than that of a normal storage heater alone.

Everybody notices a RILEY

You have arrived. . . And, as it glides into position, your Riley 1½ litre Saloon attracts approving eyes; draws eager comments. Today especially, this car with its classic low-swept lines . . . with the characterful grace that proclaims its essentially English design . . . stands out among others within, and far beyond, its price class. Nor does it ask to be judged alone by its obvious lines of distinction. Handling it, you realise all the worth of Riley craftsmanship behind that beautifully balanced steering; that masterly acceleration; those superb road-holding qualities. Here is a car that is looked up to in motoring circles because it lives up to a famous tradition . . .

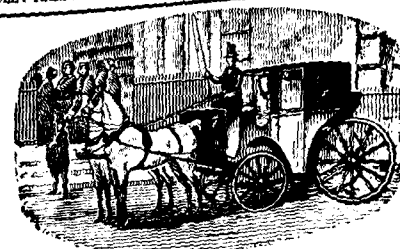
★ The Brilliant RILEY PATHFINDER. Outstanding performance, luxurious accommodation for six and lavish equipment. Riley Models are fitted with Safety Glass all round



FOR MAGNIFICENT MOTORING

RILEY MOTORS LIMITED, Sales Division, COWLEY, OXFORD

London Showrooms: RILEY CARS, 55-56 Pall Mall, S.W.1. Overseas Business: Nuffield Export Ltd., Oxford and 41 Piccadilly, London W.1.



An essential contribution to



the art of gracious living

PERFECTOS FINOS 50's 14/8 100's 28/4
PERFECTOS No. 2 60's 11/8 100's 23/4

JOHN PLAYER & SONS, BRANCH OF THE IMPERIAL TOBACCO CO. (OF GREAT BRITAIN & IRELAND), LTD. (INCORPORATED)

When the meal's
an occasion . . .



Make friends
with
Martell
CORDON BLEU

A fine liqueur brandy

tion in its new bulletin has also produced figures from the returns of its own members so far available. The figures are not totals either for the movement as a whole or even for the membership of the association. But they tend in the same direction as the Gazette's estimate. If the total assets at the end of 1954 bear the same relationship to the association's figure of £1,654 million as did the final 1953 figure of £1,642 million to their 1953 estimate of £1,405 million, total assets at the end of 1954 would not be far from £1,900 million and the growth of the movement's resources during 1954 in the region of 17 per cent.

The true growth for the movement as a whole in 1954 may be a little—but only a little—less impressive. That is partly because the association has been making efforts to expedite figures from its members and the proportion available this year may have improved, and partly because the figures for the Halifax Society are not yet available: with

(£ million)	1952	1953	1954
Shares and deposits received . . .	256	292	368
Shares and deposits withdrawn . .	163	170	196
Advances made	239	176	343
Advances repaid (incl. interest) . .	189	206	242
Cash and trustee securities	189	216	265
Combined assets	1,238	1,405	1,654

Source: Building Societies Association.
(Returns so far available from members.)

its lower rates the Halifax may have grown more slowly than the average. But though the finances of the movement are growing rapidly, they have nevertheless been fully employed; liquid assets have swelled only because bigger liquid assets were needed to support bigger mortgages. It is all the more surprising that there should currently be a move to extend the maximum length of mortgages. But current expectations are that one or two societies may follow the lead of the Co-operative in offering 35-year mortgages. Is that concession likely to be a good bargain for borrowers? Consider a mortgage of £1,000. On a 20-year basis with interest at 4½ per cent the monthly payment is £6 8s. 2d. If the 35-year option is taken the monthly cost drops to £4 15s. 5d. On the other hand the total repayment of interest and principal over 20 years is £1,537 and over 35 years £2,005. The borrower pays an extra £438 of interest on the longer loan.

A Lure to Savers

IT is recorded that in the early days of the productivity drive some Clydeside shipyards found it difficult to get apprentices to work overtime. The money was good, but the apprentices were reluctant. Then someone found the simple answer of separate pay packets for overtime. Mother did not see the second packet and the problem was resolved. A little of the same idea occurs in the present drive of the trustee savings banks. One of their plans for encouraging new savers is the "direct transfer" method. With the worker's consent a weekly deduction is made from his pay packet. It establishes a credit (usually once a

month) at the local Trustee bank and the pay packet says nothing about any deduction. In some parts of the country it is still the custom (which sounds peculiarly French) for pater familias to hand his pay packet unopened to his wife. Hence an undisclosed transfer to a bank would give him a nice little hidden reserve. How far does "direct transfer" build up real savings and how far secret spending money? At the Trustee savings banks conference this week it was reported that 25 per cent of these direct transfers is drawn out at once; another 25 per cent quickly, a third is short-term savings for holidays, and the last quarter looks like real long-term savings.

That intriguing exercise in the economics of family relations is not general nor necessarily laudable. And it is not the main source of the much better figures shown by the Trustee savings banks for the year ended November 11th last. Their total balances held for depositors rose by £55.7 million to £1,133.9 million at a time when deposits in the Post Office were still falling. Of the total increase only £2.2 million occurred in the ordinary department which pays 2½ per cent on deposits; £4.7 million occurred in the government stock department and £49.0 million occurred in the special investment department. In this department depositors are paid 2½/3 per cent, since here the Trustee savings banks are allowed a little more freedom of investment than in the ordinary department where the National Debt Office simply takes all the money and allows £2 17s. per cent on it—£2 10s. per cent for the depositor and 7s. for all the bank's expenses. Depositors who hold a respectable balance in the ordinary department move into the special investment department in fair numbers— attracted by the extra ½ per cent or ½ per cent.

Canadian Eagle Plans

CANADIAN EAGLE OIL COMPANY has announced a scheme for getting rid of its whole class of 854,770 participating preference shares by converting each of them into one and one-tenth ordinary shares. At the same time it is increasing its authorised capital to 40 million ordinary shares of no par value of which even after the scheme has gone through only 24,104,102 will be in issue. The market received the news without enthusiasm; it had hoped for a free scrip issue or a bid for this important oil shipping business from the Shell group which already holds 21 per cent of the equity, or at the least for an indication of an increased dividend. By Thursday Canadian Eagle bearer had dropped from Monday's price of 50s. 9d. to 44s. in a weak oil market.

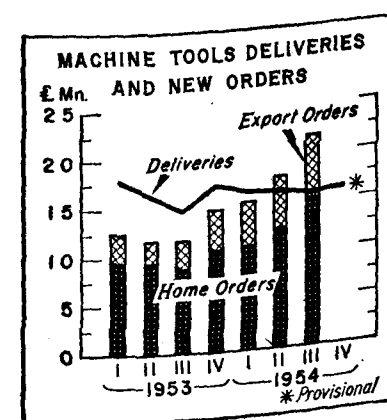
Sellers in the market seem to have missed the main point of the company's plan. It precludes neither a scrip issue nor an increased dividend. Nor does it promise either of those happy events. But if the company had such ideas in mind the present scheme would be a necessary preliminary. The company's articles are old and doubts have arisen as to the true nature of the participating rights. Those doubts would have to be resolved either if there were a capitalisation of reserves or a substantial increase in the dividend. The present rate of ordinary dividend is 1s. 6d. per share; the fixed preferential dividend of 23.88 cents is roughly 1s. 9d. per share. Since the company announces that

earnings for 1954 will show an increase, it is clear that the meaning of the participating rights might soon have had to be tested.

Only two solutions were possible, long and costly processes in the Canadian courts or a scheme for getting rid of the participating preference rights. The second alternative is chosen and the only question is whether it is fair to both classes. The ordinary shareholders suffer a slight dilution of their equity that may well be cheap at the price. The preference shareholders gain a great deal. They get a 10 per cent increase in their shareholding. They have the right to opt to receive bearer stock, for this is the first postwar occasion on which fresh bearer stock has been permitted to British residents. They also gain an increase in net income even assuming no increase in dividend. This arises from the fact that Canadian Eagle controls Eagle Oil Shipping Company. Tax relief is obtained on that part of the parent's earnings that stems from the already taxed earnings of the shipping subsidiary. Last year's ordinary dividend was subject to tax on 66 hundredths of its total amount but the fixed preferential dividend is fully taxed.

Investment in Machine Tools

THE upsurge of orders for new machine tools in the last half of 1954 indicates that private industry is at last beginning to invest more rather than talking about it; but these figures are at best only a rough guide to the future plans of industrialists. Chairmen's speeches, the steady volume of industrial borrowing in the new issue market, and the Board of Trade's statistics of new factory construction licences, are other pointers that suggest a general expansion of orders for new plant. One may regret the absence of a fuller survey of investment intentions—such as the Department of



Commerce issues in the United States—but, as the Treasury Bulletin for Industry remarks this week, these signs are encouraging.

Last year the machine tool industry produced about £64 million worth of tools and received about £80 million worth of new orders. In 1953 deliveries exceeded fresh orders by about £15 million; this was not entirely unwelcome at the time as it enabled the industry to pare its delivery dates nearer to those of its overseas competitors. Most of the improvement last year seems to have occurred in the second half of the year, when home orders were nearly half as much again as current deliveries. The industry, as a whole, now has about 15 months' work in hand. Most makers of general purpose tools claim to have work for up to six months or

more, whereas last summer they were delivering from stock. The specialist tool makers always had more work in their books; apparently some are now fully booked for two or three years ahead.

These figures include the £6 million or so Russian orders the industry secured last autumn for delivery between 1955 and 1957 (licences for £12 million were originally granted); but they do not include the large number of tools that the automobile industry will be needing in the next few years. It is a little early, perhaps, to doubt whether the industry will be able to meet its growing commitments. But it is still plagued, to a greater extent than any other producer of capital goods, by fears and bitter memories of surplus capacity in the thirties. Its reluctance to expand capacity faster than it has been doing is at present re-inforced by an extreme shortage of skilled workmen. And the opportunity for parcelling out contracts amongst other machinery makers with capacity to spare—the expensive and unsatisfactory device used for years for some defence orders—has now disappeared.

Cinderella Steps Out—In Furs

FOR several years the fur trade has been the Cinderella of the commodity markets. Apart from the ever-desirable and costly mink, raw furs have been only a little dearer than before the war, whereas prices of most commodities are some three times higher. The feminine public has preferred to spend its money on an ever-widening range of other durable goods, and in the major consuming country, the United States, demand has also suffered from changes in social habits. But there are signs that Cinderella is now stepping out to a brighter future. Sales of finished furs are improving, stocks are low and furriers are buying eagerly in anticipation of a still better season next autumn. Prices have risen in the last few months, and the first sales of the new season's furs in London, the centre of the world trade, have been remarkably buoyant. Continental countries, particularly Germany and France, have dominated the bidding, and prices are up to 50 per cent higher than in the autumn.

That sharp recovery does not merely reflect the improvement in sales of fur coats, nor the gradual return to fashion of fur trimmings, which were a major outlet before the war. The revival has come when stocks of raw furs are low and supplies of wild furs are declining; by the middle of last year prices of many furs had dropped to a level that drove trappers to seek other employment. Supplies of American musquash, for example, a staple item of the trade, are only about one-third of the amount caught last season, and in the Siberian forests other preoccupations appear to have been responsible for a decline in supplies from Russia. The better demand for furs in this country cannot be attributed to the reduction in purchase tax from 75 to 50 per cent, for the rise in prices has wiped that out. The main reasons, as in other countries, are greater prosperity and the turn of fashion's fickle wheel. It is too early to say that the fur trade has left all its problems behind, but the prospect is certainly for a firm market for some time.

Courage and Barclay

THE merger of two large London and Home Counties brewers—Barclay Perkins and Courage—occurs in the very area where beer sales have been badly hit and receipts disappointing. Last summer the two breweries arranged to sell each other's bottled beers through their houses; now they have "agreed in principle to the desirability of a merger by the formation of a holding company to acquire the share capitals." The details of the scheme are still being worked out. Both are family businesses and both have had similar profit records since the war. After the dismal decline in profits just after the war, their earnings in the last three years have been going up—but only slowly.

Other London brewers have sought other ways out; some have absorbed smaller firms, usually in the provinces; others again—Watney Combe Reid and Mann Crossman and Paulin are examples—have tried to foster the sale of their bottled beers outside the London area. The merger of two close competitors may thus be a straightforward riposte to these efforts of their rivals to expand trade. Economies can arise from such a merger. The cost of transporting beer can be reduced and some of the smaller brewing plants could be closed down. Potential economies might go even further. Would it not be economical to close some public houses in areas where both companies are well represented? And might it not be tempting for such a large concern—as will emerge from the merger—to think over the possibilities of selling its bottled beers over a wider area?

Refuge for the Market

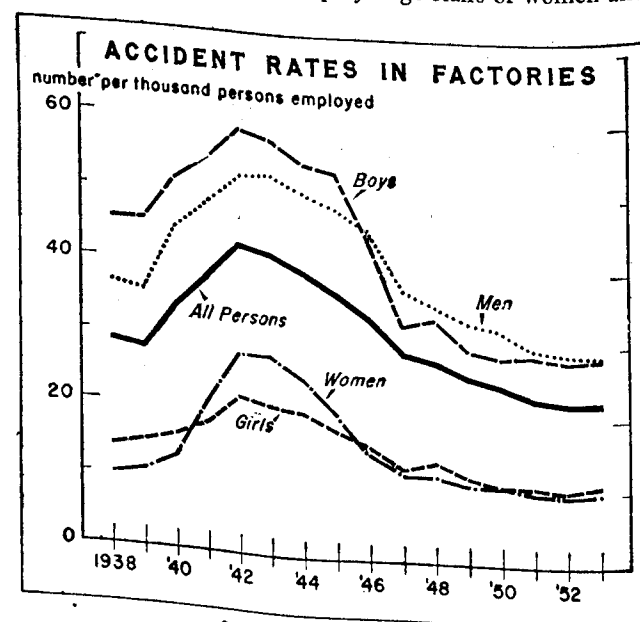
THE addition of a big and well-established insurance company to the list of quoted insurance shares is rare but welcome. The £1 "A" ordinary and 10s. "B" (non-voting) ordinary shares of Refuge Assurance company to be introduced on the Stock Exchange in April will be in that class. Few details of this marketing operation are yet available. It is clear that both classes of the Refuge capital will be "heavy" shares; the nominal capital, which will be £600,000 when the shares are introduced, is backed by assets that at the end of 1953 were already over £133 million. The company's business, particularly formidable in the North of England and in industrial life assurance, started in 1864 and is now deeply entrenched; its 500,000 ordinary life policies at the end of 1953 assured over £135 million; its eight million industrial policies assured over £175 million.

How will the market assess the Refuge shares amongst the other insurance equities? Industrial life assurance is not the most rapidly expanding branch of insurance, and it is the branch most open to political risk. But since 1953 the basis of the business has been broadened. The company then acquired the share capital of Federated Employers Insurance Association and its activities now include all branches of insurance except marine and aviation business. Much will depend at first on the detailed marketing arrangements. The families of the president, Mr J.

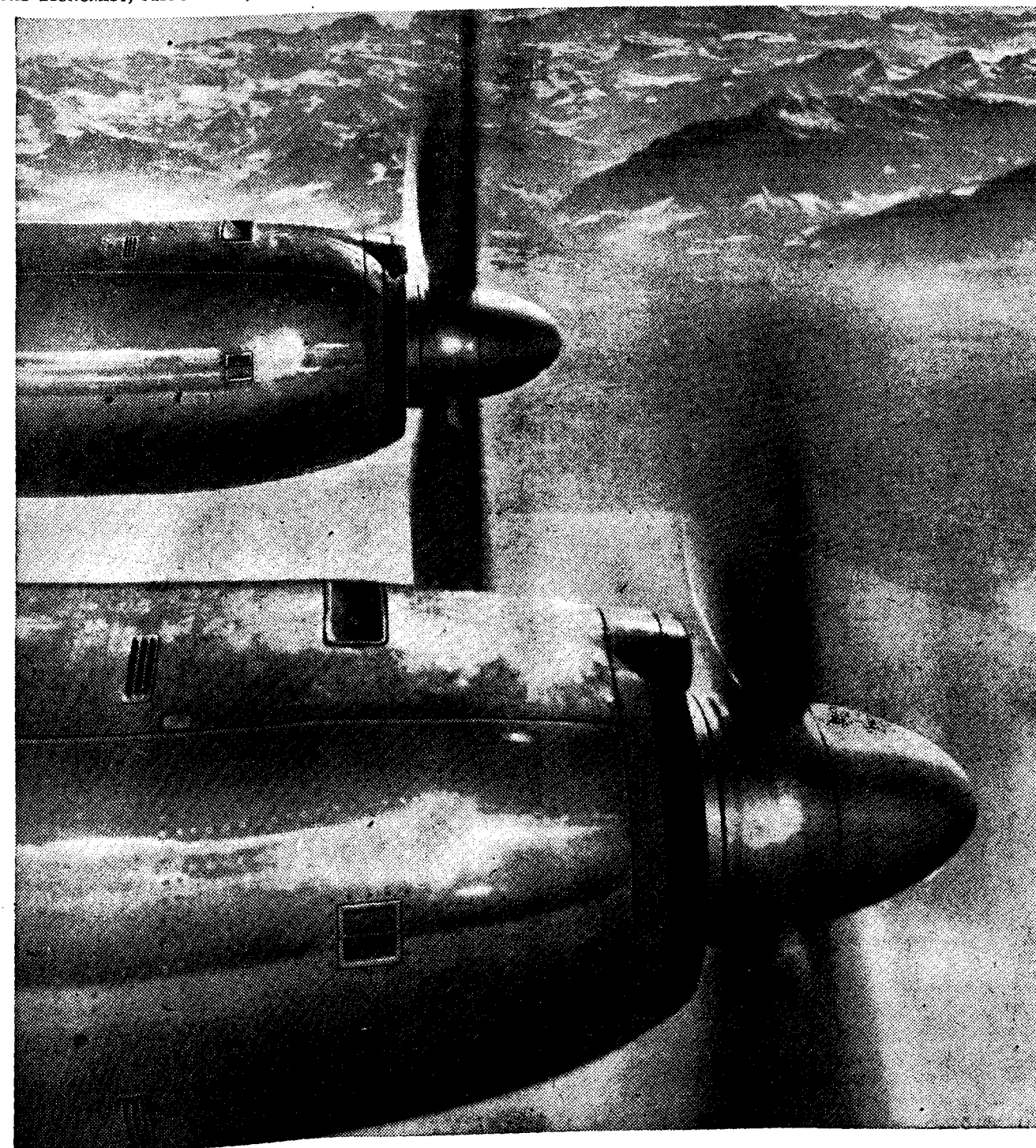
Wilcock Holgate, and the chairman, Mr William Proctor Smith, are believed to be large owners of the shares. If they agree to supply the market with sufficient shares to secure a free market, a good middle position in the insurance list—perhaps roughly equivalent to that occupied by Pearl Assurance, whose £1 shares offer a yield of about 4.7 per cent—seems justified.

More Accidents in Industry

IN 1953, for the first time since the war, there was a significant increase in the number of accidents in British industry; there were 181,637 during the year, an increase of just over 2 per cent. The trend, certainly, is still downward, and the 1953 figure was about 20 per cent lower than in 1938, though the total working population has grown very considerably. The accident rate per thousand workers in factories was only 22.7 for 1953, against about 30 in 1937. Broadly, therefore, work in British industry continues to grow safer; but some of the trends are disturbing. Since 1949, the accident rates for women and girls have shown little change, as against the steady reduction amongst men; in 1953, the number of accidents to girls went up by 6 per cent, almost entirely in the textile industries. Factories that employ large staffs of women and



girls, as the Chief Inspector of Factories, Sir George Barnet, says in his report on 1953, are often not among the industries conventionally considered dangerous; "possibly they feel that no great effort is called for (in accident prevention), or alternatively the psychological approach may be wrong." The Chief Inspector's point about psychological approach may indeed have a wider application. American managers visiting Britain often argue that here the emphasis is put upon preventing the worker from being injured, by guard rails or machine design: there the emphasis is on training the worker not to get hurt, and weeding out the accident-prone. How far this is true, and which approach is the better, are points on which opinions differ. But the sad recital in these yearly reports of cases where the expert



BP POWERS THE PLANES

BP MEANS POWER in the air; power both for turbo-props and piston-engined aircraft.

The BP Aviation Service provides the power for many well-known national airlines. Its green and yellow symbol stands for swift and efficient

service on airfields in places as far apart as Iceland and Fiji.

In the air, on land and at sea, BP products and BP research are speeding the pace of progress all over the world.

The BP Shield is the symbol of the world-wide organisation of



The British Petroleum Company Limited

(PREVIOUSLY ANGLO-IRANIAN OIL COMPANY, LIMITED)

whose products include BP Super Motor Spirit and BP Special Energol 'Visco-static' Motor Oil

THROUGHOUT THE WORLD... as in Britain



AUSTRALIA, vast homeland of 9,000,000 of our cousins, is the world's most abundant source of wool. Livestock raising, dairy farming, agriculture and mining — Australia's other great and ever-growing industries, steadily enrich a young progressive nation and contribute mightily to the strength of the Commonwealth.

National

ACCOUNTING & ADDING MACHINES put business on record...at less cost

COMPLETELY VERSATILE, — The *National* "CLASS 31" DIRECT-ENTRY ACCOUNTING MACHINE. INSTANTANEOUSLY ADAPTABLE to all phases of Commercial, Industrial and Financial accounting. PAY-ROLL and SALARY RECORDS ★ LEDGERS of EVERY KIND (with simultaneous analysis and completion of related records and documents) ★ STORES RECORDS ★ MATERIAL and STOCK CONTROL ★ COSTING and all varieties of special records for particular requirements.

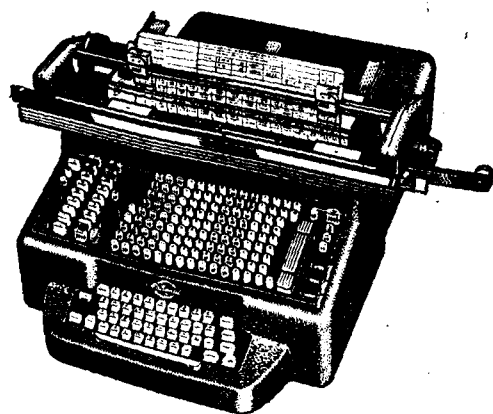


FOR SUPER SPEED AND ACCURACY over the entire range of listing and primary book-keeping operations; the "E.N." SERIES of NATIONAL ADDING MACHINES—in simplex and duplex versions, with and without wide platens and shuttle carriages. High, medium and low capacities.

THE NATIONAL CASH REGISTER COMPANY LTD.
LONDON, and all provincial business centres in Britain and throughout the world.



British Factories
at DUNDEE



worker habitually takes risks (so that sometimes it is the apprentice trying to emulate him who has the accident), or judges a guard or shield more hindrance than help, does raise some doubt whether the British approach, deriving as it does from a historical tradition of prevention in factory legislation, does put enough emphasis on the human element.

Cocoa Feels Its Way

IF traders in commodities knew what production and consumption would be their lives would be placid and prices more stable. But markets are often working in the dark, as the raw cocoa market is now. In London last month Accra cocoa for March/May shipment rose by £30 to about £410 a ton. The advance reflected troubles in the Far East, worsening crop prospects in West Africa and changes in the Brazilian exchange rates, which stimulated local demand for raw cocoa among makers of cocoa butter. This month prices have fallen back to a little below the average of recent months, with Accra cocoa for March/May shipment at about £372 a ton. That may have been nothing more than a normal reaction, but no one knows whether small crops in West Africa will be offset in Brazil and by a further fall in world consumption of cocoa beans. Assuming that the Brazilian crop proves to be a little above average, Gill and Duffus estimate that world production in 1954-55 will be some 730,000 tons, a fall of 25,000 tons from the previous year. World consumption is estimated to have fallen by 60,000 tons last year to 740,000 tons. Hence production and consumption may be just balanced, but it would be a fine, sensitive balance.

Navigational Aids in Ships

RECENT collisions between ships, one or both fitted with radar, came in for some sharp comment in the annual report of the Liverpool Underwriters' Association last week. A short time ago a collier, less than a year old and equipped

with every modern aid to navigation, ran ashore on a clear night in the Firth of Clyde. Surprise is often expressed that the advent of radar and other electronic aids to navigation have not done more to reduce marine casualties, and it may be asked whether shipowners are getting value for the considerable sums of money they expend on such equipment. Shipowners are businessmen, and the rate at which these navigational aids are being installed shows that they themselves are convinced of their value. This value shows itself not so much in a reduction in the number of accidents as in savings of time—and therefore of money—on successful voyages. More accurate navigation means a shorter distance run, while the ability to maintain safely a reasonable speed in fog brings an obvious saving of time. Where casualties do occur, it is usually found that undue reliance has been placed in equipment, and well-proved principles of seamanship ignored. As the name indicates, navigational aids are at best aids to navigation; they supply information, on which the seaman must judge the situation and take the necessary action. But though such incidents have perhaps been more numerous than might have been expected, the actual numbers have not been large, and they are likely to diminish as experience and training facilities improve.

SHORTER NOTES

The £1 ordinary stock units of Leyland Motors closed 5s. higher at 126s. 3d., after touching a new peak of 131s. 3d., on Wednesday on the news of a bigger dividend and a scrip issue. Following an increase in the trading profit in the year to September 30th from £2,997,498 to £3,135,383 and a proportionately bigger increase in net profits (from £771,297 to £1,056,311), the ordinary dividend has been raised from 25 to 30 per cent. And the directors propose to make a 200 per cent free scrip issue.

At the opening of the February series of wool sales in London on Wednesday, New Zealand crossbred wools were between 2½ and 5 per cent dearer than at the close of the January sale and in line with prices in New Zealand.

with £3,131,795, and much of that profit has been retained to help to finance the capital developments still under way.

Company Notes

RICHARD THOMAS AND BALDWIN. The biggest operation still facing the Iron and Steel Realisation Agency is the sales of the shares of Richard Thomas and Baldwins and the Steel Company of Wales. The agency has not yet decided whether to sell the two concerns as separate entities or as one large unit. Richard Thomas and Baldwins, one of the founder companies of Steel of Wales, hived off its shares in the latter company to the agency at the end of 1953. There would, therefore, be few financial complications in arranging two separate offers. But there are some grounds for arguing that the two companies should be merged and sold as one concern. RTB did pass over some of its tinplate and blackplate mills and land and

house properties to Steel of Wales. More important than this historical link is the fact that both concerns operate in the same geographical area and both produce similar products, principally sheet steel and tinplate. But it would require a monster operation to sell off the shares in the group that would emerge from such an amalgamation.

Whatever form the ultimate offer to the public takes, its chances will be improved and its timing expedited by the results that the two companies have just published. The preliminary statement from Richard Thomas and Baldwins for the year to October 2nd reveals a growth in profits, after depreciation but before tax, from £6,844,958 to £8,171,987. The net profit is returned at £4,037,202, compared

STEEL COMPANY OF WALES. The preliminary results from the Steel Company of Wales, as might be expected from a company just getting the feel of a newly built plant, show a much more spectacular expansion in earnings than that reported by Richard Thomas and Baldwins. In the same accounting period the gross profits of Steel of Wales shot up from £2,082,208 to £8,285,625. The net balance, after making a provision of £4,100,000 for a postponed tax liability, is returned at £4,085,625, compared with £582,208 in 1952-53. The dividend paid to the agency has been left unchanged at 4 per cent (requiring £372,592) and the remaining profits have been ploughed back to help to support the heavy capital costs.

Such results as these make the task of the agency easier. So does the prospect that profits earned by Steel of Wales and RTB are likely to be even higher in the current financial year. In 1952-53 the results of both companies were adversely affected by the recession in the tinplate industry. That recession is past, leaving behind it in South Wales a number of closed hand mills. Until new plants are completed the home producers cannot meet the demand for tinplate in full. And current production in the motor industry and its future plans suggest that the prospect for the two companies' other main product, sheet steel, is rosy. This year the two companies will have to finance the cost of imported tinplate (which costs more than home-produced but which is sold to British consumers at the same price). But the decision to import tinplate was a deliberate one, enabling the two companies to continue to export tinplate (which still commands a premium on its home price). Those premiums and the demand for tinplate, with that for sheet steel, in Britain should enable the two companies to bear any losses on imported tinplate and still show a further advance in earnings.

ENGLISH ELECTRIC. The effective increase in English Electric's ordinary dividend from 9½ to 12½ per cent, announced last month when the company made its offer for the ordinary stock of Vulcan Foundry and Robert Stephenson and Hawthorns, is shown in the group's preliminary statement to be backed by yet another advance in profits. The gross profit of the group increased last year from £6,042,380 to £6,928,957. As the total provision for tax actually fell (thanks, presumably, to the demise of EPL, which absorbed £560,000 in 1953) from £3,226,023 to £3,041,462, the group's net earnings increased more than proportionately to the growth in trading profits. At £2,098,609, net profits cover

the higher dividend as comfortably as earnings in 1953 covered the previous dividend.

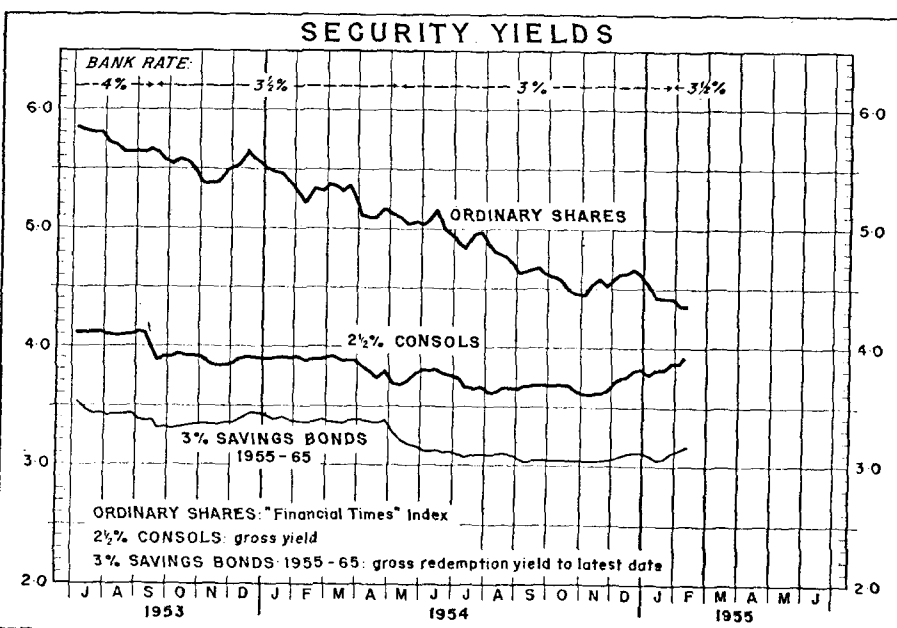
The £1 ordinary stock units of English Electric easily secure a place in the "blue-chip" range of industrial equities. Nor, to judge by the current yield of 3½ per

	End-December, 1953	1954
Consolidated earnings :-		
Gross profit.....	6,042,380	6,928,957
Depreciation.....	1,262,460	1,557,676
Taxation.....	3,226,023	3,041,462
Net profit.....	1,546,995	2,098,609
Ordinary dividends.....	535,233	729,863
£1 ordinary stock at 68s. 9d. yields £3 13s. per cent.		

cent, do investors believe that the company has come to the end of its growth. The broad basis of the group, whose products range from the smaller electric capital goods through aircraft to the biggest generating plants, justifies the high standing of these stocks.

★

INVERESK PAPER. Higher profits and bigger dividends have been generally expected from the paper-making companies, and paper shares have been in the van of the Stock Exchange boom. To judge by the latest results of Inveresk Paper, those hopes have been more than fulfilled. Investors had looked for a tax-free dividend of 10 per cent, compared with the equivalent of 6½ per cent in 1952-53, and that is what they will receive for the year to September 30th last. At the current price of 16s. 9d. the 4s. shares yield 4½ per cent on the new dividend and there are already some who hope that the 100 free scrip issue made a year ago will be followed by another. Bigger profits from Inveresk were a certainty, but the size of the increase is staggering. Before depreciation and tax, the group's profit has rocketed from £2,103,443 to £4,127,190 and the net profit has risen from £621,260 to £1,319,905. The new ordinary dividend is covered about six times by net earnings.



LONDON STOCK EXCHANGE

Next Account begins: March 2nd
Next Contango Day: March 2nd
Next Settlement Day: February 22nd

RENEWED fears of dearer money and the Chancellor's warnings about overseas trade depressed the stock market this week. The sharp decline in gilt-edged prices set the fashion, and by the close on Wednesday the *Financial Times* Government Securities index was down to 99.63, compared with 101.14 just before the weekend. In the same period the *Financial Times* ordinary share index dropped from 196.5 to 192.1. Selling was not aggressive in the Funds, but there were some small sales and as buyers were holding off prices moved steadily downwards. That tendency persisted on Thursday after the announcement of an unchanged Bank rate. End-account sales lowered the price of Japanese and German issues in the foreign market but when the new account opened the German issues steadied and Japanese bonds, on a renewal of support from the Continent, rallied quite strongly.

Industrial equities, which had staged a rally just before the weekend, fell back in line with the Funds. No sector of the industrial market managed to withstand this fall in values. The biggest losses were reported in the store and motor groups. Selling was not substantial but there were few, if any, buyers in the market. The only equities to move against the trend were those, such as "Imps," Leyland and Inveresk Paper, that were cheered up by good preliminary reports.

Oil shares were weak along with the rest of the industrial market, and even Canadian Eagle, which had been marked up at first on the capitalisation proposals, could not stand out against this trend. Tea shares were dull and prices were more or less nominal on the fall in the price of the commodity. Rubber shares were generally dull though the actual losses were small. Diamond shares were unsettled and then moved rather erratically on reports of successful synthetic diamond experiments in the United States. Kaffirs were dull at first in the face of end-account selling but rallied strongly, led by Free State Geduld, when the new account opened.

FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.★	Fixed Int.†	2½% Cons.	Ord.
Feb. 9...	193.8	112.91	3.93	4.40
" 10...	195.7	112.95	3.91	4.36
" 11...	196.5	112.88	3.91	4.34
" 14...	195.5	112.50	3.94	4.36
" 15...	193.5	112.14	3.98	4.41
" 16...	192.1	111.36	4.03	4.45
1955, High.	197.5	115.97		
" Low.	184.2	111.36		
1954, High.	184.0	118.10		
" Low.	131.1	111.78		
Total bargains 1955				
Feb. 9			12,613	
" 10			11,900	
" 11			12,084	
" 14			16,422	
" 15			13,220	
" 16			13,485	

★ July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1955 Jan. 1 to Feb. 16		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Feb. 9, 1955	Price, Feb. 16, 1955	Net Yield, Feb. 16, 1955 £ s. d.	Gross Yield, Feb. 16, 1955 £ s. d.	Prices, 1955 Jan. 1 to Feb. 16		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Feb. 9, 1955	Price, Feb. 16, 1955	Yield, Feb. 16, 1955 £ s. d.
High	Low							High	Low						
97½	97½	Exchequer 2% 1960	97½	97½	97½	1 13 6	2 11 10	42/9	35/9	15 c	17½	17½	41/6	42/-	4 3 4
99½	97½	Exchequer 2½% '63-64	98	97½	97½	1 14 3	2 17 10	13/10	10/-	415 c	3½	3½	13/-	13/6	5 9 7
104½	101½	Exchequer 3% 1960	101½*	101½	101½	1 6 1	2 12 7	28/10	27/9	10 b	3½	3½	28/9	27/6	...
102½	101½	Exchequer 3½% '62-63	101½	101½	101½	1 10 11	2 18 5	27/11	24/11	...	8	8	26/9	26/-	6 3 1
100½	99½	Serial Funding 2½% 1957	99½	99½	99½	1 7 6	2 9 10	74/3	66/4	10 b	5	5	73/3	73/3	4 1 11
100½	100½	Serial Funding 3% 1955	100½	100½	100½	0 13 1	2 9 7	50/3	43/10	10 b	12½	12½	48/6	49/-	5 2 0
100½	99½	War Bonds 2½% '54-56	100½	99½	99½	1 9 2	2 11 10	31/7	29/21	3 a	6½	6½	30/9	30/9	5 17 10
100½	100½	Funding 2½% '52-57	100½	100½	100½	1 6 5	2 13 1	32/6	29/-	4 a	6	6	31/9	32/3	6 4 0
100½	100½	War Loan 3% '55-59	100½	100½	100½	1 9 10	2 18 10	43/10	38/9	15 c	2½	2½	43/9	43/3	3 9 4
98½	98½	Savings Bonds 3% '55-65	98½*	98½	98½	1 16 9	3 4 0								
97½	97½	Funding 2½% '56-61	99½	98½	98½	1 13 10	2 18 0	30/4	28/4	15 c	4	4	29/-	28/6	7 0 4
97	93½	Funding 3% '59-69	94½	93½	93½	2 4 9	3 13 9	33/4	28/11	12 b	3	3	31/6	30/6	5 18 0
98½	94½	Funding 3½% '66-68	95½	94½	94½	2 2 2	3 10 2	29/6	25/7½	10 b	2½	2½	27/-	26/-	5 15 5
95½	91½	Funding 3½% 1999-2004	92½	91½	91½	2 4 3	3 18 0	43/6	39/-	4½	4	4	41/6	39/6	4 1 0
103½	102	Funding 4% '60-90	102½	102	102	1 18 7	3 16 7	32/6	29/9	10 b	7½	7½	31/3	30/6	8 3 11
96½	91½	Savings Bonds 3% '60-70	92½*	91½*	91½*	2 6 7	3 15 0	36/0	30/-	15 b	2½	2½	32/6	31/-	6 9 0
95½	91½	Savings Bonds 2½% '64-67	92½	91½	91½	2 4 9	3 9 3								
105½	101	Victory 4% '20-76	101½*	101½	101½	2 1 10	3 17 5	20/10	19/-	6½	3½	20/4	20/6	4 17 7	
94½	89½	Savings Bonds 3% '65-75	90½	89½	89½	2 6 5	3 15 5	12/9	10/6	4 a	8½	8½	12/-	11/9	5 6 4
97½	94½	Consols 4% aft. Feb. '51	95½	94½	94½	2 6 10	4 5 2	27/3	21/10	7½	7½	25/3	26/9	5 12 2	
89½	84½	Conv. 3½% aft. April '61	86	84½	84½	2 5 10	4 3 11	90/6	79/-	12 c	5	5	88/3	88/9	2 14 1
103	98½	Conv. 3½% 1969	99½*	98½*	98½*	2 0 3	3 11 10	57/6	46/3	3 a	7½	7½	55/6	54/9	3 16 8
99½	98½	Conv. 2% 1958-59	98½	98½	98½	1 11 6	2 10 2	131/-	100/6	25 c	30	30	120/-	126/3	4 15 1
66½	62½	Treas. 2½% aft. April '75	63½	62½	62½	2 4 7	4 1 7	88/6	78/11	12½	5	5	85/-	86/3	2 14 0
78½	73½	Treas. 3% aft. April '65	75	73½	73½	2 5 1	4 2 7	8/-	7/2½	12 c	12	12	7/6	7/6	8 0 0
98½	94½	Treas. 3½% '77-80	95½	94½	94½	2 4 10	3 18 0								
99½	94½	Treas. 3½% '79-81	95*	94½	94½	2 4 6	3 17 3	32/6	28/7½	22½	10	10	30/6	28/9	3 18 3
88½	83½	Redemption 3% '86-96	85	83½	83½	2 5 7	3 16 10	45/3	41/-	7½	20	20	44/-	43/9	6 5 9
88½	83½	War L'n 3½% aft. Dec. '52	85	83½	83½	2 6 2	4 4 3	62/6	57/3	45 b	15	15	57/6	59/3	3 3 4
66½	62½	Consols 2½%	63½	62½	62½	2 4 5	4 0 10	114/-	107/9	17½	5	5	112/6	112/6	4 0 0
94½	91	Br. Elec. 3% '68-73	91½	91½	91½	2 5 11	3 15 5	76/-	67/7½	45 b	15	15	70/-	67/6	2 15 7
93½	88½	Br. Elec. 3% '74-77	89½*	88½*	88½*	2 5 11	3 14 9	71/9	60/6	20 a	36½	36½	62/-	60/6	4 2 8
109½	104½	Br. Elec. 4½% '74-79	106½	104½	104½	2 1 4	3 18 4								
98½	95	Br. Elec. 3½% '76-79	96½	95	95	2 4 4	3 17 6	88/9	80/9	37½	5	5	81/3	81/3	2 1 9
88½	84½	Br. Trans. 3% '78-83	84½	84	84	2 7 1	3 17 7	138/-	122/2½	17½	7½	7½	124/4	122/6	2 17 1
94½	91½	Br. Trans. 3% '68-73	91½	91½	91½	2 5 11	3 15 5	75/4	65/4	12 b	6	6	45/3	45/3	2 7 3
105½	101½	Br. Trans. 4% '72-77	102½	101½	101½	2 2 2	3 18 3	132/-	119/8	10½	5½	5½	126/3	123/1	3 13 9
88½	84½	Br. Gas 3% '90-95	85	84½	84½	2 5 4	3 16 3	35/11	30/9	5½	15½	15½	33/6	32/6	5 11 10
102½	98	Br. Gas 3½% '69-71	98½*	98*	98*	2 1 3	3 12 11								
105½	102½	Br. Gas 4% '69-72	102½	102½	102½	2 0 9	3 16 5	37/3	32/3	16 c	5	5	34/6	34/6	5 11 4
								57/-	46/9	12 c	12	12	53/6	53/6	4 9 9

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

Prices, 1954		Prices, 1955 Jan. 1 to Feb. 16		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Feb. 9, 1955	Price, Feb. 16, 1955	Yield, Feb. 16, 1955
High	Low	High	Low					
97½	90½	94½	92	Aust. 3½% '65-69	93	93	3 18 1	1/9
101½	97½	101½	99½	Ceylon 4% '73-75	100½	99½	4 0 9	61/9
106½	98½	103½	101½	N. Zealand 4% '76-78	102½	101½	3 17 6	45/4
79½	71½	75½	70	L.C.C. 3% alt. 1920	72½	70	4 5 1	61/3
99½	95	99	96½	Liverpool 3½% '54-64	97½	96½	3 9 3	118/3
87½	80½	84	78½	M. W. Tr. 'B' 3% '34-2003	80½	79½	3 19 0	69/-
104½	100	102	100	Agric. Mort. 5% '59-89	100½	100	5 0 0	34/9
109½	71½	102½	91	German 7%	95½	95½		86/3
168½	102	164	149	German 5½%	151½	153½		85/9
170½	132½	164	160	Japan 5% 1907	161½	161½		114/9
198½	167	194½	190½	Japan 5½% Conv. 1930	192	191		82/-

Prices, 1955 Jan. 1 to Feb. 16		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Feb. 9, 1955	Price, Feb. 16, 1955	Yield, Feb. 16, 1955
High	Low						
BANKS & DISCOUNT							
58/6	48/9	5 a	7 b	Barclays £1	58/-	57/6	4 3 6
76/7½	66/-	7 a	8 b	Lloyds 'A' £5, £1 pd.	68/-	68/6	4 7 7
89/3	84/-	8 a	10 b	Midland £1, fully pd.	85/6	85/6	4 4 3
87/-	80/6	8½ a	9½ b	N. Prov. 'B' £5, £1 pd.	83/-*	84/-	4 5 9
96/10½	89/7½	8 a	8 b	Westmstr 'B' £4, £1 pd.	90/6	90/-	4 8 11
69/-	57/3	7½ a	8½ b	Alexanders £1	58/6	57/6	4 6 11
58/6	51/9	5 a	7 b	Nat. Disc. 'B' £1	55/6	55/6	4 6 6
60/-	53/-	5 a	7½ b	Union Disc. £1	58/-*	59/-	4 4 9
48/10½	44/-	4 a	4 b	Barc. (D.C.O.) £1	47/6	46/6	3 8 10
51/9	46/6	7 b	7½ a	Chart. Bk. of India £1	50/6	49/6	5 17 2
INSURANCE							
17 1/8	15	50 a	85 b	Leg. & Gen. £1, 5/- pd.	16½	15½	2 3 7
23½	21½	40½ b	20½ a	Pearl £1, fully pd.	23	21½	4 19 9
46½	42½	105½ c	112½ c	Prudential 'A' £1	46	44½	4 11 11
BREWeries, ETC.							
141/-	132/-	10 a	33 b	Bass £1	139/4½	139/4½	6 2 11
29/0½	26/2½	25 c	10 a	Distillers 4/-	26/9	26/6	3 15 6
49/6	42/6	8 a	15 b	Guinness 10/-	48/-	47/6	4 16 10
93/9	90/-	15½ b	7 a	Whitbread 'A' Ord. £1	92/6	91/3	4 19 4

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	Feb. 5th	Western Europe: Production and Trade.....	Feb. 5th
Production and Consumption	Feb. 12th	British Commonwealth	Feb. 12th
Manpower.....	This week	Western Europe: Prices and Money Supply	This week
External Trade.....	Jan. 29th	United States	Jan. 29th
Financial Statistics.....	This week		
Industrial Profits.....	Jan. 15th		
World Trade.....	Jan. 15th		

Manpower in Great Britain

	Unit	Monthly averages			1953			1954			1955
		1952	1953	1954	Nov.	Dec.	Jan.	Oct.	Nov.	Dec.	Jan.
TOTAL MANPOWER⁽¹⁾											
Working population :											
Total	'000s	23,294	23,373	23,667	23,633	23,549	23,583	23,861	23,910	23,818	...
Men	"	15,864	15,883	15,974	15,968	15,949	15,980	16,044	16,054	16,050	...
Women	"	7,430	7,490	7,693	7,665	7,600	7,603	7,817	7,856	7,768	...
Armed Forces											
	"	872	865	839	857	850	847	834	836	832	...
Civil employment :											
Total	"	22,119	22,238	22,604	22,458	22,363	22,375	22,773	22,818	22,714	...
Agriculture, forestry and fishing	"	1,112	1,087	1,074	1,052	1,043	1,043	1,049	1,029	1,022	...
Mining and quarrying	"	875	877	867	865	866	868	864	864	865	...
Building and contracting	"	1,435	1,437	1,453	1,444	1,419	1,415	1,457	1,449	1,438	...
Distributive trades	"	2,616	2,664	2,743	2,755	2,725	2,712	2,786	2,833	2,802	...
Public administration	"	1,336	1,320	1,326	1,320	1,320	1,320	1,317	1,316	1,311	...
Manufacturing industries	"	8,626	8,746	8,976	8,935	8,913	8,931	9,162	9,201	9,171	...
CHANGES IN EMPLOYMENT⁽¹⁾											
Year or decrease since June, 1950 :											
Employees in engineering ⁽²⁾	"	+ 212	+ 213	+ 343	+ 292	+ 295	+ 309	+ 435	+ 461	...	...
" " consumer goods industries ⁽³⁾	"	- 126	- 8	+ 67	+ 78	+ 56	+ 60	+ 126	+ 133	...	...
UNEMPLOYMENT											
By duration :											
All durations—total	"	414.2	342.0	284.8	322.7	321.8	372.8	253.9	263.1	256.3	297.8
" " —men	"	227.8	218.2	184.4	203.6	207.5	244.9	159.6	165.9	163.3	194.7
" " —women	"	186.4	123.8	100.4	119.1	114.3	127.9	94.3	97.2	93.0	103.2
Temporary or under 2 weeks—men	"	87.8	68.8	58.0	62.0	62.6	82.5	55.9	52.4	50.1	70.8
" " —women	"	94.7	44.0	36.5	41.4	35.6	49.5	38.9	36.3	32.1	44.6
Over 8 weeks—men	"	85.9	96.7	81.7	86.2	89.4	96.7	64.3	69.3	70.9	74.4
" " —women	"	50.2	46.3	37.1	40.4	42.4	47.9	27.9	31.1	32.2	35.3
By industry⁽⁴⁾ :											
Textiles	%	8.6	1.4	0.9	0.9	0.8	1.0	0.9	0.9	0.9	1.1
Clothing	"	2.9	1.3	1.3	1.5	1.5	1.7	1.0	1.2	1.2	1.3
Vehicles	"	0.7	0.8	0.5	0.6	0.6	0.7	0.4	0.4	0.4	0.4
Engineering, etc.	"	1.4	1.4	1.1	1.2	1.3	1.3	1.1	1.0	0.9	1.0
Coal-mining	"	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.1	0.1
Distributive trades	"	1.5	1.5	1.3	1.4	1.3	1.6	1.1	1.1	1.0	1.3
By regions⁽⁵⁾ :											
Great Britain	"	2.0	1.6	1.3	1.5	1.5	1.8	1.2	1.2	1.2	1.4
London and South Eastern	"	1.3	1.2	1.0	1.2	1.2	1.4	0.8	0.9	0.8	1.1
Eastern	"	1.3	1.3	1.2	1.2	1.2	1.6	1.0	1.0	1.0	1.1
Southern	"	1.4	1.4	1.1	1.5	1.4	1.5	1.1	1.1	1.1	1.1
South Western	"	1.5	1.6	1.5	1.8	1.7	1.9	1.3	1.5	1.6	1.7
Midland	"	0.9	1.1	0.6	0.7	0.7	1.9	1.3	1.5	1.6	1.7
North Midland	"	1.0	0.7	0.6	0.7	0.7	0.8	0.5	0.5	0.5	0.7
East and West Ridings	"	1.9	1.2	0.9	0.6	0.6	0.7	0.5	0.5	0.5	0.7
North Western	"	3.6	2.1	1.5	1.1	1.1	1.3	0.8	0.8	0.8	1.0
Northern	"	2.6	2.4	2.2	1.8	1.7	1.9	1.3	1.3	1.3	1.4
Scotland	"	3.3	3.1	2.2	2.4	2.4	2.8	2.0	2.1	2.0	2.2
Wales	"	2.9	3.0	2.5	2.9	3.0	3.4	2.4	2.6	2.7	3.0
VACANCIES											
Unfilled vacancies notified to Employment Exchanges :											
Total	'000s	230	270	...	272	270	261	340	333	...	...
Men	"	151	147	...	150	147	140	193	189	...	...
Women	"	99	123	...	122	123	121	147	144	...	...
DISPUTES⁽⁶⁾											
Workers involved											
Working days lost :	"	35	114	37	39	1,098	47	101	39	32	...
Total	"	149	182	206	94	1,134	128	1,114	302	82	...
Mining and quarrying	"	55	33	39	43	24	39	41	47	22	...
Engineering, etc.	"	66	127	62	25	1,068	14	256	223	35	...
Other industries and services	"	28	22	105	26	42	75	817	32	25	...

(1) Annual figures are for June of each year.

(1) Annual figures are for June of each year. (2) Engineering, shipbuilding and electrical goods, vehicles, metal goods, precision instruments and as unemployed expressed as a percentage of the estimated number of employees. (3) United Kingdom. (4) Number registered in the industry. (5) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (6) 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. (7) 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. (8) Notes only for France and Austria. (9) Holdings of the government and central bank at end of period; figures for Greece are gold reserves only. (10) Beginning May, 1954, a new drachma equal to 1,000 old drachmas was introduced.

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	51	0.4	43	2	36	55	52	21
1953	239	107	134	155	111	173	129	96	134	152	139	107
1954	250	...	134	152	...	194	...	...	...	155	139	...
1954, August	254	105	135	152	109	192	126	97	134	156	138	118
" September	253	105	134	151	110	194	126	97	134	156	138	117
" October	254	105	133	150	110	199	127	97	136	154	138	117
" November	258	106	136	151	110	199	...	98	...	154	139	...
" December	258	...	136	151	...	200	...	...	...	155	140	...
COST OF LIVING ⁽¹⁾ (1948 = 100)												
1938	31	27	60	6	64	0.4	55	2	49	63	65	29
1953	210	106	123	144	108	160	126	117	129	136	130	112
1954	215	107	124	143	...	184	126	...	...	...	...	...
1954, August	216	108	...	142	108	185	127	121	137	145	131	123
" September	217	107	...	143	108	186	...	121	137	144	131	122
" October	217	107	125	143	109	185	...	121	138	143	131	122
" November	218	107	...	144	110	187	127	...	...	143	131	123
" December	218	107	...	145	...	188	...	...	...	...	...	...
IMPORT PRICES ⁽²⁾ (1948 = 100)												
1938	...	27	40	7	39	...	39	2	24	32	45	21
1952	250	116	131	186	121	...	129	108	132	132	152	91
1953	270	110	118	168	106	...	121	99	117	125	140	89
1954, July	262	102	115	166	104	...	125	98	112	120	138	84
" August	260	105			103	...	126	98	111	119		84
" September	251	104	...	...	104	...	126	97	109	119	...	101
" October	243	101	...	...	101	...	124	...	111	122	...	87
" November	245	...	...	...	103	...	126	...	...	...	...	...
EXPORT PRICES ⁽²⁾ (1948 = 100)												
1938	...	25	40	6	51	...	37	2	25	32	42	24
1952	263	120	115	157	131	...	126	103	117	137	153	122
1953	239	101	110	147	123	...	127	99	104	119	134	110
1954, July	237	90	107	138	118	...	127	101	97	122	133	106
" August	239	88			118	...	127	101	98	121		104
" September	239	91	...	...	117	...	126	100	97	115	...	98
" October	236	91	...	...	117	...	125	...	98	123	...	105
" November	233	94	...	...	117	...	125	...	...	...	...	...
CURRENCY IN CIRCULATION ⁽³⁾												
End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. ₺T.
1938	...	23.6	425	112	...	...	18.2	19	1,048	455	1.04	213
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	...	...	...	...	...	...	72.2	...	...	...	...	1,509
1954, August	10.95	105.6	1,812	2,401	12.08	3.47*	70.8	1,385	3,466	3,013	4.58	1,517
" September	11.03	105.2	1,837	2,444	12.37	3.61*	71.3	1,402	3,493	2,993	4.67	1,548
" October	11.30	...	1,880	...	...	3.58*	73.1	1,390	3,553	3,031	4.80	1,603
" November	11.34	...	...	...	...	3.45*	74.1	1,393	...	3,024	...	1,549
" December	...	...	...	...	...	...	78.2	...	...	...	...	1,522
GOLD AND FOREIGN EXCHANGE HOLDINGS ⁽⁴⁾ (mn. US Dollars)												
1938	...	780	76.7	2,791	...	26.8	59	201	1,003	128.3	512	34
1953	271.4	1,090	166.8	956	1,984	10.5	234	952	1,161	138.4	425	212
1954	371.9	1,046	143.4	...	...	10.8	...	...	...	122.8	...	206
1954, September	397.7	1,034	144.2	1,136	2,526	10.7	239	1,023	1,238	143.4	356	215
" October	402.1	1,037	136.8	...	...	10.7	245	...	1,240	139.3	383	213
" November	385.2	1,043	134.6	...	...	10.8	250	...	1,253	130.5	377	209
" December	371.9	1,046	143.4	...	...	10.8	...	...	...	122.8	...	206
1955, January	364.8	...	...	...	...	...	...	...	...	...	...	...

Financial Statistics

EXCHEQUER RETURNS

For the week ended February 12th there was an "above-line" surplus (after allowing for Sinking Funds) of £97,172,000 compared with a surplus of £168,176,000 in the previous week and a surplus of £58,957,000 in the corresponding period of last year. This brought the cumulative account to a surplus of £466,706,000 (compared with a surplus of £210,861,000 in 1953-54). Net expenditure "below-line" last week reached £17,139,000, bringing the total cumulative surplus to £481,765,000 (compared with a deficit of £139,973,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1954 to Feb. 13, 1954	April 1, 1954 to Feb. 12, 1955	Week ended Feb. 13, 1954	Week ended Feb. 12, 1955
Ord. Revenue					
Income Tax	1800,000	1422,785	1505,902	80,345	98,101
Sur-tax	132,000	104,200	104,800	6,500	6,100
Death Duties	164,375	141,900	161,400	3,300	4,800
Stamps	55,000	48,800	64,070	1,500	1,500
Profits Tax & I.P.T.	172,000	169,400	152,800	2,500	3,100
Excess Profits Levy	60,000	51,950	69,850	1,300	1,100
Special Contributions and other Inland Revenue	1,000	1,070	1,130	...	100
Total Inland Rev.	2,384,375	1,945,205	2,060,952	95,445	114,601
Customs	1062,500	921,085	971,146	19,605	21,488
Excise	719,000	665,530	695,853	18,070	43,750
Total Customs and Excise	1,781,500	1,586,615	1,667,199	37,675	65,238
Motor Duties	77,000	72,155	77,856	533	1,037
PO (Net Receipt)	...	7,200	12,300	3,900	4,250
Broadcast Licences	21,000	13,550	18,600	...	...
Sundry Loans	24,000	35,018	333	...	...
Miscellaneous	245,000	103,668	170,711	730	2,692
Total	4,532,875	3,763,421	4,030,448	138,616	187,818
Ord. Expenditure					
Debt Interest	570,000	481,186	465,605	5,669	4,145
Payments to N. Ire. and Exchequer	51,000	42,060	42,110	...	...
Other Cons. Fund	10,000	8,765	8,408	10	152
Supply Services	3859,739	2991,463	3018,121	75,300	85,801
Total	4,490,739	3,523,474	3,524,244	78,979	90,096
Sinking Funds	36,000	29,086	29,496	680	550
"Above-line" Surplus or Deficit	210,861	466,706	58,957	97,172	17,139
"Below-line" Net Expenditure	350,834	384,941	14,684	17,139	17,139
Total Surplus or Deficit	139,973	81,765	44,273	80,033	80,033
Net Receipts from:					
Tax Reserve Certificates	39,122	38,250	15,206	25,692	25,692
Savings Certificates	15,450	40,050	400	2,400	2,400
Defence Bonds	34,398	18,582	60	46630	46630

* Since end September the capital expenditure of the Post Office has been charged directly on the Exchequer (instead of being financed from the Savings Funds) and is consequently included in "below-line" expenditure and the total deficit. As at February 5th this item stood at £55,400,000.

FLOATING DEBT

(£ million)

Date	Treasury Bills	Ways and Means Advances	Public Depts.	Bank of England	Total Floating Debt
1954					
Feb. 13	5,040.0	1,303.8	265.7	...	4,509.5
Nov. 6	3,450.0	1,483.1	272.3	...	5,205.4
" 15	3,470.0	1,452.1	275.0	...	5,195.1
" 20	3,480.0	1,548.1	291.8	...	5,319.8
" 27	3,480.0	1,571.7	271.2	...	5,322.8
Dec. 4	3,470.0	1,613.4	254.6	...	5,383.0
" 11	3,450.0	1,672.7	256.4	3.8	5,382.8
" 18	3,440.0	1,727.1	262.2	...	5,429.3
" 31	3,420.0	1,823.5	265.4	...	5,505.9
1955					
Jan. 8	3,400.0	1,771.4	264.7	...	5,436.0
" 15	3,350.0	1,719.2	260.4	...	5,330.0
" 22	3,310.0	1,662.7	262.3	...	5,235.0
" 29	3,270.0	1,642.2	245.2	...	5,155.4
Feb. 5	3,240.0	1,575.9	236.8	...	5,052.7
" 12	3,190.0	1,557.1	251.8	...	4,998.9

THE MONEY MARKET

AFTER raising its bid price for Treasury bills at the previous week's tender, the market last week was content to maintain the bid at £99 8s. 5d. per cent. Outside competition for the increased offer of £230 million fell considerably—total applications were down from £387.4 million to £363.0 million—and the market's allotment rose from 39 to 50 per cent. The offer at yesterday's tender was raised further, to £250 million; and if these are fully allotted the apparent excess of maturities will drop next week from £30 million to £10 million.

Credit in Lombard Street was in keen demand at the end of last week, and on Monday conditions were so stringent that the authorities stepped up their purchases. But on Tuesday and Wednesday the repayment of the £84 million of 2½ per cent Exchequer stock—of which something under one half is believed to have been held outside official hands—produced an abundance of funds, in part mopped up by "reverse" sales of bills by the authorities. Considerable business took place in April maturities at 2½ per cent, compared with 2¼ per cent on previous days.

The price of gold in London has been sustained at around 251s. 11d. a fine ounce by the continued weakness of sterling, which fell to \$2.78½ despite official support.

The Bank return shows a further reflux of notes, of £2.9 million.

LONDON MONEY RATES

Bank rate (from 3%, 27/1/55)	3½
Discount rates	
Bank bills: 60 days	2½
3 months	2½
4 months	2½
6 months	2½
Deposit rates (max)	
Banks: 1½	
Discount houses: 1½	
Money Day-to-day: 1½-1½	
Short periods: 1½-2	
Treas. bills 2 months	2½
3 months	2½
6 months	3½-4½

*Call money

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	February 16	February 10	February 11	February 12	February 14	February 15	February 16
United States \$		2-78-2-82	2-78½-2-78½	2-78½-2-78½	2-78½-2-78½	2-78½-2-78½	2-78½-2-78½	2-78½-2-78½
Canadian \$		2-70-2-70½	2-70½-2-70½	2-70½-2-70½	2-70½-2-70½	2-70½-2-70½	2-70½-2-70½	2-70½-2-70½
French Fr.		972-65-987-35	975½-976	975½-976	975½-976	975½-976	975½-976	975½-976
Swiss Fr.		12-15½-12-33½	12-24½-12-24½	12-24½-12-24½	12-24½-12-24½	12-24½-12-24½	12-24½-12-24½	12-24½-12-24½
Belgian Fr.		138-95	139-27½	139-27½	139-27½	139-27½	139-27½	139-27½
Dutch Gld.		141-05	139-32½	139-32½	139-32½	139-32½	139-32½	139-32½
W. Ger. D.Mk.		10-56-10-72	10-58½-10-59	10-58½-10-59	10-58½-10-59	10-58½-10-59	10-58½-10-59	10-58½-10-59
Portuguese Esc.		11-67½-11-84½	11-76½-11-76½	11-76½-11-76½	11-76½-11-76½	11-76½-11-76½	11-76½-11-76½	11-76½-11-76½
Swedish Kr.		79-90-81-10	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00
Danish Kr.		14-57½-14-59½	14-51½-14-51½	14-50½-14-51	14-50½-14-51	14-50½-14-51	14-50½-14-51	14-50½-14-51
Norwegian Kr.		19-19½-19-48½	19-37½-19-38	19-37½-19-38	19-37½-19-38	19-37½-19-38	19-37½-19-38	19-37½-19-38
		19-85-20-15	20-01½-20-01½	20-01½-20-01½	20-01½-20-01½	20-01½-20-01½	20-01½-20-01½	20-01½-20-01½
One Month Forward Rates								
United States \$		2-78-2-82	2-78½-2-78½	2-78½-2-78½	2-78½-2-78½	2-78½-2-78½	2-78½-2-78½	2-78½-2-78½
Canadian \$		2-70-2-70½	2-70½-2-70½	2-70½-2-70½	2-70½-2-70½	2-70½-2-70½	2-70½-2-70½	2-70½-2-70½
French Fr.		972-65-987-35	975½-976	975½-976	975½-976	975½-976	975½-976	975½-976
Swiss Fr.		12-15½-12-33½	12-24½-12-24½	12-24½-12-24½	12-24½-12-24½	12-24½-12-24½	12-24½-12-24½	12-24½-12-24½
Belgian Fr.		138-95	139-27½	139-27½	139-27½	139-27½	139-27½	139-27½
Dutch Gld.		141-05	139-32½	139-32½	139-32½	139-32½	139-32½	139-32½
W. Ger. D.Mk.		10-56-10-72	10-58½-10-59	10-58½-10-59	10-58½-10-59	10-58½-10-59	10-58½-10-59	10-58½-10-59
Portuguese Esc.		11-67½-11-84½	11-76½-11-76½	11-76½-11-76½	11-76½-11-76½	11-76½-11-76½	11-76½-11-76½	11-76½-11-76½
Swedish Kr.		79-90-81-10	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00
Danish Kr.		14-57½-14-59½	14-51½-14-51½	14-50½-14-51	14-50½-14-51	14-50½-14-51	14-50½-14-51	14-50½-14-51
Norwegian Kr.		19-19½-19-48½	19-37½-19-38	19-37½-19-38	19-37½-19-38	19-37½-19-38	19-37½-19-38	19-37½-19-38
		19-85-20-15	20-01½-20-01½	20-01½-20-01½	20-01½-20-01½	20-01½-20-01½	20-01½-20-01½	20-01½-20-01½
Gold Price at Fixing		251/11	251/11	...	251/11	251/11	251/11	251/10½

Price (s. d. per fine oz.)

BANK OF ENGLAND RETURNS

(£ million)

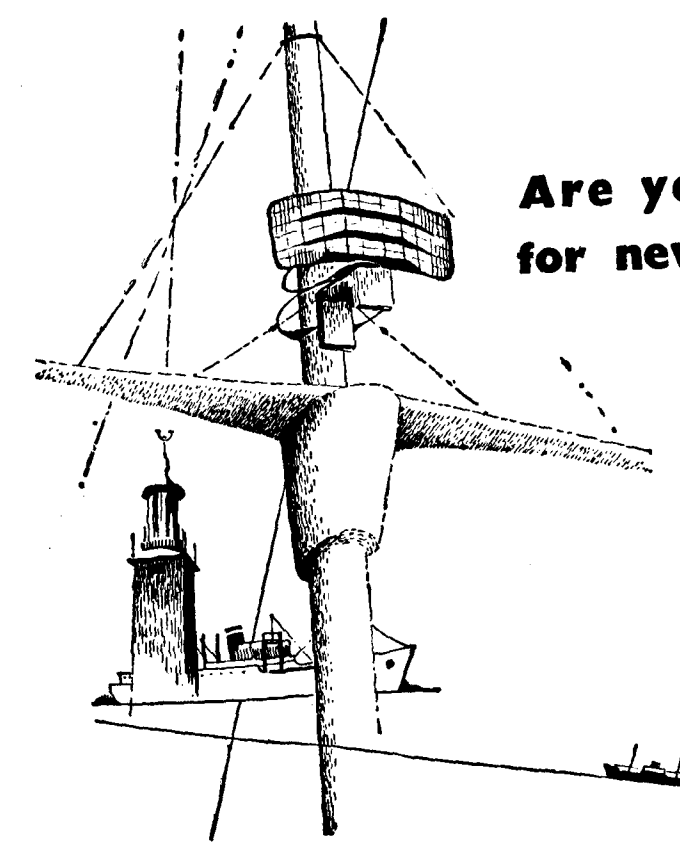
	1954 Feb. 17	1955 Feb. 10	1955 Feb. 18
Issue Department			
Notes in circulation	1,545.6	1,659.3	1,656.4
Notes in banking dept.	29.8	66.1	69.0
Govt. debt and securities	1,571.8	1,721.2	1,721.2
Other securities	0.7	0.8	0.6
Gold coin and bullion	2.9	3.4	3.4
Banking Department			
Deposits:			
Public accounts	13.3	15.1	13.7
Treasury special account	4.7	4.7	4.7
Bankers	281.0	267.8	282.9
Others	64.1	65.9	63.4
Total	365.1	355.2	364.7
Securities:			
Government	317.7	272.3	288.7
Discounts and advances	10.3	15.0	14.1
Other	21.3	14.7	14.9
Total	349.3	302.0	317.7
Banking department reserve	32.2	68.4	71.3
"Proportion"	8.8	19.3	19.6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,775 million to £1,725 million on January 20, 1955.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment %	Allotted at Max. Rate %
	Offered	Applied For	Allotted		
1954					
Feb. 12	230.0	369.9	230.0	41	4.0
Nov. 12	260.0	424.2	260.0	31	6.98
" 19	260.0	424.9	260.0	32	5.80
" 26	250.0	431.7	250.0	32	6.84
Dec. 3	250.0	411.2	250.0	33	6.12
" 10	260.0	425.4	260.0	34	8.97
" 17	270.0	396.2	270.0	35	10.51
" 24	270.0	382.4	270.0	36	11.56
" 31	270.0	373.5	260.0	37	3.82
1955					
Jan. 7	230.0	375.5	230.0	38	4.29
" 14	230.0	344.1	230.0	38	11.97
" 21	220.0	351.1	220.0	40	3.46
" 28	210.0	376.8	210.0	46	7.33
Feb. 4	220.0	387.4	220.0	46	3.17
" 11	230.0	363.0	230.0	46	3.57

* On Feb. 11th tenders for 91 day bills at £99 8s. 5d. secured about 50 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £250 million.

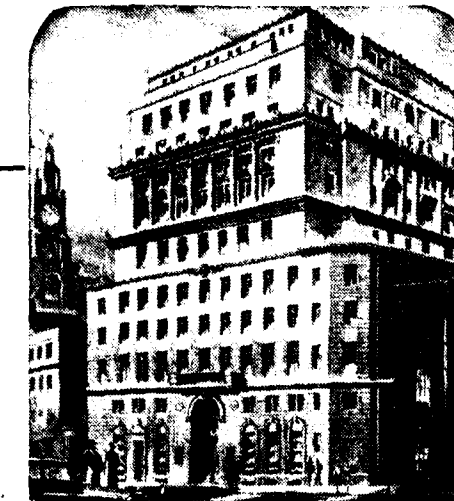


Are you on the look-out for new trade connections in Sweden

Contact us through your bankers, and you will receive all the information required on trade with Sweden. Our Commercial Information Department is at your service for introductions to Swedish exporters and importers.

SKANDINAVISKA BANKEN

Göteborg — Stockholm — Malmö
210 offices all over Sweden



HALIFAX BUILDING SOCIETY

ASSETS £225,000,000
RESERVES £10,000,000

The Society's Homebuying and Investing Services are described in booklets "A Home of Your Own" and "Savings and Investments" available at all the Society's branches and agencies.

HEAD OFFICE HALIFAX YORKS.
LONDON 51-55 STRAND W.C.2

Branches and Agencies throughout the United Kingdom

MARTINS BANK LIMITED

DISTRICT OFFICES IN LONDON, LEEDS, LIVERPOOL, MANCHESTER, BIRMINGHAM and NEWCASTLE upon TYNE and OVER 600 BRANCHES THROUGHOUT THE COUNTRY AGENTS ALL OVER THE WORLD

London District Office: 68 Lombard Street, E.C.3
Chief Overseas Branch: 80 Gracechurch St., London, E.C.3
HEAD OFFICE: WATER STREET, LIVERPOOL 2.
Total Assets (as at 31st December, 1954), £363,655,940



ALLIANCE

ASSURANCE COMPANY LIMITED

Head Office:
BARTHOLOMEW LANE, LONDON, E.C.2
Established 1824

The Finest Service
for
All Classes of Insurance

REPRESENTATION THROUGHOUT
THE UNITED KINGDOM
THE BRITISH COMMONWEALTH AND
ELSEWHERE ABROAD

*The Company undertakes the duties of
Executor and Trustee*

SECURITY AND MORE

**Let your money
earn a tax-paid
return of**

2³/₄%

EQUIVALENT TO 5% ON AN INVESTMENT
TAXED AT STANDARD RATE

Interest accrues from day of investment.
Facilities for prompt withdrawal. For full
details, write or telephone:

**City Prudential
Building Society**

ASSETS EXCEED £8,000,000

17 HOLBORN VIADUCT, LONDON, E.C.1. TELEPHONE: CITY 8323
131/132 PARK LANE, LONDON, W.1. TELEPHONE: MAYFAIR 9581
AND AT BELFAST · BIRMINGHAM · BRADFORD · BRIGHTON · LEBOS
LIVERPOOL · MANCHESTER · READING · SWANSEA · WEMBLEY · WORCESTER · WORTHING

B. W. BLYDENSTEIN & CO.

BANKERS

Established in London in 1858

Partners:
R. A. Vreede, J. R. R. Wierdsma, H. H. Oerlomans.
The Twentsche Bank (London) Ltd.,
Netherlands Trading Society (London) Ltd.

WE ARE ABLE TO GIVE A SPECIALIZED
SERVICE COVERING ALL TRANSACTIONS
WITH THE NETHERLANDS, THE NETHER-
LANDS ANTILLES, SURINAM, INDONESIA,
SINGAPORE, MALAYA, BURMA, INDIA,
PAKISTAN, THE FAR EAST, SAUDI ARABIA,
LEBANON, EAST AFRICA, URUGUAY AND
NEW YORK.

54, 55 & 56, THREADNEEDLE ST.,
LONDON, E.C.2

Telephone: LONDON Wall 2131



Established 1835

THE NATIONAL BANK LIMITED

Member of the London Bankers' Clearing House

CAPITAL SUBSCRIBED ...	£7,500,000
CAPITAL PAID-UP ...	£1,500,000
RESERVE FUND ...	£1,465,000
DEPOSITS (31-12-54) ...	£85,527,000

A COMPLETE BANKING SERVICE
SPECIAL DEPARTMENTS FOR FOREIGN
EXCHANGE, INCOME TAX AND
EXECUTOR AND TRUSTEE BUSINESS

HEAD OFFICE:
13-17 OLD BROAD STREET, LONDON, E.C.2.
and 14 Branches in the Metropolis
Also at LIVERPOOL, MANCHESTER, SALFORD, BRISTOL,
NEWPORT, CARDIFF, SWANSEA, etc.

IRELAND
34 & 35 COLLEGE GREEN, DUBLIN
Branches at BELFAST, CORK, LIMERICK, WATERFORD
and throughout the country
AGENTS AND CORRESPONDENTS ALL OVER THE WORLD

COMPANY MEETINGS

THE UNITED STEEL COMPANIES, LIMITED

PRODUCTION CONTINUING AT HIGH LEVEL

PROBLEM OF PLANT REPLACEMENT AT RISING COSTS

RAPID GROWTH OF WORLD OUTPUT

SIR WALTER BENTON JONES ON GREAT BRITAIN'S PROSPECTS

The annual general meeting of The United Steel Companies, Limited, was held on February 10th at the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.4. Sir Walter Benton Jones, Bt, the chairman, presiding.

The secretary (Mr Ronald Peddie, CA) read the notice convening the meeting and the report of the auditors.

The following is the chairman's circulated statement on the accounts for the year ended September 30, 1954:

Our last annual meeting was held on March 29, 1954, when the report and accounts presented related to the year ended October 3, 1953. At that meeting I told you that the results for the then current year, which are now before you, were likely to be considerably better than we had expected, and you will see that actually they have been almost the same as they were in the previous year. Production remained at a high level and prices in the export markets fell less than was expected. Production continues at a high level and our order books indicate that this rate of production can be maintained for some months ahead.

The accounts tell you how we have fared financially. The directors' report records the output of primary products compared with the two previous years and the progress of the most important developments and comments on the balance sheet and profit and loss account.

WIDESPREAD SHARE OWNERSHIP

Our preference shares and debentures are still in the hands of the Realisation Agency, but it will interest you to know that the ownership of the ordinary shares is still spread over more than 30,000 shareholders. Of these the number owning 1,000 shares each or less is 27,000.

It is the desire of your directors, and I think of all who are connected with the company, that the shareholders should be acquainted not only with the financial results of the year's operations, but also with the character of the different works, of which there are many aspects. A year ago I attached to my statement a story to illustrate how many of our products appear in our everyday lives. As you may know, the works are widely spread, and this year my object is to introduce you to each one of them by means of a sketch which I call the geography of our company.

Apart from this sketch I confine my remarks to two subjects—viz., the replacement of plant and machinery and the future of steel, which includes iron, the parent of steel.

REPLACEMENT

I have chosen this subject because many who are not familiar with accountancy are

apt to compare the present earnings of industrial enterprises with those of long ago. Today, 20 years is long ago. In those years prices, and therefore costs, have climbed fast and without halt for what must be an unprecedented period, and they have reached a level which, compared with the year 1938, is three and a quarter times as high. And if the cost of everything else rises, so must the earnings and savings of industrial enterprises.

In this statement I use the words earnings and savings because the common expressions profits, gross profits, net profits and so on are often loosely used and give rise to misunderstandings. Throughout my statement the word "earnings" is used to mean income less expenditure before charging depreciation and taxation, and the word "savings" is used to mean what is left out of earnings after charging depreciation and taxation.

Earnings of industrial enterprises must follow the rise of everything else because they are the only source from which provision can be made for depreciation and taxation, and savings must also rise because they are the only source from which provision can be made for dividends, replacements and every other contingency including every expenditure required to ensure the maintenance of earning power.

CAPITAL EXPENDITURE

In their report the directors tell you that our capital expenditure during the year amounted to £8,609,000. This brings the total amount of capital expenditure since the termination of the late war, i.e. since 1945, up to £49 million, which sounds a very large figure and indeed it is, but more than half of it is a consequence of rising prices. If all the work which this money represents could have been carried out in a single year (which, of course, it could not), it would have cost £20 million in 1939 and even at the end of the war in 1945 it would not have cost more than £40 million.

Prices have continued to rise and today the cost would be £58 million. Although, therefore, what we have acquired since 1945 has cost us £29 million more than if we had acquired it in 1939 and £9 million more than in 1945, nevertheless it has cost us £9 million less than if we were acquiring it today. We had some good fortune in making an early start from which we shall derive benefits for some years to come, but I am putting these figures before you for a second reason, viz., so that we may bear in mind that all plant inevitably wears out and that the cost of replacement is always with us.

Obviously we shall never have to replace all our plant in a single year. In any one year some things may be near the end of their lives, others will be middle-aged, and others only just starting to work. But the rapid rise in prices in recent years and its effect on the replacement of manufacturing plant and machinery has become a matter

of great importance and much concern in industrial finance.

ORIGINAL VALUES AND DEPRECIATION

We see frequent references to this problem of replacement in general terms and we frequently talk about it among ourselves, also in general terms. But it will be interesting to look at it more nearly as it affects us.

In our consolidated balance sheet fixed assets appear at £64 million, which we may call their original value. Practically all these assets will have to be replaced sooner or later and probably all within 30 years. The yearly provisions which we make for depreciation in our accounts, are based on the original value divided by the probable life of every item. According to this formula the provision should amount to £64 million in rather less than 30 years. But the cost of replacement is much higher than the original value. At present prices replacement would cost £96 million, so that even if prices in the next 30 years do not rise above the present level, the replacement over that period will cost £32 million more than the original value, in other words £32 million more than we are providing by way of depreciation. The deficiency eventually must be made up out of savings and we have to earn enough and save enough to meet the deficiency.

But this is not the whole story. Although by providing depreciation in our accounts we spread the cost of replacements in our books over a number of years, we have to pay for them in cash when we buy them. Every replacement which we make today which is more than 20 years old costs three and a quarter times as much as the original and has to be paid for in cash.

RAPID INCREASE IN TAXATION

Of course the problem presented by the cost of replacement at rising prices is not new. Indeed it is not confined to industry. In private life household goods and clothing present a similar problem. What is new and what makes the problem look so much more formidable is the long and steep rise in prices in recent years and the very rapid increase in taxation. The rise in prices makes it more difficult to meet the cost of replacement; the rise in taxation adds to this difficulty because it reduces our savings. Nevertheless, the cost of replacement has to be met; in industry it is more than part of the cost of living, it is the cost of survival. That is why I have endeavoured to explain this problem and why I said in introducing it, if the costs of everything else rise so must the earnings and savings of industrial enterprises.

In this connection it is interesting to compare the expenditure and income of the state with what it was in 1938. In 1938 state expenditure was £1,000 million, in 1953 it was £4,500 million. That is to say, it had increased by £3,500 million or four and a half times. All this increase in state expendi-

ture comes directly or indirectly out of the earnings and savings of industry and of individuals.

FUTURE OF STEEL

My second subject concerns the future of the industry in which we are engaged, viz, the iron and steel industry. I have selected it because I suppose that only a few of you live with iron and steel and the remainder would hardly know where to find any kind of a picture of the past or of the possibilities of the future.

In my statement to you last year I said that in the long view the demand for steel must continue to grow and that steel must remain the most important material in the world. This I suggested was because iron ore from which it comes was one of the commonest and the most easily smelted of all the metallurgical ores.

I have prepared a picture which appears below to illustrate the rapid growth of steel

LIKELIHOOD OF FURTHER GROWTH

In this picture, we see how rapid the growth of the world's steel production has been and quite naturally we may ask ourselves how long will this rate of growth continue or even can the present level of demand be maintained. Of course no one can give the answer. Statistically it is said that the consumption of steel and the standard of living are very closely linked. If we accept this statistical deduction it follows that if the world succeeds in raising progressively its standard of living, the demand for steel will go on increasing.

But we are concerned with the United Kingdom. Mr Butler has said recently, "I see no reason why, in the next quarter of a century if we run our policy properly and soundly we should not double our standard of living in this country." If this hope should be realised we might be using in 1980 twice as much steel as now. But even if we do not aim so high we are justified in

WORLD PRODUCTION OF STEEL
(In million tons)

	1918	1929	1932	1937	1943	1950	1953
United Kingdom.....	9.54	9.64	5.26	12.98	13.03	16.29	17.61
British Commonwealth .	2.07	2.43	1.17	3.72	6.19	6.46	8.29
USA	44.46	56.43	13.68	50.57	79.32	86.46	99.65
ECSC Countries*.....	17.51	36.48	18.71	35.63	30.91	32.37	41.06
Other Western European Countries†	0.80	2.31	1.27	2.01	3.04	3.33	4.15
USSR and Satellites‡ ...	1.00	9.06	7.29	22.14	15.81	34.04	47.22
Other Countries.....	0.80	2.53	2.54	6.53	9.36	7.55	12.53
Total.....	76.18	118.88	49.92	133.58	157.66	186.50	230.51

* Includes Belgium, France, Germany, Italy, Luxembourg, the Netherlands and the Saar.

† Includes Austria, Finland, Norway, Spain, Sweden.

‡ Includes USSR, Czechoslovakia, Hungary, Poland and Rumania.

production from 1918, the year in which the first world war ended, up to the last completed year, 1953, a period of 36 years. The significance of the intermediate critical dates is explained in the picture. You will see that in the period between the two wars world production had risen from 76 million tons to 133½ million tons and in 1953, that is in 36 years, it was 230½ million tons or three times as large as it was in 1918. In the same period of 36 years the production of the United Kingdom did not rise above the 1918 figure of 9½ million tons until 1935; from then to 1953 it rose by 7½ million tons.

The picture also shows the new entrants, the growth of the British Commonwealth, the enormous production in the United States of America, the large production of what is now called the European Coal and Steel Community and the startling growth of Russia and its satellites which is largely Russia.

Picture of the growth of world production of steel:

The critical dates:

1918, which was the end of World War I.

1929, the year preceding the depression of the early 30's.

1932, the lowest point in the depression.

1937, the highest United Kingdom year before World War II.

1943, the highest year reached in World War II.

1950, five years after World War II.

1953, the last completed year.

FACTORS IN EXPORT MARKET

In the export market there will be competition. In many parts of the world where the standard of living has been low, the standard of living and the demand for steel may grow faster than in the United Kingdom. If so, the world demand, which for us means export demand, will grow faster because in backward countries, even if they begin to make steel for themselves, it will be some years before they can make enough to keep up with their expanding demand.

But in looking at the export market there are two other factors to take into account. First, a large part of the steel sold in our home markets is exported in the form of finished steel goods—e.g., motor-cars, railway material, and many kinds of machinery. Other steel-making countries which like us sell steel and finished steel goods in export markets are increasing their production. Secondly, to this increase has to be added the production of countries which are beginning to make their own steel. Both these factors are a warning that competition for export markets will increase, and it is calculated that we exported to these markets in 1954, directly and indirectly, approximately 7 million ingot tons. We must, therefore, be

re-equipping ourselves to meet competition by searching for and adopting improved methods and modern plant and for this once again we depend upon our savings.

Perhaps we can hazard a guess and say that a growing demand at home and a share in expanding export demand will absorb all we can produce for an appreciable time.

IMPORTANCE OF MACHINERY MAINTENANCE

If you have had patience to follow the information I have given you and the arguments I have used you will see how important it is to maintain machinery and plant in an up-to-date condition, first to maintain a rising rate of production and secondly to meet competition from other steelmaking countries. And you will agree the ability to do these things depends on keeping earnings and savings in step with rising prices. Of course, this does not mean that we can do nothing about it ourselves. We can and must use every endeavour to reduce costs by greater productivity and greater economy. But we cannot control the prices of the things we have to buy.

I am afraid you will think I have over-laboured my two subjects, replacement and the future of steel. But I make no apology because you will see that they both lead to the same end, our ability to compete in the world's markets. My object has been to emphasise that like everything else replacement and modernisation have to be paid for, and since they are not regarded as costs of production they can only come out of what we can earn and what we can save out of our earnings, in other words, they can only come out of what are usually and loosely called profits, but what as a layman I call savings.

COMPANY'S GOOD PROSPECTS

Turning to the prospects of our own company I have already told you that our order books are full and that we are justified in looking forward to a continuance of production at a high level. Large modernisation and expansion schemes are already complete and in operation and are effecting economies in production, and we have a highly organised staff which at all levels is efficient and enthusiastic. So fortified we can expect to maintain our company in the strong position it has reached and to go forward.

The report and accounts were unanimously adopted and the retiring directors, Sir Walter Benton Jones, Bt, Mr J. Ivan Spens, OBE, CA, Mr K. G. Lampson, Lieutenant Commander G. W. Wells, RN (Retd), DL, Lieutenant Colonel P. F. Benton Jones, OBE, ACA, and Mr K. S. Peacock, were re-elected.

THE NATIONAL BANK LIMITED

ANNUAL GENERAL MEETING

The one hundred and twentieth annual general meeting of the proprietors of the National Bank Limited was held on February 10, 1955, at 34 College Green, Dublin.

The Right Honourable Lord Pakenham of Cowley, PC, the chairman, presided.

The joint secretary, Mr E. J. Moore, read the formal notice convening the meeting and the report of the auditors.

The directors' report for the year, which had been previously circulated, was taken as read, and the chairman reviewed the principal movements in the balance sheet figures as compared with those of a year ago. Refer-

ence was made to the transfer from profit and loss account of £30,000 to the reserve fund, contributions of £149,611 to the staff pensions and provident funds and the provision for a final dividend of 6 per cent, making a total of 11 per cent for the year, which left the sum of £56,331 to be carried forward.

The chairman moved: "That the profit and loss account for the year ended December 31, 1954, the balance sheet as at that date and the directors' report be adopted by the meeting and entered on the minutes."

Sir Cornelius J. Gregg, KCB, KBE, LLD, seconded the motion, which was carried unanimously.

The retiring directors, Sir Cornelius J. Gregg, KCB, KBE, LLD, the Right Honourable the Viscount FitzAlan of Derwent and John W. Dulanty, Esq., CB, CBE, LLD, were re-elected, and the remuneration of the auditors, Messrs Peat, Marwick, Mitchell and Company and Messrs Stokes Bros. and Pim, was fixed.

THE METROPOLITAN RAILWAY COUNTRY ESTATES LIMITED

SIR BERNARD DOCKER'S STATEMENT

The thirty-fifth annual general meeting of the Metropolitan Railway Country Estates Limited will be held on February 25th at Kensal House, 553/579 Harrow Road, W.10.

The following is an extract from the statement by the chairman, Sir Bernard Docker, KBE, circulated with the report and accounts for the year ended October 31, 1954:

The net consolidated profit for the year to October 31st last, before charging taxation,

was £59,802. This is about £7,000 higher than the comparable figure for the previous year, if, for purposes of comparison in normal trading results, the special net credit of £15,565 arising in 1953 be omitted. Taxation this year takes £30,868 after crediting £5,000 from tax provisions for prior years no longer required, leaving the net consolidated profit, after taxation, at £28,934. Thus, with the balance brought forward of £126,139 a total sum of £155,073 is available, out of which we recommend payment of a dividend of 12½ per cent, as against 10 per cent last year. The carry forward will be £131,010. I regard these results as satisfactory, particularly since our farming subsidiary has had a difficult year and made no contribution to our earnings, whereas in 1953 we had a substantial contribution from that source.

I am glad to say that our traditional business, namely estate development, has made the major contribution to this year's profits. We intend, now that conditions are more favourable, to extend this side of our activities.

After referring to the purchase during the year of the Chenies Estate, Buckinghamshire, and the Deepdene Estate, Surrey, and to other activities and the results of the subsidiary companies the statement continues:

The year ahead will, we hope, bring a final settlement of our claims for that part of the agreed value of our building land compulsorily acquired from us or voluntarily sold at restricted values since the coming into operation of the Town and Country Planning Act, 1947.

Since the closing of the accounts we have been very busy, and subject to no setback in our affairs or those of our subsidiaries, I can with some confidence express the view that this time next year we shall be able to put before you satisfactory results.

TEACHER (DISTILLERS) LIMITED

CONTINUED SALES EXPANSION

The Sixth Annual General Meeting of Teacher (Distillers) Limited was held on February 15th in Glasgow.

Mr R. M. Teacher (the chairman) presided and in the course of his speech said: The profit for the year ended September 30, 1954, is increased from £573,788 to £604,841, which, after deduction of charges, including increased liability for taxation of £314,769 as against £295,504, makes the net profit of the Group £264,011, as against £248,463. In the Balance Sheet the Fixed Assets reflect the programme of replacement and modernisation of plant and buildings which was forecast a year ago and which is so essential in an expanding business such as ours. There is a considerable amount yet to be done, but you can be assured that it is necessary and will be to the ultimate benefit of the business in the form of increased efficiency and earning power.

Our sales both at home and abroad continue to increase as the availability of stock improves. During the year, and since the agreed limitation of supplies to the home market ended, still larger quantities have been made available, but these are not yet enough to meet the demand.

GROWING POPULARITY IN U.S.A.

Export demand continues to increase, and our sales are well in excess of last year. The popularity of our Brand in the United States is greater than ever, as is the case in all markets, but of which the former is the largest. Canada, while we have maintained

our turnover, shows the effect of the considerable difference in the higher retail price of Scotch Whisky as against domestic whisky. In the important Southern and Central American markets almost partial prohibition of Scotch Whisky exists.

Local trade has been somewhat disappointing, showing a drop on last year. Rising costs and decreased spending power are the ruling factors, combined with the high cost of the article itself through the excessive duty. In the 125 years of our business, this duty has risen from 3s. 4d. to its present fantastic level of £10 10s. 10d. per proof gallon.

With the increased turnover, the improvements carried out in our bottling plant throughout the year have proved very satisfactory, and have made both for economy and smoother working. Further work is in progress and contemplated.

At Ardmore Distillery production is being maintained, and here again the improvements, though not yet completed, will be of great value.

Prospects for the Scotch Whisky industry appear to be good for the immediate future. Sales are on the increase and production is at a very high level, perhaps too high on its normal availability. We can, however, be content in assuming that, in the coming year, we will maintain the results which you have before you.

The report was adopted and a final dividend of 7½ per cent, making 12½ per cent for the year, was approved.

MILLS & ROCKLEYS

POSTER ADVERTISING

INCREASING DEMAND

The twenty-sixth annual general meeting of Mills & Rockleys Limited will be held on March 11th at Nottingham.

The following is an extract from the circulated statement by the chairman and managing director, Mr George T. Mills:

The accounts display the results of a full and successful year's work and the increase in the total profit before tax from £152,727 to £184,277 is a fair measure of this success. Once more the fruits of seven and a half months' work out of the year are swallowed by the Inland Revenue and of the increased profit of £31,500 some £18,500 is paid in additional tax. Your board recommend a dividend on the ordinary shares of 1s. 3d. per share less income tax, which compares with 1s. 2d. per share last year.

Capital expenditure has been on a somewhat similar scale to that of preceding years and the liquid position has been maintained.

Some years ago we sponsored and published some scientific research on the size and nature of the poster audience and we have recently sponsored some further research work. This we are about to publish. It will, we believe, considerably assist our customers in buying poster space and give them increased confidence in the medium. A poster campaign can reasonably be devised which can be seen by about 80 per cent of the population of a town during its first week and each member of that audience will have on average something over 20 opportunities per week to see a poster in such a campaign.

The poster is indeed a potent advertising medium for the sale of goods to the public and has an important place in the economical distribution of this country's industrial production. It sometimes seems to be forgotten these days that production and distribution of goods are but two aspects of the same problem, and if our cost of living is to be kept down and our standard of life improved the best advertising methods must be used. In this our poster advertising service is playing an increasing part.

POSTERS AND COMMERCIAL TELEVISION

The effect of commercial television on advertising allocations cannot yet be measured but this medium will, without doubt, be the subject of trials by many advertisers. It has to be remembered, however, that outdoor advertising reaches the public when they are out of doors—when they are shopping—when journeying to and from business—and it is the poster that provides the insistent reminder in the streets that clinches the sale of products which are advertised in the home by press, periodicals, direct mail or TV. In other words the poster is complementary to other media. Its advantages are obviously recognised by a large number of national and local advertisers who have been on the poster panels for many years.

To the future your board look forward with confidence. The business is soundly established and shows steady progress. Forward sales of space in the present financial year are satisfactory. The continued rehabilitation of the plant with the Hellberg poster panel has brought about a marked improvement in poster presentation which is obviously appreciated, not merely by our customers, but by the various town planning authorities, many of whom are now sufficiently enlightened to be aware of the essential need to provide facilities for outdoor advertising.

ELECTRIC AND MUSICAL INDUSTRIES, LIMITED

ACQUISITION OF CAPITOL RECORDS, INCORPORATED

US MARKETS FOR EMI ARTISTES

MR J. F. LOCKWOOD'S SPEECH

An extraordinary general meeting of Electric and Musical Industries, Limited, was held on February 11th in London.

Mr J. F. Lockwood, the chairman, said: Ladies and gentlemen, you have all received a copy of the notice convening the meeting. It is a long document and it has been in your hands for the required period of three weeks. I think you would prefer that we should not take up the time of the meeting by reading it now, and with your permission I should like to take the notice as read. (Agreed.)

INCREASE OF CAPITAL

Of the two resolutions in the notice to be dealt with today, the first is a special resolution to provide that

(1) the capital of the company be increased to £8,766,000 by the creation of 2,500,000 5½ per cent cumulative second preference shares of £1 each;

(2) each of the 500,000 unissued 4½ per cent cumulative redeemable preference shares of £1 numbered 460,001 to 960,000 inclusive be converted into one 5½ per cent cumulative second preference share of £1;

(3) the said 3 million 5½ per cent cumulative second preference shares shall carry the rights set forth in the articles of association of the company as altered by this resolution;

(4) when any of the said 3,000,000 5½ per cent cumulative second preference shares of £1 each are issued and become fully paid the same shall be converted into stock;

(5) the articles of association of the company shall be altered in the manner stated in the notice so as to amend the capital clause by stating the proposed new capital and the rights of the second preference shares, and to make consequential amendments elsewhere in the articles.

TERMS OF SHARE ISSUE

With the notice of this meeting each stockholder received a letter stating that your company has entered into an agreement to purchase a majority of the common stock of Capitol Records Inc. and is making an offer to acquire the remaining common stock of that company. The letter also stated that the cost of this investment would approximate to £3 million and that, to finance the purchase, the board proposed to issue 3 million of 5½ per cent cumulative second preference shares of £1 each, which would be offered to the preference and ordinary stockholders and noteholders of the company.

The issue has been underwritten and the 5½ per cent cumulative preference shares will be offered at 20s. 6d. per share. The closing date for acceptance of the offer will be February 22, 1955, and fuller details will be contained in the offer which will be posted this evening.

REASONS FOR BOARD'S PROPOSAL

Before I put the special resolution to the meeting, I will review the circumstances which resulted in the action your board has taken in acquiring for the company a controlling interest in Capitol Records Inc.

At the end of 1950 Columbia Records Incorporated of America, with whom—and its predecessors—your company had been associated for very many years, terminated the agreements for the reciprocal exchange

of matrices under which both parties had collaborated in the record business since the time when the Columbia Gramophone Company Limited of England owned its own subsidiary in the United States of America. As from January 1, 1953, therefore, it became necessary to provide other means whereby the recordings from artistes appearing on the English Columbia catalogue could reach the American markets, and whereby we could secure the recordings of American artistes for countries outside North America.

In order to secure an outlet for English Columbia recordings in the classical field in North America we formed our own subsidiary company—EMI (US) Limited in the early part of 1953. A few months later, the first catalogue of recordings was launched in America and in Canada under the trade mark "Angel." The Angel record was very well received by the American public, and we regard the development of this business in the United States of America as being satisfactory.

It was desirable, however, in order that your company should retain its leading position in the record markets of the world that adequate provision should also be made to support the company's vast business in the field of popular music. Some of the best music in this field originates in the United States.

ARRANGEMENTS WITH RADIO CORPORATION

We have had for many years arrangements with Radio Corporation of America, and its predecessors, for the use of their recordings in exchange for the recordings of The Gramophone Company Limited.

The acquisition of Capitol will not interfere with these arrangements which have provided both parties with some very valuable material, on the basis of mutual exchange. We need a large number of recordings of America's leading popular artistes (in addition to those already at our disposal) for manufacture, sale and export under our various trademarks, in the many countries where we operate. Our position in that we manufacture records in 18 overseas countries where we have our own factories or plants in addition to manufacturing arrangements in other countries where we have branches or agents.

Capitol Records Inc. have been conspicuously successful in attracting important "popular" artistes in the USA, and will provide for us the specialised American recordings which we need and which are so very popular in many parts of the world.

THE AMERICAN MARKET

The United States market for gramophone records is undoubtedly by far the largest in the world. It is therefore vitally important that we should be able to provide an adequate distribution outlet in the United States for the leading popular artistes of the world who record for us in countries outside the United States. Capitol Records Inc., which is now one of the largest firms in recording, manufacture and distribution of gramophone records in the United States, will provide this outlet.

The acquisition of a controlling interest in Capitol Records Inc. therefore meets two

objectives, i.e. (a) providing specialised American popular recordings for other countries, and (b) an outlet for distribution of British, European and other "popular" recordings in the United States. Your board are convinced that the best interests of the company have been served in making this arrangement. You will appreciate that the company is not making the purchase primarily as an investment, but because of the value of the Capitol business as an integral part of the EMI business.

HISTORY OF CAPITOL

Capitol was originally formed in April, 1942. In its first two years of operation the turnover amounted to £750,000 and \$2,250,000 respectively. In 1946 Capitol purchased all the assets of Scranton Record Company and Scranton Record Distributing Corporation, and since that time there has been almost continuous expansion in the business. A turnover of nearly \$17 million was achieved for the year to December, 1953.

Although Capitol has been in existence for a comparatively short time, its profits had risen for the year ended December 31, 1953, to \$1,424,000 (£508,000) before US Federal income taxes and \$690,154 (£246,000) after providing for US Federal income taxes. The profits for the year ended December 31, 1954, have not yet been ascertained, but the executive directors of Capitol estimate that for the year ended on that date the profits before providing for tax will be slightly lower than such profits for the previous year, but that the profits after US Federal income taxes will be not less than such profits for the year ended December 31, 1953. Since the beginning of this year a number of American record companies have made a reduction in the retail prices of microgroove records, particularly in the classical catalogues, with some slight increases in the prices of other types. Capitol has also adjusted its prices to conform with the competition, but it is too early yet to estimate the effect on sales or profits.

WIDESPREAD ACTIVITIES

The headquarters of the parent company, Capitol Records Inc., are located in Hollywood, but its wholly owned subsidiary, Capitol Records Distributing Corporation, has branches in 23 cities of the United States. There is also a Canadian subsidiary, Capitol Records of Canada Limited, through whom, since 1949, Canadian distribution has been effected. Capitol, whilst continuing the manufacture of 78 rpm standard records, is primarily concerned with the production of microgroove records to play at 33½ rpm and 45 rpm. It also publishes sheet music through its subsidiaries, Ardmore Music Corporation and Beechwood Music Corporation.

In addition to the 476,230 common shares of 25 cents each par value, all of which your company is prepared to buy at \$17.50 per share, there are outstanding at the present time 2,405 shares of preferred stock, \$50 par value each, which carry a cumulative preference dividend of \$2.60 per share.

During the course of the negotiations with the principal shareholders I had the opportunity not only of seeing for myself the premises and plant of Capitol Records Inc., but also to meet the men who will be running this vast business.

THE ECONOMIST, FEBRUARY 19, 1955

Mr Glenn E. Wallichs, the president of the company, is an outstanding personality in the American record business, and we are certain it is in the best interests of the group that he should continue to operate in the same capacity with his present executives. We have made a long-term agreement with Mr Wallichs, which ensures this continuity of management.

I now propose that the special resolution set out in the notice convening this meeting be and is hereby approved and adopted.

Mr L. J. Brown seconded the resolution and it was carried unanimously.

REDEMPTION OF NOTES

The chairman: You will also have read in the circular letter sent to you with the notice that the company has given notice to redeem its £2 million 4 per cent notes 1953-58. Apart from the restrictions which are the conditions of these notes impose, it is necessary for the company to provide finance on a longer term basis and you have been advised that it is intended to replace the present note issue by an issue of £2 million unsecured loan stock, maturing 1970-75.

The terms on which this loan stock is to be issued are at the price of £100 per cent with interest payable at the rate of 4½ per cent per annum, and again I must tell you that full details will be contained in the offer being posted today. In this case, a resolution approved by the members is not necessary because the issue will be made in accordance with the borrowing powers already held by the directors under the company's articles of association. Arrangements have also been made for the issue to be underwritten.

APPOINTMENT OF MR SHOENBERG

I now come to the ordinary resolution, No. 2 of the notice convening the meeting, i.e. the appointment of Mr Isaac Shoenberg as a director of the company.

Mr Isaac Shoenberg has been an eminent figure in research and development of radio for the past fifty years; he has been with EMI since our formation in 1931 as director of research, and lately as our chief consultant. Last year he was awarded the Faraday Medal of the Institution of Electrical Engineers for his outstanding contribution to the development of high definition television.

It was very largely the brilliant work of Mr Shoenberg, as head of EMI research, which gave Britain the world's first public television service years ahead of other countries. It should be remembered also that the high definition television circuitry evolved by his organisation formed the essential foundation of many important devices which contributed greatly to the successful conclusion of the war.

His unique experience is helping today to keep EMI in the forefront of peacetime electronic developments. There can be few such men, however, who have been so self-effacing, or who have succeeded so well in effacing the credit and publicity which usually attach to such accomplishments.

Today, as our chief consultant on development in the electronic field, Isaac Shoenberg attends at Hayes regularly to advise on many new commercial and industrial applications of the science he has done so much to advance.

I therefore propose: "That this meeting approves the appointment as a director of the company of Mr Isaac Shoenberg, who attained the age of 74 on March 1, 1954."

Sir Alexander Aikman, CIE, seconded the resolution and it was carried.

The proceedings terminated with a vote of thanks to the chairman.

P. P. PAYNE & SONS LIMITED

(Manufacturers of Specialised Printing and Packaging Products)

MR J. E. PAYNE'S REPORT

SATISFACTORY YEAR'S PROGRESS

The fourth annual general meeting of P. P. Payne & Sons Limited, Nottingham, was held in Nottingham on February 11th, Mr J. E. Payne, chairman and managing director, presiding. The following is an extract from the chairman's report:

VARIETY OF THE COMPANY'S PRODUCTS

Your company now manufactures a variety of different products and approximately 60 per cent of the turnover comprises specialised packaging materials for industrial and retail uses.

CAPITAL EXPENDITURE

The accounts now before you deal with the financial year ended September 30, 1954. The turnover shows an increase on the previous year and production is running at a satisfactory level. During the year we have built and equipped a new factory for the manufacture of our self-adhesive handles, and it will shortly be in full-time production. These developments have entailed heavy capital expenditure in buildings, plant and fixtures and fittings, but benefits from this outlay will not accrue until the next financial year.

In addition to the equipment of this new factory, we have installed various new types of machinery in our other sections which has achieved complete modernisation of the whole of our plant.

DEPRECIATION

In such a year of heavy capital expenditure, the depreciation allowances for new plant, including initial allowances, total practically one-third of the cost. When these are non-recurrent purchases, the deduction of these allowances in full in any one year's balance sheet would show marked fluctuations in our annual results and give an erroneous impression of the year's net profit. Your directors have, therefore, decided that all plant and machinery purchased from October 1, 1953, will be depreciated equally over a period of ten years in our balance sheets, although the full income tax allowances will, of course, be utilised in arriving at our taxation liabilities.

OVERSEAS TRADE

The company has over eighty full-time representatives and agents throughout the world, and sales offices and warehouses in Australia and Canada. The total export sales show an increase on the previous year.

ORDINARY DIVIDENDS

It is proposed, subject to your approval, to pay a final ordinary dividend of 15 per cent, which added to the interim dividend of 5 per cent makes a total of 20 per cent for the year, less income tax, on the increased capital, and as forecast in my previous report.

BALANCE SHEET AND ACCOUNTS

The trading profit of the group amounts to £180,882 against £162,376 last year.

Charged against this profit are:

Provision for depreciation	32,774
Bank interest	344
Directors' and auditors' remuneration	27,563
Directors' pension scheme employer's contribution	5,412
Staff and employees' profit-sharing scheme	11,546
	<u>£77,639</u>

*Nil last year.

With £258 profit left with a subsidiary, the group's net profit was £102,985 before providing for taxation, compared with £110,428 in the preceding year. It is necessary to provide the amount of £59,500 for profits tax and income tax on the year's results compared with £66,500 last year, which leaves a net available profit of £43,485 compared with £43,928 in the preceding year.

At September 30, 1953, the consolidated balance sheet showed an excess of net tangible assets over liabilities of £417,824 and this has increased to £434,628 in the present balance sheet.

The following analysis shows how each £1 of the gross trading income of the parent company was used during the year:

	s.	d.
Wages and salaries	5	8½
Materials and services	11	3½
Servicing of buildings, plant and equipment		10
Taxation	1	1½
Retained in the business		6½
Dividend (net)		5½
	<u>£1</u>	<u>0 0</u>

PROFIT SHARING SCHEME

During the year, your directors instigated a scheme with participation by all employees after one year's service, who were not in receipt of commission or other incentives. This scheme was welcomed by all concerned and in giving each employee a personal interest in the company's profits, it has already produced increased production and efficiency.

CURRENT TRADE AND PROSPECTS

The directors have intensified their efforts to produce a range of packaging products which are required by most types of industrial manufacturers and retailers. The variety of these products is now such that the company's prosperity is not dependent on any one section of industry, as was formerly the case.

The field of packaging is one where considerable expansion is taking place in protection, display and sales appeal of all manufactured products, and we shall continue our efforts to produce new specialised packaging lines suitable for modern and up to date requirements. With our main raw materials available at firm prices, but with some upward trend, the present level of trade is considered satisfactory. Our order book position is healthy and your directors have every confidence in the company's future expansion and prosperity.

Adoption of Audited Balance Sheet and Accounts. The resolution was formally moved and adopted together with the directors' and auditors' reports thereon.

WILLIAM TIMPSON LTD.

(Manufacturers and Retailers of Footwear)

The twenty-sixth annual general meeting was held in Manchester on February 18, 1955. The following are extracts from the chairman's circulated statement:

The profit for the year, £562,147, compares with £559,699 in the previous year, but 1953 included £72,150 arising on realisation of assets which has no equivalent in the year just ended. We have again increased the general reserve by £100,000 to £900,000, and carry forward £46,479.

The dividends of £124,472 net represent nearly 56 per cent of the profit after tax, and the remaining 44 per cent has been retained in the business to finance further extensions, so continuing the policy which has resulted in building up the assets from £838,222 in 1929, when shares were first issued to the public, to £2,916,389 today. In these years the turnover and the profits have both increased over 4½ times, so that the money retained in the business has been profitably employed.

Capital expenditure this year has amounted to £238,748 and the depreciation written off to £145,915.

Although it seemed impossible that we should have yet another bad summer, that is what happened in 1954, and as August approached the weather became so wet that the public had to buy protective footwear for their holidays. This meant that in general trade was satisfactory, and I am glad to report that the year ended successfully with a good run of retail trading. The directors assure the shareholders that the stock on hand is of good saleable value.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE (UNIVERSITY OF LONDON)

Applications are invited for the post of Junior Research Assistant in the Economics Research Division. The salary scale is £375 x £25—£450. Starting salary according to qualifications and experience. Applications should be received by the Secretary, Economics Research Division, London School of Economics and Political Science, Houghton Street, W.C.2, not later than March 1st.

STATISTICIAN, lady, to compile and interpret costing and other records. Graph experience essential. A new appointment in Central London with opportunity for intelligence and initiative. Salary to be agreed. Superannuated.—Write Box 680, c/o White's Ltd., 72/78 Fleet Street, E.C.4

A YOUNG CHARTERED ACCOUNTANT not over 28 years of age, is required by a leading industrial company. The successful applicant will be expected to undergo a period obtaining the experience necessary to undertake duties of a responsible nature. In addition to professional qualifications a University Degree would be considered an advantage although not essential. An adequate salary will be paid during the preliminary period, but the prospects of the appointment are outstanding, including remuneration of £2,000 per annum within five years of being confirmed in the appointment. Thereafter further advances may be expected as increased responsibility is assumed. Send details of qualifications and experience to Box 839.

LONDON COUNTY COUNCIL invites applications from women with suitable experience for appointment as Deputy Warden (resident) of Gisborne House Approved School, Watford. The school is being re-organised to provide for 40 girls of good intelligence, age 15-17 on admission a full programme of physical and mental activities, including home-making. The Children's Committee are seeking to appoint a woman capable of directing the home side of the school (a domestic management qualification would be an advantage, but is not essential) who will join with the Warden in creating a sympathetic approach to the problems of adolescent girls and who understands the advantage of a psychiatric approach to juvenile delinquency. Salary scale: £691 to £866 less a charge at the rate of £108 a year for emoluments. Six weeks' annual leave. Only single accommodation is available.—Further details and application form (s.a.e.) from the Children's Officer (CH/A2/152), L.C.C., County Hall, S.E.1.

PERSONAL ASSISTANT, 36, Chartered Secretary, at present regrettably geared to Academic Administration, would welcome opportunity to assist Business Administrator. Adaptable with sound knowledge of economics and negotiation. Above all anxious to join in a worthy team effort.—Box 845.

BARRISTER, just 40, single, athletically fit. Experienced Negotiator and Administrator. NOT IN THE LEAST "GROOVED," but 8 years' experience of "Fair Trading" and similar associations. Interested Foreign Affairs. Desires to move.—Box 843.

The company's factory at North Park, Kettering, has operated to full capacity throughout the year, and our well-known "Empire" and "Auric" brands for men and "Flexite" brand for women have been very popular and have sold freely.

We continue to retain our close connection with the dollar market of the United States, and are well represented on the other side of the Atlantic, where shoes of our own production find a ready market.

The company now operates 235 shops and 20 shoe repairing factories: branches have been opened during the year in Acocks Green, Ashton, Beeston, Corby and Shipley.

New shops are foreshadowed in Bangor, Coventry, Ilkeston, Gateshead, Mexborough, Norris Green and Speke (Liverpool), Sheffield and Whitehaven.

During the year we have refitted and enlarged several shops in the North of England and Scotland. These alterations are appreciated by customers, who welcome convenient and commodious premises in which to do their shopping.

The pension fund, founded in 1929, has an invested capital of nearly £590,000, and during the year £54,000 was paid in pension fund and other pension payments, which gives some indication of the benefits enjoyed by the company's retired servants. Employees with over one year's service share in the profits of the company, and £51,000 has been put on one side for this purpose.

Our best thanks are due to our executives, staff and workpeople for the enthusiastic way in which they have gone about their work. Nothing succeeds like success, and in terms of salaries, wages, pensions and other benefits, our employees are all better off for working in a progressive concern and doing adopted.

BRITISH TABULATING MACHINE A GOOD YEAR

The forty-eighth annual general meeting of the British Tabulating Machine Company Limited was held on February 11th in London, Sir Cecil M. Weir, KCMG, KBE, MC (the chairman), presiding.

The following is an extract from his circulated statement:

We have had a good year. Our trading has increased in volume; our orders have reached a new peak; our profits are higher; the progress of our research and development gives cause for satisfaction; our staff and operatives in all sections have given of their best; last, but not least, we have been able to implement our plan to replace, by a debenture stock issue, our short-term borrowing so that, assisted by the recent issue of ordinary shares, our finances continue to stand on a firm and satisfactory basis.

The year has seen the first production of our latest tabulator. This machine will emerge from the factory in increasing quantities during the present and subsequent years. We have also introduced equipment combining electronic with electro-mechanical means of operation.

We seek to preserve to the highest degree the speed and flexibility inherent in electronic principles, while causing the minimum disturbance in existing commercial and analogous routines.

Despite the introduction of new types of equipment, there is no falling-off in the demand for the well-established types of apparatus.

Our overseas companies continue to forge ahead. The report was adopted.

BUSINESS EXECUTIVE WANTED

Experienced Executive Administrator required by large Trade Finance Company (specialising in hire purchase) extending abroad with view to Management. Possible Directorship to the right applicant. Strict confidence observed.—Write Box 840.

WILLIAM MALLINSON & SONS, LTD., require a General Manager to take full responsibility of a very large modern Plywood Factory in the West Country. Applicants must be experienced production engineers conversant with the latest methods of controlling a mass production factory and with Management problems generally. Some knowledge of wood helpful but not essential. Eligible for Contributory Pension Scheme. Salary commensurate with qualifications and experience. Write with full particulars to the Secretary, 130/150 Hackney Road, London, E.2.

SALES EXECUTIVES wanted for overseas posts to develop and expand sales market, maintain contacts with agents of progressive expanding group of Engineering Companies. These are important top level posts requiring maturity, knowledge of the country and previous similar experience. Posts of India and Canada. Age not under 30. Good organisational ability required, together with high degree of intelligence, agreeable personality and sound engineering background. Essential for applicants to have had experience in manufacture of I.C. engines with emphasis on diesels. Good university degree desirable. Previous sales experience necessary. Foreign languages helpful. Excellent opportunities advancement for ambitious, progressive young men. Successful applicants will be given at least six months' practical induction and experience in U.K. factories. Basic salary not less than £2,000 per annum depending upon age and experience with appropriate Write in guaranteed confidence with details experience with posts and salaries held, education and other relevant information, including contact telephone number, to Box 841.

MARKET INFORMATION SERVICES LTD., have a vacancy for a Research Executive. He must have had at least two years' training in normal market research techniques and be capable of carrying out the executive processes of large-scale routine enquiries to learn something of the techniques of statistical social psychology, essential. Starting salary will be in the region of £700.—Applicants are invited to write, in the fullest detail, to Market Information Services Ltd., 24 Brook's Mews, W.1.

TRAINING OFFICER (age 30-35) required by well-known Group of Companies. Applicants must be experienced in the introduction and implementation of training schemes at all levels, but in the first instance will be required to plan and install a scheme for management education, training and experience, together with salary required, to Box 844.

LINCOLN COLLEGE, OXFORD

Following the appointment of Mr. H. C. Allen as Professor of American History in London University, the College will shortly elect a Fellow in Modern History. Intending candidates should write for particulars of salary, etc., to the Rector, Lincoln College, Oxford. Applications, which should give details of the candidate's career and experience, and supply the names of four referees, should reach the Rector not later than February 26th.

GOVERNMENT OF SOUTHERN RHODESIA FOUR AND A HALF PER CENT INSCRIBED STOCK 1958/68 CITY OF JOHANNESBURG

THREE AND A HALF PER CENT REDEEMABLE STOCK 1959/60 NOTICE IS HEREBY GIVEN that in order to prepare the Warrants for interest due April 1, 1955, the balances of the several accounts for the above-mentioned stocks will be struck on the night of March 1st, and that on and after March 2nd the stocks will be transferable ex dividend.

For BARCLAYS BANK D.C.O. (London Registrars for the above Stocks), G. A. D. HARRISON, Manager, Circus Place, London Wall, E.C.2. February 8, 1955.

NEW ZEALAND MARKET

A well-established, keen and experienced importing firm with first-class trade credentials and offices in Auckland, Wellington and Christchurch desires to expand its activities. We seek exclusive agencies from manufacturers. Can we discuss the sale of your products in New Zealand? References Bank of New South Wales, London. Write direct to Mair and Co. (Importers) Ltd., P.O. Box 1477, Christchurch, N.Z.

THE MINISTRY OF EDUCATION OF THE REPUBLIC OF INDONESIA

Applications are invited for posts as Professors, Lecturers, and their Assistants, at the Universities in Indonesia, in the Faculties of Law and Economics, for the following subjects: Public Finance, Comparative Government and Administrative Law, Conflict of Laws (especially between Statutory Law and Customary Law), Sociology, International Economics, Business Economics, and Ethnology. Candidates must have a degree in one or more of the above-mentioned subjects, and must have had teaching experience. Three-year contract. Return fare paid, and also for family.—Apply to The Cultural Attache, Indonesian Embassy, 38 Grosvenor Square, London, W.1.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of LECTURER IN ACCOUNTING in the Faculty of Economic and Social Studies. Salary on a scale £500 x £1,100 per annum; initial salary according to qualifications and experience (salary scales at present under review). Membership of F.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than March 22, 1955, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

NORANDA MINES LIMITED

DIVIDEND NOTICE Notice is hereby given that an interim dividend of One Dollar (\$1) per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable March 15, 1955, to shareholders of record at the close of business February 17, 1955. By Order of the Board, C. H. WINDELER, Secretary.

Toronto, February 10, 1955.

DEATH DUTIES can be drastically reduced if you plan and act now.—Write, in confidence, to Robert A. Thomson, 11 Duke Street, St. James's, S.W.1.

INVESTMENT ANALYST required by Ford Motor Company Limited, Dagenham, to work in London. Practical experience in gilt-edged and other investments, merchant banking and actuarial matters would be advantageous. Salary level commensurate with qualifications and experience. Age 30 to 35.—Reply to Salaried Personnel Department quoting reference C1A.

SENIOR EXECUTIVE, 36, ten years' managerial experience International manufacturing company; present salary £5,000 plus; seeks position offering wider scope home or abroad.—Box 831.

ADVERTISING AND PUBLICITY EXECUTIVE, at present with large manufacturing concern, desires further advancement in position offering wider interests. Agency trained, experienced in print, design, public relations and general sales promotion.—Box 833.

FINANCIAL AND ECONOMIC CONSULTANT, lecturer in finance and economics, advises investors and companies.—Box 822.

EAST AFRICAN firm of Chartered Accountants have vacancy for experienced Chartered Accountant. Tours of 2 or 3 years, paid U.K. leave after each tour, return passages paid for man and wife. Commencing salary £1,600 per annum with prospects of partnership. Write Box S.194, c/o Streets, 110 Old Broad Street, E.C.2.

BIRMINGHAM exporting company requires a woman University Graduate in Economics, aged 20-25, in its Market Research Department. She will assist in reading, collating and disseminating economic and selling information by means of a weekly Bulletin and quarterly reports. An alert girl is required, capable of writing concisely in plain English. Salary will depend on age and qualifications.—Box 837.

STATISTICIAN, 28, wide practical and theoretical experience, 4 fig. sal., seeks change of appointment.—Box 842.

The Economist: Annual Air Subscription Rates

Anglo-Egyptian Sudan : £5.10s.	Europe (except Poland) : £4.15s.	Israel : £6	Pakistan : £6
Australia : £8.5s. (sterling)	Gibraltar, Malta : £3.15s.	Japan : £9	Rhodesia (N. & S.) : £5.10s.
Canada : \$21.50 or £7.14s.	Hongkong : £7	Malaya : £6.15s.	S. America and W. Indies : £7.15s.
East Africa : £5.5s.	India & Ceylon : £6	New Zealand : £9 (sterling)	Union of S. Africa : £5.10s.
Egypt : £5.5s.	Iraq : £6	Nigeria, Gold Coast : £5.5s.	U.S.A. : \$21.50 or £7.14s.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland 2d.; Overseas 2½d.—Saturday, February 19, 1955

UNIVERSITY OF CAMBRIDGE

ASSISTANT DIRECTOR OF RESEARCH IN ECONOMICS: NOTICE The Appointments Committee of the Faculty of Economics and Politics give notice that they hope to appoint an Assistant Director of Research in Economics to take office from October 1, 1955. The appointment will be subject to the Statutes and Ordinances of the University. Further particulars can be obtained from the Secretary of the Faculty Board, The Marshall Library, Downing Street, Cambridge, to whom applications should be sent so as to reach him not later than March 21st.

Eight copies of the application should be sent and, if so desired, at least one copy of any published work or unpublished writings. Testimonials are not required, but a candidate should give the names of two persons to whom reference can be made.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of READER or SENIOR LECTURER IN SOCIOLOGY in the Department of Social Anthropology. Salary scales at present: Reader £1,250 x £50—£1,600 per annum. Senior Lecturer, £1,150 x £50—£1,500 per annum, but are under review. Initial salary and status according to qualifications and experience. Membership of F.S.S.U. and Children's Allowance Scheme.—Applications should be sent not later than March 14, 1955, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of ASSISTANT LECTURER IN ECONOMICS in the Faculty of Economic and Social Studies. Salary on a scale £450 to £550 per annum. (Salary scales at present under review.) Membership of F.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than March 19, 1955, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

THE SCIENCE AND INDUSTRY COMMITTEE

Two research workers, with qualifications in economics or other social science or allied subjects, or in science or technology, are required by the Science and Industry Committee, which is studying the problems of speeding up the industrial application of the results of scientific research. The appointments will be for one year in the first place, at a salary of £550-£850 according to qualifications and experience. Further particulars may be obtained from Professor C. F. Carter, The Queen's University, Belfast. Final date March 14th.

IDEAL COUNTRY RESIDENCE WITHIN 35 MINUTES OF LIVERPOOL STREET

SMALL RESIDENTIAL ESTATE delightfully situated, 2 miles from station. **THE MANOR HOUSE, WORMLEY, HERTS** Beautifully planned country house on two floors: hall, 4 reception, cloak, room, good domestic offices, principal bedroom, suite with dressing and bath, 6 secondary bed and dressing and 3 baths, 4 staff bed; main B.L. and water; comprehensive central heating; garage 2 cars; TWO EXCELLENT COTTAGES; gardens, grounds and parkland, walled kitchen garden, in all ABOUT 52 ACRES. FREEHOLD £12,500. Recommended by HAMPTON & SONS, LTD., 6 Arlington Street, St. James's, S.W.1 (HYD 8222).

THE B.Sc.ECON. DEGREE of London University is open to all without University residence. It is a valuable qualification for ambitious men and women engaged in accountancy, secretarialship, banking, finance, commerce, public services. Wolsey Hall (est. 1894) provides postal tuition of a high order for the three (in some cases two) examinations, at reasonable fees. More than 1,000 Wolsey Hall students have passed London B.Sc.Econ. (Final) exams, since 1925.—Prospectus from C. D. Parker, M.A., LL.D., Director of Studies, Dept. P17, WOLSEY HALL, OXFORD.

DOUGLAS GLASS

BRITAIN'S GREATEST PHOTOGRAPHER OF MEN
43 Black Lion Lane, W.6, RIV. 7522.

AN OIL COMPANY has a vacancy in the London head office for a Chartered Accountant. The post is initially as Assistant to the Comptroller, with firm prospects of a subsequent career with the company either in London or in the British West Indies. Applicants should be under 30. Previous commercial experience is not essential. Salary will be in accordance with age and qualifications, with pension scheme and excellent staff amenities.—Apply with full particulars to Box 834.

MARKET RESEARCH ASSISTANT required by leading Plastics Materials Manufacturer. Degree in Commerce or Economics with Statistics preferred, also some experience in similar work with a supplier of industrial materials. Salary according to qualifications and experience.—Write, giving details and salary required, to Box 838.

AUTOHALL SELF-DRIVE CARS offer over 200 new 1955 cars, 12 different models and special new tariff. Reduced winter rates (from 15s. per day) to end of May and new discount offers. Special contract rates for business purposes. Repurchase scheme for overseas visitors. Write for free brochure.—Autohall, Dept. 2, 302/6 King Street, London, W.6. Tel.: RIVERSIDE 2881. Cables: Autohall London.

ITALY—Experienced British businessman, resident Rome, prepared develop promising agencies. Initial negotiations U.K.—Box 835.

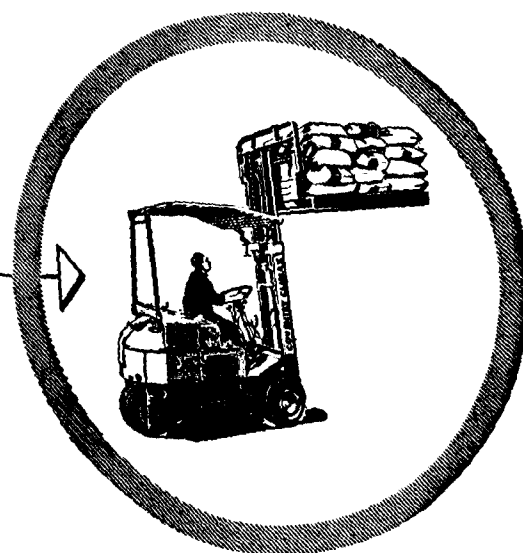
EXPERT POSTAL TUITION

For Examinations—B.Sc.Econ., LL.B. and other external London University Degrees; Law Society; Bar; Accountancy; Banking; Secretarial; Civil Service; Commercial; General Certificate of Education, etc. Also many non-examination courses in business subjects.—Write today for free prospectus and/or advice, mentioning examination (if any) or subjects in which interested, to the Secretary (G 974).

METROPOLITAN COLLEGE, ST. ALBANS

or call at 80, Queen Victoria Street, London, E.C.4

The
tools
of
success



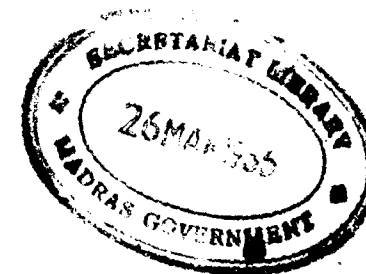
Britain's economic progress over the next generation must come largely from increased productivity; there will not be many extra hands to put to work . . . this means still more mechanical energy must take over from manpower

The prescription for prosperity . . .
is to mechanise handling with the
time-saving, work-saving, space-saving

... *Coventry Climax*

- *fork*
- *lift*
- *truck*

COVENTRY CLIMAX ENGINES LTD (Dept E) COVENTRY, ENGLAND



The Economist

FOUNDED 1843

FEBRUARY 26, 1955

ONE SHILLING

FROM DEFENCE TO DETERRENCE

The New Order of Priorities

Armaments—Conventional and Unconventional: Total Civil Defence?

Negotiating from Sense

Hire Purchase: A Test Case

Odd Slav Out

The Bank's Big Stick

What Price Oil?

AMERICAN SURVEY: Eisenhower's Next Term

THE WORLD OVERSEAS: Japan's Confused Elections

BOOKS: Making West Africa Pay

Annual Postal Subscriptions: by ordinary mail £3; by air see page 771

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

VOLUME CLXXIV · NUMBER 5818

SEE WHAT YOU CAN

SELL TO FRANCE... BUY FROM FRANCE
AT THE INTERNATIONAL

LYONS FAIR

APRIL
16-25 1955

FIFTY EIGHT TRADE GROUPS
FIVE THOUSAND EXHIBITORS

OVER A MILLION VISITORS
OVERSEAS BUYERS CLUB

THIS is the annual TRADE BUYERS ONLY exhibition of France. Ever since 1916, the mile long tongue of land between the Rhone and Lyons Central Park has seen new buildings and new amenities added to it in constant succession.

CATALOGUE (1,000 pages)—ready early April—can reach you in England before you make the journey. (9/8 post free from the London Representatives.)

Trade Buyers' Cards, entitling holder to reduction on French Railways and Free Pass to the Fair, and particulars of hotel accommodation are also obtainable from the London Representatives

ROBERT BRANDON & PARTNERS LTD.,
47, Albemarle Street, London, W.1.

FRANCE BUYS FROM BRITAIN

Chemicals
Plastics
Heavy Machinery
Aircraft
Cars and motor cycles
Tractors and agricultural machinery
Scientific and optical instruments

Wool, Hides, Skins and other raw materials
Textiles and apparel
Coal and petroleum products
Iron and Steel
Metal manufactures
Electrical equipment and appliances
Food, drink and tobacco

FRANCE SELLS TO BRITAIN

Wheat—Fruit and vegetables
Wines and spirits
Inorganic chemicals. Fertilisers
Timber and Timber products
Paper and board
Textiles and apparel
Iron ore—iron and steel

Machine tools—scientific instruments
Cars—cycle accessories
Books and periodicals
Pottery and glassware
Essential oils and perfumes
Toys, jewellery and fancy goods
Clocks, watches, optical goods

How do you operate?

the office orator

Every office has one. Even we have one. The young lady with the loose larynx is proud of her ability to write and talk, type and talk, take shorthand and talk... even drink tea and talk. Yet she can be a figure expert, for no matter who operates a FACIT calculator, the answer will be right, first time and every time. FACIT, with only ten figure keys, is so simple to operate that any member of your staff can achieve machine-perfect multiplication and division after only a few minutes practice. No trained operator is required (nor any special knowledge of mathematics). We have some interesting leaflets on the subject—drop us a line and we'll send them along, without obligation;

BLOCK & ANDERSON LTD.

58-60 KENSINGTON CHURCH STREET LONDON, W. 8

Telephone: WESTERN 2531-7

FACIT

hand and electric ten-key calculators.



THE ECONOMIST, FEBRUARY 26, 1955



THE ECONOMIST, FEBRUARY 26, 1955

THE BOOK THAT CHANGED 2,000,000 LIVES



THE POWER OF POSITIVE THINKING

is the title of the book that can change YOUR LIFE—just as it has changed the lives of millions in America.

For into 2,000,000 American homes in the last two years this remarkable book has penetrated with its simple, direct, homely and VITAL message.

In this age when all mankind is puzzled by the problems of the hydrogen bomb

THE POWER OF POSITIVE THINKING

by DR. NORMAN VINCENT PEALE

explains your doubts, your troubles, your difficulties and points the way to a happier life. Look, briefly, at some of the chapter headings that help to build up the message that Dr. Peale brings:—

HOW TO CREATE YOUR OWN HAPPINESS... HOW TO BREAK THE WORRY HABIT...
STOP FUMING AND FRETTING... HOW TO GET PEOPLE TO LIKE YOU...
EXPECT THE BEST AND GET IT... PRESCRIPTION FOR HEARTACHE...

And, always, like the thread of life, is the dominant message: Think POSITIVELY, and draw on a source of POWER you have never tapped before.

A MESSAGE AS OLD AS FAITH AND AS
NEW AS THIS MORNING'S NEWSPAPER

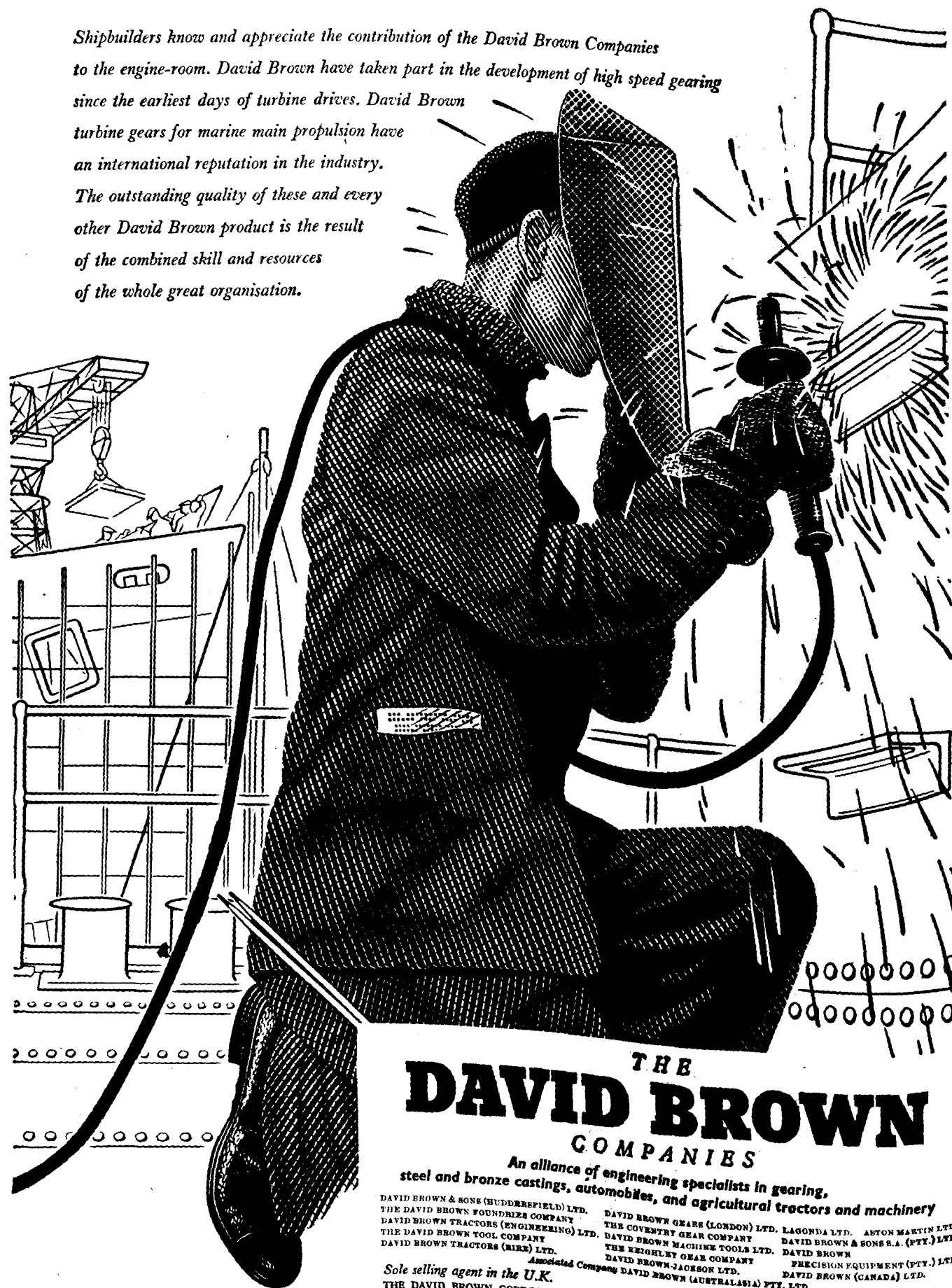
BEGINS
NEXT
MONDAY
IN THE

**DAILY
EXPRESS**

MAKE
CERTAIN
OF YOUR
COPY

DAVID BROWN and the SHIPBUILDING INDUSTRY

Shipbuilders know and appreciate the contribution of the David Brown Companies to the engine-room. David Brown have taken part in the development of high speed gearing since the earliest days of turbine drives. David Brown turbine gears for marine main propulsion have an international reputation in the industry. The outstanding quality of these and every other David Brown product is the result of the combined skill and resources of the whole great organisation.



THE DAVID BROWN COMPANIES

An alliance of engineering specialists in gearing, steel and bronze castings, automobiles, and agricultural tractors and machinery

DAVID BROWN & SONS (HUDDERSFIELD) LTD. DAVID BROWN GEARS (LONDON) LTD. LAGONDA LTD. ASTON MARTIN LTD.
THE DAVID BROWN FOUNDRIES COMPANY THE COVENTRY GEAR COMPANY DAVID BROWN & SONS S.A. (PTY.) LTD.
DAVID BROWN TRACTORS (ENGINEERING) LTD. DAVID BROWN MACHINE TOOLS LTD. DAVID BROWN
THE DAVID BROWN TOOL COMPANY THE REIGLEY GEAR COMPANY PRECISION EQUIPMENT (PTY.) LTD.
DAVID BROWN TRACTORS (MIRE) LTD. DAVID BROWN JACKSON LTD. DAVID BROWN (CANADA) LTD.
Associated Company DAVID BROWN (AUSTRALIA) PTY. LTD.

Sole selling agent in the U.K.

THE DAVID BROWN CORPORATION (SALES) LIMITED Head Office: 96/97 Piccadilly, London, W.1

TRADE UNIONISM —where now?

- Unions and the Welfare State
- Strikes—official and unofficial
- The problem of the Big Union
- The role of the shop steward
- Leadership in the unions
- Lessons from the railway and docks disputes
- The unions and politics
- Rights and wrongs of the Closed Shop
- The effect of nationalisation
- Trade unions and world peace

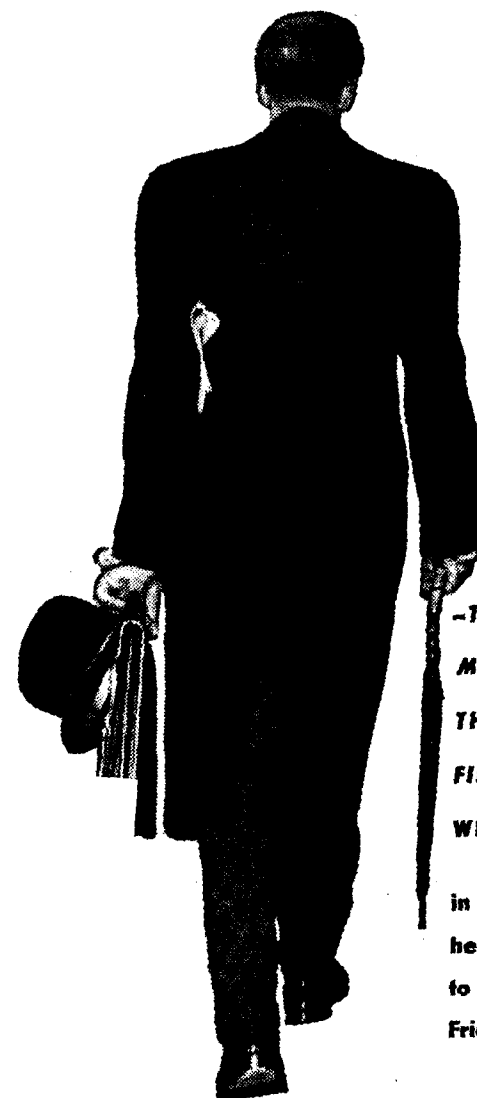
All aspects of the Trade Unions today and tomorrow are discussed in an important series of articles by

SIR FREDERICK LEGGETT

Formerly Deputy Secretary of the Ministry of Labour and National Service, who was Chairman London Docks Dispute Inquiry Committee

Beginning on Sunday in the

SUNDAY TIMES



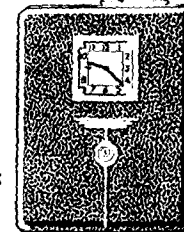
THERE GOES
MR. BAXTER,
THE FIRM'S
FINANCIAL
WIZARD...

in that briefcase
he's got the answer
to a big
Friday problem.

What's inside? Full details of Smiths AUTOPRINT MARK II Time Recorder. A Smiths is economical. It takes an automatic check (so that there can be no overstamp or double printings). And the Accounts Dept. gets an accurate record of each employee's hours — normal time in blue; overtime and late time in red. It's simple — no levers or handles to waste time — it prints electrically by SOLENOID on insertion of the time card. And its constant efficiency means not only a saving in money — it promotes confidence amongst the staff, too. Worth looking into? A lot of big firms have done so already — for the name Smiths is itself well-known as a guarantee of good time-keeping. Smiths Time Recorders are available on sale or rental... details will gladly be sent you on request.

SMITHS

FAMOUS FOR ALL TIME
MAKE THE FINEST MASTER CLOCKS
AND TIME RECORDERS



Write to
ENGLISH CLOCK SYSTEMS LTD.
179-185 Great Portland Street, London, W.1. LAngham 7226. Also at Manchester,
Glasgow and Belfast. The Industrial Branch of Smiths English Clocks Limited

*Better
for everyone*



Imperial
typewriters

IMPERIAL TYPEWRITER CO. LTD., LEICESTER & BULL
CH23

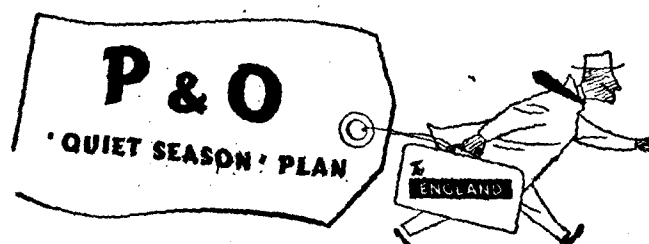
Funny thing:
advertising sells
best if it gets
READ

ADVERTISEMENTS WORK VERY WELL INDEED IN
THE READER'S DIGEST
—a magazine strictly for reading, which has achieved a
million sale. This means several million readers—responsive
and intelligent people, men and women well worth selling to.



Your trip to Australia and back will cost
you less if you travel under the
P & O special 'quiet season' plan.
Reduced First Class Fares from £200.

Sailing outwards 1st Feb. to 31st May, 1955.
Homewards 1st Sep. to 31st Dec. 1955 or 1956.



Full details from 14 Cockspur Street, London, S.W.1. WH1: 4444
122 Leadenhall Street, London, E.C.3. AVE: 8000 or local Travel Agents.

THE FAITH OF A NEWSPAPER

WE are tied to no political party; and we have
no set of dogmas to be used in interpreting
every situation. But we have some obligations.

The first of these is to the cause of human free-
dom and world peace. For the two go together.
Without freedom there can be no certainty of
peace.

To seek, in however small a way, to disperse
the threat of atomic war which hangs over all
mankind is a first duty to any responsible organ
of public opinion. For this threat is the most in-
sidious of all. It weakens religious faith, it under-
mines moral values and strikes at the very roots
of our Christian civilisation.

We believe that a newspaper should give the
news as it happens, honestly and accurately. We
consider that the worst crime in journalism is to
decide on some line of "policy" and then to
twist the presentation of events to justify that line.

But to be impartial is not to be indifferent or
indecisive. We exercise our right, in comment, to
take sides. Most of the time we shall do so in the
spirit of the man who said that it is the duty of a
great newspaper "to comfort the afflicted and
afflict the comfortable".

The "comfortable" and the "afflicted" are
not always the same as they were fifty or even
twenty years ago.

Among the comfortable today are some of the
families living in subsidised council houses with
two or three at work and £20 or £30 coming in
each week.

Among the afflicted we must count many of
the professional and "white-collared" workers,
harassed by rising prices and higher taxation, and
squeezed between the great pressure-groups of

organised capital and organised labour.

They have few champions. Yet it is upon them
—upon the teachers, scientists, parsons, doctors,
writers, artists, and many others — that the pros-
perity, and prestige, of Britain ultimately depend.

We shall always be ready to plead their cause,
and to fight against a tax system which allows a
football pool investor or a stock exchange specu-
lator to keep his winnings untouched, but con-
fiscates the fruits of energy and enterprise and
hard work.

We shall attack the monopolists who stifle com-
petition and enrich themselves at the expense of
the consumers.

We shall oppose the apostles of planning for
planning's sake. Bad planning and clumsy con-
trols only stifle initiative, restrict the rewards of
industry and — in the end — impoverish every-
one.

There is a fixed conviction in many a British
mind that an intelligent and responsible news-
paper must be dull and, conversely, that a lively
appearance is a sign of irresponsibility.

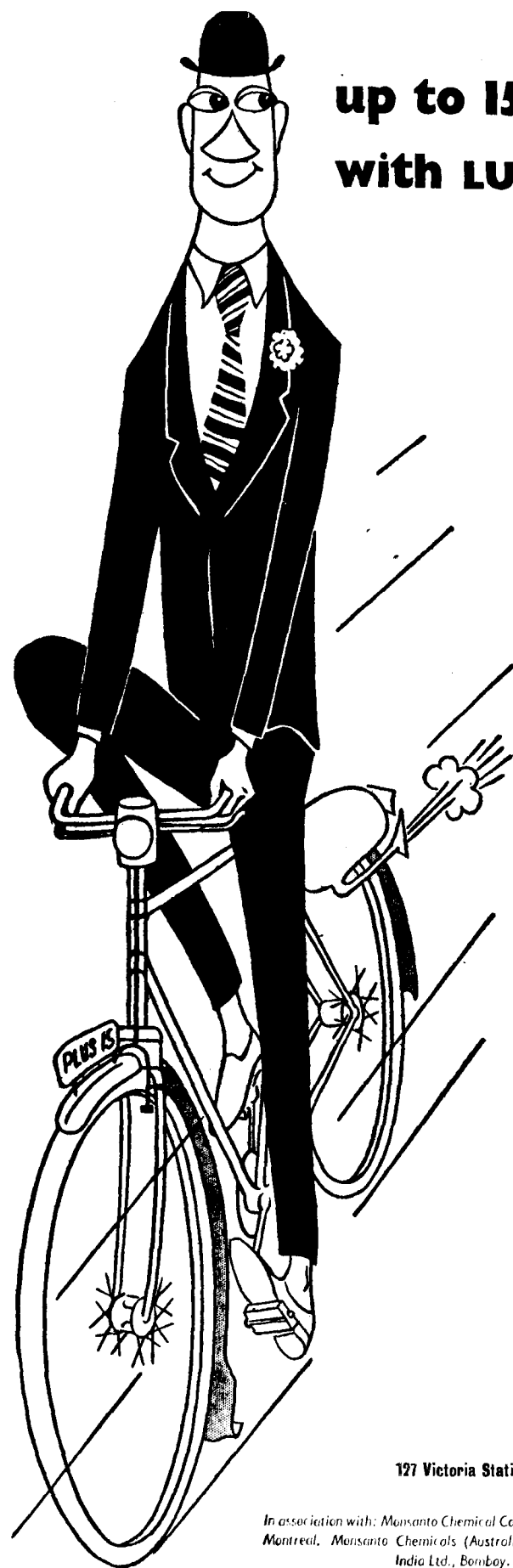
It is not so. The world we are living in is so full
of exciting events that any newspaper which
presents a true picture of what is going on must
bring some of that excitement into itself.

We live in a world of desperate perils and
boundless opportunities, a world where there are
great things to be done. The News Chronicle is a
paper which means to play its part in doing them.

*From a recent leading article
in the NEWS CHRONICLE*

NEWS CHRONICLE

YOU PROBABLY READ IT ALREADY—IF NOT, GIVE IT A TRIAL



up to 15% FASTER MOULDING with LUSTREX HI-FLOW 55

LUSTREX*, Monsanto's popular polystyrene plastic, is now available in a faster flowing form. With Hi-Flow 55, you can mould at a lower temperature — and cut cycle time by up to 15%! Thus for normal mouldings, Hi-Flow 55 can save time, increase production and cut costs. And for intricate mouldings, particularly those needing a long flow, Hi-Flow 55 greatly reduces the risk of strain and instability in the finished product. Hi-Flow 55 is also specially suitable for very thin wall applications — and thick sections too! Lustrex Hi-Flow 55 needs no special moulding technique — it can be used in standard injection moulding equipment. Please note that it can be supplied only to commercial users in production quantities. Write now for full details.

What you can make with LUSTREX*

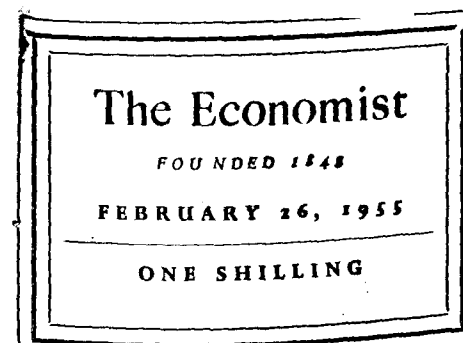
Many different products, cheaply and well. You can make tool handles, and packages for tools. You can make filing trays, and fittings for refrigerators and radios. In fact you can make almost anything — from instrument panels and picnic sets to camera spools and small cable drums — in Lustrex polystyrene plastic.

(*Registered Trade Mark)

MONSANTO PLASTICS LIMITED,

127 Victoria Station House, Victoria Street, London, S.W.1
and at Royal Exchange, Manchester, 2

In association with: Monsanto Chemical Company, St. Louis, U.S.A. Monsanto Canada Ltd., Montreal. Monsanto Chemicals (Australia) Ltd., Melbourne. Monsanto Chemicals of India Ltd., Bombay. Representatives in the world's principal cities.



Negotiating from Sense	685
Hire Purchase: A Test Case	687
Odd Slav Out	689

NOTES OF THE WEEK

Firm Hand; Parliament and Opinion; Labour and Defence; Lack of Leadership Over Formosa; Night Stop in Karachi; Signor Scelba's Unquiet Homecoming; Next Year's Civil Spending; Politics in Private Bills; Red Light on the Disarmament Road; Dear Food?; Return of Israel's Seer; Satellites Falling into Line; Unions and Rebels; The Cost of Mau Mau; A False Economy; Communist Subversion in Germany; Norway Trims its Sails; Chinese Noughts and Crosses; A Move in Guiana. 690

BOOKS AND PUBLICATIONS . . . 700

AMERICAN SURVEY

Eisenhower's Next Term 704
Democrats Get In First; Building Boom; Hoover's Report Cards; City and State; Pay Day in Congress; Atomic Lights for Manhattan?; Internationalists on Main Street; Shorter Notes.

THE WORLD OVERSEAS

Japan's Confused Elections 713
French Patchwork; Aden's Hinterland; Radar in the Far North; Development by Deficit in Asia; Vanoni's Four Million.

THE BUSINESS WORLD

The Bank's Big Stick 737
What Price Oil? 739

BUSINESS NOTES

A Bombshell Not Unwelcome; Trade on a Slippery Slope; Clean Ticket for London Transport; Size of the Budget; Steel Raises its Sights; Finding the Brass; A Giant Spreads Out; Verdict on the Swift; Research into Speed; Confusion on Speed Limits; Bigger Tea Auctions in Calcutta; Egypt's Sterling; Rights the Right Way; Trouble about Top Quality; Prices of Manufactures; Price Maintenance Defended; Road Haulage Rates; Short Lead in Cars; Rubber and the Stockpile; Russia in the Sugar Market; Shorter Notes. 741

From Defence To Deterrence

PAGE 723

COMPANY NOTES AND SECURITY

PRICES 753
STATISTICS 756

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

Negotiating from Sense

IN Europe, the free nations are approaching not one but two critical moments of decision; and they are nearing them in disturbing confusion. The first nettle that waits to be grasped is, of course, the final ratification of the Western Union agreements. The cumbrous democratic processes set in motion by the London and Paris conferences last autumn are now far advanced: German and Italian ratification appears imminent; and in France, where the prospects of a favourable verdict have been clouded by the parliamentary squabbling of the past fortnight, it is at least clear that final decisions cannot be delayed much longer. But ratification is no end in itself, and never was. The Paris agreements were devised as a means to several ends. Their purpose was not merely to add a West German contribution to the joint defences of the democratic half of Europe, but much more: to create a voluntary bond between Germany and its western neighbours; to draw the fangs of German militarism without arousing a German sense of frustration; and to enable the West to treat with the Soviet bloc on fair terms, neither under the pressure of vastly superior forces, nor beset by divisive fears, nor losing ground with every tick of the clock.

Yet at this moment, when all logic suggests that the West ought to be concentrating its attention on the last effort required to complete ratification and the steps that must be planned to follow it, Europe is, instead, deafened by a shrill clamour: an outcry against all that has been so slowly and painstakingly devised and agreed, a clamour to abandon it at this late stage, to drop it, somewhat in the manner of Aesop's dog, in hopes of being tossed some hypothetical Soviet bone the shape of which is not even clear. This half-hysterical mood has been intensified throughout the West, by the abrupt and furtive shifts of power in Moscow.

A fortnight has now gone by since the Supreme Soviet held its melodramatic session. There has been a slackening of the flood of words on which the new Russian government launched itself. There has been time for considered analysis of the lengthy interviews granted to American newspapermen by the new rulers, of their speeches before the Supreme Soviet, of this week's declarations on Red Army Day, and of the "line" which the Khrushchev-Bulganin regime is already putting out through its press and radio for domestic and foreign audiences. Already some of the first snap judgments pronounced in the West have been modified or even abandoned. Indeed, some of those who, a fortnight ago, were lamenting that Mr Malenkov had carried the free world's last chance with him into oblivion are now foremost in calling for instant and unconditional approaches to the men who deposed him.

What does really emerge from the torrent of words from Moscow, and what does it signify for a West that now stands on the threshold of a new form of unity? One must first accept the fact that no Communist will admit that any change in Soviet foreign policy has

occurred at all. Officially it is claimed, just as it was after Stalin's death, that Moscow's approach to world problems remains exactly as before; and the observer in the West has to adopt the technique, long used by the Russian public, of reading between the lines. He has also to relate what is being said in Moscow now to what has been said there over the past few years. Thus, it is meaningless to make deductions simply from the fact that the Soviet hydrogen bomb has been publicly brandished since Mr Malenkov fell; it was he who brandished it first, when he addressed the Supreme Soviet in the summer of 1953. Nor can the new rulers' threats about the fatal consequences of ratifying the Paris agreements be regarded as dramatically new; similar menaces were repeatedly uttered during the Malenkov era.

Two features of the present Soviet position, however, stand out with particular clarity. First, the new government has not the least intention of shutting the door to negotiation from the outset. It does not sound at all enthusiastic about personal contact with Sir Winston Churchill, who has been singled out for attack; but the new men have made more soothing noises in the general direction of the United States than have ever been heard yet. Admittedly, all the statements emitted from Moscow this month have judiciously blended the tart with the smooth, balancing words of welcome against assurances that the Soviet armed forces can and will take on all comers. But a striking feature of Russian broadcasts for foreign listeners in the week immediately after the Supreme Soviet meeting was the complaint that the western press had played up the marshals' sabre-rattling. Moscow is anxious not to cut too warlike a figure in the eyes of the outside world.

★

Secondly, although the immediate Russian objective in Europe is to frustrate Western Union, this falls into place as part of a broader pattern, a pattern that is repeated tirelessly in the various statements of recent weeks. The real objective on which Soviet eyes are focused is the removal of American bases from both Europe and Asia, from all points, in fact, where they represent any kind of threat to the Soviet bloc. The Communist campaign against Western Union, the denunciation of Nato, and the alternative plan for "European security" long canvassed by Mr Molotov are all parts of this whole. The Russians are not concerned merely to prevent the formation of twelve West German divisions, but to make it impossible for American forces to continue using Germany as a base—and thus to start a process which could quickly lead to their complete removal from Europe.

In the best traditions of Marx's original manifesto, the Soviet rulers—at least in this respect—"scorn to conceal their aims." The argument that the existence of American bases anywhere in the neighbourhood of the Soviet bloc is intolerable was hammered home, bluntly and without qualification, during this month's

newspaper interviews in Moscow, in the recent speeches, and in the Soviet press. If this to some extent reflects the soldierly thinking of the newly prominent marshals, it is also in line with Mr Khrushchev's well-known habit of outspokenness. Indeed, one of the characteristics of the new régime is the jettisoning of the suave manner of the Malenkov period. Last week a very clear example was provided by the new Soviet declaration on disarmament. Some observers interpreted this as an ominous retreat to the practice of stating impossible terms instead of negotiating seriously. But the obvious truth is that Vyshinsky was not negotiating seriously last year; on the contrary, he was making a well-timed effort to break up the London and Paris conferences. Patient cross-examination eventually revealed the hollowness behind his cloudy statements; and no more was heard of them. Now the Russians are back at the familiar task of making simple propaganda for simple minds out of the whole disarmament question; and in one way it is a relief. There was never any likelihood that they would come along with the West far enough to make watertight control over a balanced disarmament programme possible; and it is good that that should be made clear.

★

Yet, all that being said, it remains impossible merely to label every Soviet statement as pure propaganda or tactics. These elements are unquestionably present in all that the Soviet rulers say; but other, more genuine elements can sometimes be detected too. There is much reason to suppose that the repeated references to American bases reflect a quite genuine anxiety. The very inconsistency of the Russian leaders points to this. While Mr Khrushchev was denouncing the existence of bases in conversation with his western visitors, Marshal Bulganin was talking of "maintaining the present superiority of Soviet arms over those of the capitalist armies," and Mr Molotov was assuring all the Russians that in a hydrogen-bomb war only the wicked capitalist system would be destroyed. Behind such brashly confident statements, the Soviet rulers are plainly worried, and with some reason.

The West must, then, take seriously certain essential parts of the present Soviet "line"; without swallowing Moscow's whole propaganda output, it is both possible and necessary to accept the fact that at some points the propaganda coincides with bedrock policy. This is not to say that western policy must be tailored to suit Soviet requirements, that projects vital to the free nations must be abandoned merely because they cause in Moscow an alarm that is real and not simulated. But it does mean that western decisions should take full account of such real factors.

The Kremlin's new preference for plain spoken bluntness ought to make the task easier. The advent of the "tough" and talkative Khrushchev has torn apart some of the veils of illusion that Mr Malenkov affected.

It should now be clear for all to see that in Soviet eyes questions such as West German rearmament are secondary to the central aim of driving the Americans out of the whole Eurasian continent. (This gospel is not in the least new; but it emerges far more clearly from Mr Khrushchev's table talk than from the labyrinthine Notes that Mr Molotov has been despatching in recent years.) And when one comes down to this bedrock, it may be expected that the West will show a heartening degree of unity; few, even among the Bevanites, the German Social-Democrats and the French neutralists, really want to see the Americans retire to Kansas while the Russians retain their grip on Eastern Europe. Western leadership, then, faces a dual task. The point has to be patiently and consistently put across to the Russians that Nato and all other

Hire Purchase: A Test Case

THE Chancellor of the Exchequer deserves the warmest congratulations for the promptness and firmness with which he has moved to rein in the surging force of demand in the British economy. The more is the pity that the major move made on Thursday—the increase in Bank rate by a full one per cent—was accompanied by a minor measure—the reimposition of specific restrictions on hire purchase—which is much more questionable. In whatever form the new orders are drawn up, they will offend against what should be a cardinal principle of economic policy: namely, that industry and the markets, guided by the individual preferences of millions of customers, will do much better in deciding how any general cuts—whether they are initiated by Bank rate or by budgetary policy—should be distributed than will any gentleman in Whitehall.

The temptation to re-impose specific restrictions on these transactions was understandable. Hire purchase represents "consumption," which all postwar Chancellors have learned (and with justice) to regard as the first thing that should be cut. It is a form of consumption that has been increasing very rapidly since specific Government regulations about minimum down payments and maximum loan periods were removed last July. Total consumer debt financed in this way may now be more than £400 million, or as much as £30 per family (for some reason, it is possible to make this last figure sound both frightening and improper).

It must be conceded that there are some respectable economic arguments for looking askance at hire purchase at a time like this. For instance, it undeniably is to some extent an unstabilising element. This is not because hire purchase is capable of increasing or diminishing the total level of national consumption. If hire purchase were now to be banned altogether, the millions of people who now use part of their weekly

arrangements under which American forces provide a shield for smaller countries are vital to western defence (and to defence only) and can in no circumstances be discarded. The Russians may never publicly admit that these arrangements are strictly defensive; but they may be brought to a tacit understanding. Meanwhile the western people themselves have to be reminded that the Communist objective is, and was throughout the Malenkov era, nothing less than domination of a Eurasia uncluttered by American presence or American power. The European-American alliance is the main object of attack; by the same token, it should be the first thing to defend. If the deposition of Mr Malenkov contributes to an awareness of that cardinal fact, it may prove in the long run to have been one of the most helpful events in postwar history.

wage packets to make instalment or interest payments would be able to divert that money to chase after other goods instead. But an increase in hire purchase, though it does not alter the total of consumption expenditure, does bring forward in time the burden of that expenditure on production: the goods are sent from the shop to the home after the first payment, and the shop then replenishes its stocks from the factories. Economically the effect of an increase in hire purchase is the same as if traders carried larger stocks. And as hire purchase tends to go up and down with other forms of consumption expenditure, it does tend to exaggerate their inflationary or deflationary effect. This is therefore a system that works the wrong way in the trade cycle, and where the volume of hire purchase credit is as large as it is in America (where it is equal to some 8 per cent of annual personal incomes), it is a factor whose unstabilising effect has to be taken seriously. But the best available British guess suggests that hire purchase credit outstanding here may be equal to about 3 per cent of annual personal incomes. The Americans are dealing with a convulsive giant, the British with a promising babe.

But the qualitative effects of hire purchase may well be more disturbing than its total volume. It so happens that many of the goods that are bought on hire purchase—motor cars, household appliances and so on—are either goods that could be exported or else goods that are made by workers who could find other employment in similar export trades. Many of the goods and services to which demand might be diverted now that hire purchase is to be slowed down, on the other hand, are natural absorbents of inflation, which can suck in a flood of purchasing power with little transfer of real resources from other employment.

This is true of a surprising range of sumptuary expenditure in Britain today. It a man switches his

furniture money to beer and cigarettes, he adds to Exchequer revenue by far more than he diverts brewers from exporting or draws dollar tobacco from stock. If he transfers his erstwhile instalment payments into the football pools, he swells that extraordinary flood of money that weekly chases the work of a few hundred clerks in Liverpool, instead of chasing goods in the shops. If he goes more frequently to the cinema or the greyhound stadium, he makes more intensive use of these underfilled pieces of capital equipment; and the productivity of the film distribution and greyhound industries rises, in the national income accounts, by exactly the same amount as his admission money raises personal consumption. In all these cases, it would be foolish to deny that there is some disinflationary gain.

★

These are strong reasons for not exempting hire purchase from any general measures of restraint that may be in contemplation. Now that money is to be dearer, there should be no attempt to prevent the cost of hire purchase from going up. If credit is now to be tighter, it should be tighter for the hire purchase companies as for everybody else. If free availability of consumer credit is doing perceptible harm to export markets, that is a consideration that must enter into the Chancellor's decisions on such budgetary matters as purchase tax. But the good reasons for saying that hire purchase should not be exempted from general measures of restraint are hardly good reasons for saying that it should be specifically discriminated against. Indeed, there are two overwhelming arguments for deploring the Chancellor's decision, one that is particular to hire purchase, one that is more general.

The particular argument is that hire-purchase, and consumer credit more generally, shows signs of being precisely the sort of dynamic influence that the country so badly needs. By almost universal testimony, one of the reasons for the strange and striking sluggishness and leisure-mindedness of the British economy in these postwar years has been the lack of incentive to the individual worker. Even in the short period since hire purchase was set free, there has been some evidence that it has been providing just such an incentive. It is, of course, quite irrational that it should be so. In strict logic, it is just as easy to buy a television set by saving up before the purchase as after it—just as it should be just as easy to get up and go to bed an hour earlier in summer than in winter. But human nature is not logical, and hire purchase is effective just as summer time is. Moreover, though anything that tends to divert demand away from beer, tobacco and betting and towards durable goods may be a temporary inconvenience for the balance of payments, there surely cannot be any denying that in the long run it will strengthen both the moral and the economic fibre of the nation. Do the moralists who inveigh against the “never-never” really prefer the pubs and the pools?

The more general reason is that to reimpose, at the

first hint of difficulty, any specific controls that have once been successfully removed is an ignominious retreat. This is a matter of principle. The latter-day argument is not (though it is often misrepresented as being) an argument between the controlled or planned society and the licentious uncontrolled one. Virtually everybody today accepts the case for what Keynes called the “purposive direction” of the economy. The argument is whether that direction should be exercised by general “atmospheric” controls which, while they influence the decisions of the individual, leave him free to make up his own mind, or by specific regulation administered by bureaucratic agencies. There can be no doubt where, in a community which hopes to be both free and progressive, the balance of advantage lies. If there is complaint against the last three years, it is not that the principle has been wrong, but that it has not been ensued with sufficient audacity and resolution.

A retreat by the very people who profess this doctrine is a clear, and an unnecessary, defeat. A principle is not a principle (as distinct from a mere tendency of mind) unless it will be applied even to cases where there are some particular arguments in the contrary sense. That is why hire purchase has been worth defending at such length. Fate seems to have cast it as a test case.

The Crisis

The most determined optimist cannot conceal from himself that the position of public affairs at this moment is most grave and menacing. We are engaged in a war with the most colossal and inaccessible Power in the world. We have an army in one of the most vulnerable parts of his dominions, but that army is reduced to less than one-half of its original effective strength, and is threatened with an imminent and deadly struggle not only for victory but for existence. In the very crisis of the war we discover that our military system is defective, and either the machine or the personnel of our military administration inadequate to the pressure which has come upon it. The country is angry and alarmed; the House of Commons echoes instead of interpreting its feelings, and insists upon doing a necessary thing in an impracticable way; the Government is defeated and resigns; two political chiefs in succession endeavour to construct a new administration, and fail in the attempt; a third succeeds, but his Ministry has not been a week in office before three of its most important members resign [Mr Gladstone, Mr S. Herbert and Sir James Graham], and we are again thrown into confusion and uncertainty. All the difficulties, drawbacks and weaknesses of representative institutions are coming upon us in an aggravated form just at the critical instant when they are most damaging and most discreditable. The situation demands concentrated energy, and we have nothing but disunion and discontent. We need either the single will and the prompt action of despotism, or that patriotic self-abnegation that can, on occasion, imitate, supply, and surpass all the resources and advantages of aristocratic power;—and we have got neither.

The Economist

February 24, 1855

Odd Slav Out

LIKE most people, the Yugoslavs enjoy finding themselves in the limelight only when certain that they are appearing to the best advantage. Marshal Tito's triumphant tour to India and Burma amply fulfilled this requirement. The Djilas-Dedijer affair, on the other hand, reflected little credit on the regime; consequently the great interest with which it was followed in the Western press provoked some very sour comments in Belgrade and some quite unjustified aspersions about western meddling in Yugoslav affairs. The Yugoslav Communists, however, must reconcile themselves to the disadvantages of being unique. As the first successful rebels from the Soviet bloc their domestic affairs are of much more than academic interest to the West. And, in the international sphere, their open search for a suitable niche for themselves is plainly of great importance to western defence planners who would like to know how far the Yugoslavs could be relied upon, to play their part in repelling any Soviet attack.

Marshal Tito's travels to the Far East provided his regime with plenty of the right kind of publicity; and his visit to the leading Asian statesman, who refuses to align himself with either power bloc, emphasised Tito's views on the place in the world that he believes his country ought to occupy. He has, in fact, little option but to stick to the middle of the road. Jugoslavia's relations with the Cominform bloc have now become reasonably civilised or “normalised,” and if Marshal Tito wished to return whence he came, within the Soviet camp, there is no doubt that the most diffident tap on the door would cause it to be flung wide open. Such a step, however, would have two major disadvantages for the Yugoslavs and these lend a ring of truth to Marshal Tito's constant assertions that he has no intention of abandoning his western friends. The first is that he knows better than any man that as soon as he walks into the Kremlin parlour his independence of action flies straight out of the window. And in the second place, he knows equally well that if he rejoins the Soviet camp, the western powers are hardly like to go on pumping economic aid into Jugoslavia in a spirit of pure philanthropy. Poor harvests, industrial growing-pains and the mistakes of the planners all combine to make it certain that for the next few years at least the Yugoslavs would be very hard put to it to manage without western aid; and it is unlikely that if it were to be stopped the Cominform countries could adequately fill the breach.

While Marshal Tito could rejoin the eastern bloc, he does not want to—at any rate for the time being—he neither would nor could join the western one. He would not because he would probably find it very hard to sell such a move to his more dyed-in-the-wool Communist followers. And he could not because most Nato members would not feel that he qualified for member-

ship of their club. The illogicalities of his indirect link with Nato through the Balkan Pact are, both for him and for the Greeks and Turks, outweighed by its defence value. But although the Yugoslavs are anxious to strengthen the non-military sides of the pact there is no reason to suppose that it represents for them any sort of a half-way house on a journey right into the western camp. They are clearly anxious to strengthen their friendly connections with the West, for instance, through the western socialist parties; but it is unlikely that the Yugoslav leopard will really change its spots even though it has grown considerably more benign.

★

The Yugoslav leaders must be given the credit for having removed the worst and most oppressive features of a Stalinist police state. The Djilas-Dedijer affair showed how far they have developed more liberal ideas about the treatment of those who disagree with them; but it also showed that there are definite limits to their liberal ideas and under the present system it is not easy to see how these limits can be much further extended. Marshal Tito and his associates would indeed be the first to agree that they have no intention of working towards a democracy of the western type. In their view, the “classical” forms of democracy which are suitable for economically advanced countries will not work in backward ones. They are engaged in working out a complicated experiment in “economic socialism” in which they maintain that each citizen will be able to participate directly in the government through producers' councils, communes, and other types of association; and they believe that the system will lead to a withering-away of the state.

It would be unfair to pass final judgment on an experiment which, in Mr Kardelj's grandiloquent phrase, is “still in the phase of fermentation and co-ordination of the form with the substance.” But it is already perfectly plain that it will never allow more than the most exiguous vestiges of genuine political liberty. If the present restrictions on political action are ever lifted, it clearly will not be until, in the leaders' view, there is no longer any possible danger that the system or the regime will be upset. In other words, Marshal Tito and his associates will never offer the Yugoslav peoples the choice of an alternative government; unlike Atatürk's successors, they never intend to put their record to the test of the ballot box.

Jugoslav ideas on economic socialism are clearly not for export. But Marshal Tito did not embark on his travels in order to try to sell them to his Asian hosts. He went in the much more likely and rewarding search of sympathetic understanding for his view that the

smaller countries should not align themselves with either of the great power blocs but should work together, whatever the differences in their internal political systems, to promote peace and international understanding. In developing these ideas he showed greater realism than his hosts have sometimes done. He does not cherish any illusions that if a major war were to break out, the Yugoslavs could bury their heads in the sand and let the storm sweep over their heads. On the contrary, he has said quite categorically that the world is an indivisible whole and that "any conflict would involve the small nations, and they would fare very badly in it." With some justification, he is irritated at the suggestion that he is nothing more than an "incorrigible neutral." He insists that there is all the difference in the world between a passive neutrality, and an "active co-existence" which strives constructively to promote peace, and which might, as he has more than once warned the Yugoslav people, involve them in danger and sacrifice. Equally firmly he has insisted that the smaller uncommitted nations have no intention of building up a "third force"; in their view, this would involve them in the very system of blocs of which they disapprove.

The West has no more cause to cavil at the role for which Marshal Tito has cast his country than it has at the part which Sweden has been playing for years at the other end of Europe. In fact, it has less; for while both countries are strongly armed and determined to defend their frontiers, Yugoslavia has gone further and pledged itself to go to the help of its two non-Cominform neighbours. But the West can legitimately feel aggrieved at the way in which Marshal Tito continually paints a smudged and distorted picture of the

setting in which Yugoslavia performs its role. He even once went so far as to tell his Burmese hosts that the big blocs would prevent the smaller powers from playing an independent part and that the interests of the two are bound to conflict. If he really believes that, then one can only conclude that he is completely blind to the evidence of his own dealings with the western bloc and that he has not outgrown his Stalinist upbringing as completely as he would like the world to suppose. Moreover, he habitually takes the line that all the tension in the world today springs mainly from the existence of the two big power blocs, that these form the chief obstacle to a lasting international settlement, and that the efforts of the smaller powers—like Yugoslavia—to keep the peace are the one redeeming feature of an otherwise naughty world.

The misrepresentation is obvious. The Marshal completely ignores the fact that the smaller powers can enjoy the luxury of walking by themselves and telling everyone else how to behave only because the West has built up its armed strength as a bulwark against Soviet expansionism. It is unlikely, to say the least, that he himself would have emerged so triumphantly from his long duel with Stalin if he had not been in effect protected by the Nato shield. As it is, he finds himself in a highly advantageous position. Both blocs treat him with consideration; and one supplies him with military and economic aid with no strings attached. But if he really wants to play an active and influential part on the international stage, he must show that he is fair-minded and his intentions honourable; and to give his people a quite distorted picture of the international scene is not the best way to dispel the suspicions that, in many circles in the West, still hover round his name.

Notes of the Week

Firm Hand

IT is unfair to job backwards and say that the increase in Bank rate, to 4½ per cent, should have been made four weeks ago. Most people had thought at the end of January that the increase to 3½ per cent might be sufficient; and few—including few in official circles themselves—had realised how rapidly the terms of trade were deteriorating. This realisation had only caught hold in the City within the last ten days, and had precipitated the fall in market prices that the first increase in Bank rate had failed to bring about by itself. It was essential that the authorities should rub

this realisation home; and to do this they had to increase the rate by the full 1 per cent. This was the only way in which they could hope to seize control of the situation; otherwise they would have appeared merely as unwilling followers in discomfort's wake.

Now that the step has been taken, it is right to say that there is more reason for satisfaction than alarm. Britain's own balance-of-payments prospect looks far less menacing than at the onset of the economic crisis of 1951; and the overseas sterling area's prospect, of course, is far less bleak than at the onset of the crises of 1947 and 1949. The real significance of these two dramatic *démarches* from the Bank is that there is a firmer hand upon the tiller in the face of a less frightening storm. The political implications

of this economic setback, so near to the election deadline, are bound to be disturbing for the Conservatives; the implications for that election's timing are a matter for them to work out for themselves. But they certainly deserve (and may even get) the credit for their courage in meeting trouble half way.

Parliament and Opinion

SIR WINSTON CHURCHILL has been in a delightfully vivacious mood this week; and, in his comments about political debates on television, he has been vivaciously wrong. The trouble arose after Mr Shinwell and certain other MPs had been prevented from discussing the Defence White Paper on television, because the BBC has an agreement with all political parties that no subject that is to be debated in Parliament within fourteen days shall be discussed on the air. Mr Shinwell said this was a silly agreement; most newspapers agreed with him; and questions were put down in the House suggesting that it should be reconsidered. To most people's surprise, but to the accompaniment of an approving nod from Mr Attlee, Sir Winston said that he would never reconsider it. It would be "a shocking thing," and contrary to the long-term interests of the House, to have debates forestalled time after time on this "vast new robot organisation of television and broadcasting."

There are two entirely separate issues here. The first is that so long as the BBC is a monopoly, and so long as its method of debating current affairs is to have a stage-set party battle about them, it inevitably begins to look like a rival forum to Parliament. It is a forum that attracts far more attention, but on which the debates are necessarily more informed and on which the reasons for particular Government policies cannot be prematurely disclosed. The proper remedy for this, however, is to stop the BBC being a monopoly, and to bring its methods of discussing current affairs more in line with those of the press.

The second issue, which Sir Winston appeared to ignore, is that all-party control of the discussions that may be held on the air can be desperately dangerous: almost as dangerous, in principle, as would be single-party control. This is of the arguments that are put forward in them. This is because there are certain issues—strikes are an example—in which it may be in the short-term interests of all professional politicians, but not in the long-term interests of the public, that deeply-probing debates should be forbidden. It is no answer to this criticism to say that these debates can still be held in a free press; broadcasting is a medium that now reaches far more people. This is a straight conflict between the convenience of Parliament and the rights of the people. For the sake of democracy itself, the organised party interests at Westminster must not be allowed to treat this most important means of public information—and largest means of public entertainment—as their inalienable private estate.

Labour and Defence

LABOUR seems to have taken the decision to make British H-bombs surprisingly calmly. There will inevitably be protests from the pacifists, and the far Left believes that

this is a great opportunity to woo the frightened; but the party as a whole is apparently ready to accept the logic of the case. Much of the credit for this realism belongs to Mr Attlee, and perhaps even a little to Sir Winston Churchill. A fortnight before the White Paper was published—in the private speech that shocked some of his colleagues into misinterpretation—Mr Attlee told his followers that Britain needed its own H-bombs, and explained why. He thus stole a march on the potential critics, and answered their arguments in advance. Presumably he would not have been able to do this if he had not been taken into Sir Winston's confidence. Certainly if he received any advance hint he made good use of it; and an announcement that might otherwise have touched off an emotional storm has been accepted with almost tame resignation.

The H-bomb has probably been made more palatable for Labour by the fact that there are still a number of grounds on which the Government can legitimately be attacked. Last week's deplorable White Paper on the supply of military aircraft, with its heavy-handed passing of the buck to the pre-1951 Labour Governments, ensured that the coming defence debates will take place in a sultry atmosphere; and the only problem facing Labour this week has been to agree on the exact form of the censure motion that it will table for next week's debate on the main Defence White Paper. On the broad issues the party seems agreed; the Government has been slack in promoting either international disarmament or national re-armament. Preferably Labour would like no arms; but, if these are still needed (as all except the pacifists admit), then the Tories have not been producing enough and what they have been producing have not been of the right type.

So much for the broad lines. On more detailed questions Labour is no more certain of itself than any other group of strategists, amateur or professional. It hopes it can think that National Service could be cut, but wants an inquiry first. It believes that more attention should be paid to nuclear weapons and less to conventional—chiefly because this sounds the progressive thing to believe; but it is not sure about bombers. It thinks that both the army and navy could be trimmed back more, but wonders what would happen if a third world war starts and if neither side dares to drop the first H-bomb. These are the doubts that assail all minds, including those on the Tory back benches.

Lack of Leadership Over Formosa

THIS week's resolution on Formosa by the National Executive Committee of the Labour Party might well have been worse. It calls on China and the United States to establish a cease-fire in the Straits of Formosa; to arrange the evacuation of Nationalist troops from the offshore islands; to see that Peking's representative is admitted to the United Nations; to neutralise Formosa and the Pescadores "by international guarantee," until their inhabitants can make a "free . . . choice without intimidation from either side"; and to ensure the "withdrawal of Chiang Kai-shek and his principal supporters." While this represents a toning down of some of Mr Attlee's more vote-winning statements in recent months, it appears nevertheless to have received general approval, including his own. It may be regarded as a compromise—possibly only temporary—which steers clear of Communist propaganda and yet, at

the same time, carries a warning to America that Britain would not in any circumstances go to war for Formosa.

If the resolution could be readily put into operation—which it cannot—few people in this country would contest it. But the Labour leadership has in reality fallen into a grave error. For, while it may be skilfully expressing a widespread emotional mood in Britain, to do so is extremely mischievous in two distinct respects. One is that it ignores several fundamental political realities in the Formosa situation. It ignores, above all, the fact that the Chinese Communists and not the Americans are making the running in the dispute; Peking's aggressive posture has created the present crisis, not Washington's attempt to damp it down. And although Labour spokesmen claim that they seek to strengthen the Administration's hand, no one in Washington could, in fact, have moved further on the China issue than President Eisenhower's government during the past few months. The other mischievous effect is that the resolution does nothing to remind people in Britain either of their responsibilities towards America as an ally, or of their own interest in not evading those responsibilities.

Blame rests, however, almost equally on the Government. Sir Anthony Eden has somewhat naturally hesitated to fly in the face of public opinion at this stage. But it is largely his and the Prime Minister's fault that the British public has not had the leadership it ought to have had on this question in the past. After discussing Formosa with Mr Dulles in Bangkok, the Foreign Secretary should speak frankly and boldly to the nation on his return.

Night Stop in Karachi

THERE was a touch of irony about the final schedule for Sir Anthony Eden's journey to and from Bangkok. On the way out he stopped in Cairo and Karachi. On the way home he is due to stop in Delhi and Baghdad. In both the Middle East and the Indian sub-continent he will thus have stepped delicately round local rivalries. And while the Foreign Secretary's conversations with Colonel Nasser have remained for the time being secret, he found Karachi in an altogether more expansive and confident mood. Acceptance of the necessity for Seato is characteristic of a new decisiveness about Pakistan's foreign policy. This spreads not only into South East Asia but into the Middle East as well. In regard to the first, Pakistan has this week proved the only major Afro-Asian power—apart from Japan—willing to extend, through detailed and specific defence talks, some of its commitments alongside the western powers. In regard to the second, Pakistan is at the moment playing host to President Bayar of Turkey, just as it has done during the past few months to the Kings of Iraq and Saudi Arabia and to the Shah of Persia.

In a West which has increasingly had to accept the tetchy and suspicious neutralism that appears to be inseparable from Asian and African nationalism, one may well ask: is all this too good to be true? Does Pakistan really mean to work for the genuine collective defence of the areas in which it has interests? In the search for an answer two factors are significant. General acceptance of Mr Nehru as the prophet of Asian neutralism has meant that Pakis-

THE ECONOMIST, FEBRUARY 26, 1955

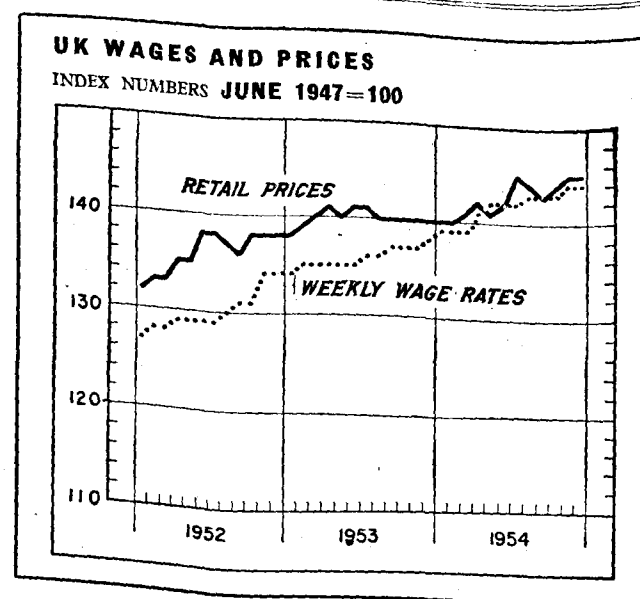
tanis have taken another look at the bases of that attitude and found them wanting. This is a backlash from Kashmir. The other factor is that, for the moment at least, Pakistan has a firm and determined government, which is not bound to strike extreme Islamic attitudes. The pact with Turkey can be made the anchor of a realistic Middle East policy, with the result that, given time and backed by the American aid agreement, Pakistan might be found after all to fill some part of the gap left by the extinction of British power radiating from the old united India.

Signor Scelba's Unquiet Homecoming

NO expert reading between the lines is required to see that the visit to London of Signor Scelba and Professor Martino generated a genuine warmth of feeling. There is therefore ground for hoping that time may not after all prove it to have been "just one more visit," evanescent and superficial in its effects. Even the usual flaccid communiqué at the end of the London talks spoke of relations having "now happily returned to their old friendliness."

But, although the Italian prime minister's visit was a success, he has returned home to find a potentially disturbing political crisis threatening the stability of his government. Standing precariously between the tiny Liberal party on his right and the small number of Social Democrats and Republicans on his left, his government is virtually unable to sway in any direction without falling over. The latent crisis began with the opposition of Liberal landowners to the government's intention of bringing up again certain land reform proposals which have been shelved since 1948. This has precipitated a fresh clash on social and economic policy between the two wings of the big Christian Democrat party itself. And it undoubtedly raises questions on which there is no real unity of purpose within the government at all.

For Italy's allies it would be a disturbing affair if the present crisis led to a prolonged political deadlock. It is



THE ECONOMIST, FEBRUARY 26, 1955



SHREDS OF EVIDENCE...

But evidence of what? Some happening, back in geological time, left behind this strange material, with its long, thin, hairlike fibres; but, so far, the fibres have kept their secret. Their present usefulness, however—a usefulness which springs directly from this unique, fibrous composition—is no mystery at all. There is scarcely a branch of industry which does not make use of Asbestos in one form or another, either for its remarkable resistance to heat, or for its other highly distinctive properties. Asbestos, we suggest, is a material well worth looking into.

THE CAPE ASBESTOS CO. LTD.

ASBESTOS PRODUCERS AND MANUFACTURERS

114-116 Park Street, London, W.1

Telephone: GROsvenor 6022



Finance for Industry and Commerce

ICFC provides finance in the form of long-term loans on fixed terms, or share capital, to industrial or commercial enterprises established in Great Britain. Amounts range normally between £5,000 and £200,000.

The Corporation is ready to consider applications for capital to purchase additional buildings, plant and machinery, or to provide increased working capital to further the expansion of business. Consideration will also be given to new ventures which are soundly conceived and adequately sponsored.

Please ask for our new booklet—"Capital for Business and Where to Find it".

INDUSTRIAL AND COMMERCIAL FINANCE CORPORATION LIMITED

Subscribers: The English & Scottish Banks.

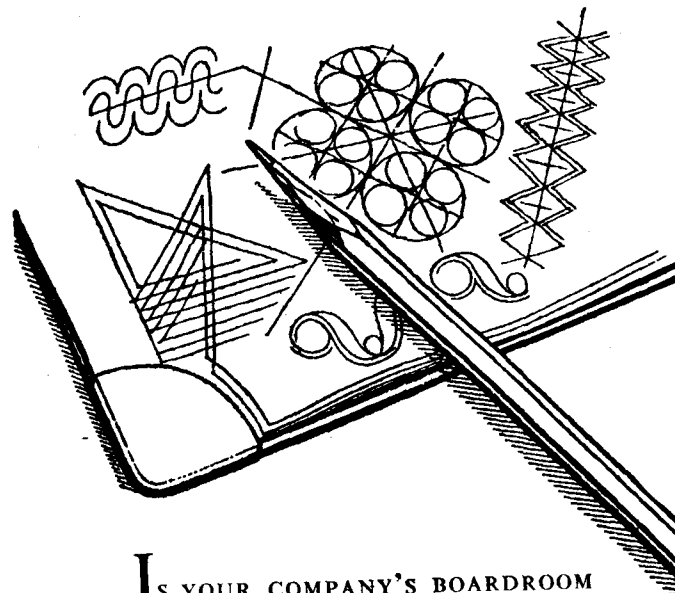
HEAD OFFICE:

7, DRAPERS' GARDENS, LONDON, E.C.2
Tel: NATional 8621/5

BRANCHES:

BIRMINGHAM—214, HAGLEY ROAD. Edgbaston 4181
MANCHESTER—73, WHITWORTH ST. Central 5429
EDINBURGH—33, CHARLOTTE SQ. Edinburgh 30212

Are you bored in the boardroom?



IS YOUR COMPANY'S BOARDROOM impressively but monumentally dull—a room still sacred to the memory of an august founder? Or is it a pleasant place in which to meet—a background for clear thinking, and brisk discussion?

This surely is what it should be—a room which reflects the Company's present day character and outlook.

Our design studio has many such board-rooms to its credit, as well as furnishing schemes for whole office blocks, hotels and ships—both in Britain and abroad. You will find us just as helpful if you are looking for a desk to suit an executive.

If you would like to see what we can do, tell your secretary to write for our booklet, *Furniture for Special Needs*. Better still, visit our new Contracts Showroom and look round for yourself.

HEAL'S CONTRACTS LTD

196 TOTTENHAM COURT ROAD, LONDON, W.1
TELEPHONE MUSEUM 1666

THE ECONOMIST, FEBRUARY 26, 1955

GLENEAGLES HOTEL

Perthshire

The world-famous resort hotel and its unique sporting facilities. Guests pay reduced green fees on its championship golf courses and have free use of its superb tennis courts, putting and bowling greens, squash courts and indoor swimming pool. Dancing, private cinema.

Opens for the season 7th April

The Resident Manager will be happy to send full particulars.

TURNBERRY HOTEL

Ayrshire

The famous hotel and its championship Ailsa Golf Course on the warm and sheltered Ayrshire coast. Reduced green fees for hotel guests. Tennis courts, pitch and putt course, indoor swimming pool. Dancing, private cinema.

The Resident Manager will be happy to send full details.



Si le premier verre
IF THE FIRST GLASS
de Dubonnet est un

OF DUBONNET IS A
ravigotant et si le troisième
REVIVER AND THE THIRD
est celui qui porte bonheur,
IS THE ONE WHICH BRINGS GOOD LUCK,

WHAT IS THE SECOND?
qu'est-ce que le second?
THE SECOND?
C'est le brave ancêtre du
IT IS THE WORTHY ANCESTOR OF
quatrième et du cinquième.
THE FOURTH AND FIFTH.

If you have never tasted Dubonnet, why not make today the day? Dubonnet should be served quite cold in a fair-sized sherry glass. You will find it particularly delicious with a slice of lemon and a dash of soda. Alternatively, you may prefer it with a little gin, or with orange juice. Try it all ways to make sure. A large bottle costs 20/-.

DUBONNET does not affect the liver

SOLE DISTRIBUTORS: L. ROSE & CO. LTD., ST. ALBANS, HERTS.



THE ECONOMIST, FEBRUARY 26, 1955

often better to travel hopefully than to arrive. And while the present coalition is admittedly incapable of giving a dynamic lead on the home front, it undoubtedly represents the best compromise that is in fact available. Indeed, Signor Scelba's resignation at this stage would probably be followed by a more right-wing government. This would do even less at home and certainly could not improve on Signor Scelba's record abroad. A definite move towards a closer participation of the neo-Fascists in government might, in fact, undermine some of the new confidence which a democratic Italy has lately inspired among its neighbours.

Next Year's Civil Spending

THE publication of the Vote on Account and the Defence White Paper makes the accounting—as distinct from the anti-inflationary—outline of the coming Budget fairly clear; Mr Butler's prospect is discussed in a Note on page 742. In general, the estimate of total expenditure in the coming year is much the same as the original estimate for 1954-55, but within the total there are a few significant changes between the two years.

If all defence spending, in so far as it can be separated, is deducted from the total shown in the Vote on Account, the purely civil expenditure is estimated to be between £60 million and £70 million higher in the coming year. A large part of this increase is accounted for by the Ministry

EXPENDITURE ON THE SOCIAL SERVICES
(£ million)

	Estimated Expenditure		Increase or Decrease
	1954-55*	1955-56	
Education†	319	342	+23
Health Service	439	463	+24
National Insurance	183	206	+23
(inc. fam. allow.)	134	125	-9
National Assistance	80	73	-7
Housing			

* Including supplementary estimates.
† Including universities.

of Food's vote, which, apart from its purchase of strategic reserves, shows an ominous expansion of £41 million. Some of this presumably reflects the recent wage award to farm workers and the Government's subsequent underwriting of it; but until the detailed estimates for the Ministry appear, one cannot say to what extent the vote is merely speculative, based on a forecast of world market prices—and their relation to whatever is to be the final level of farmers' guaranteed prices—in the coming year. The remaining big increases in civil expenditure are accounted for, as might be expected, by three social service departments. The cost of education shows its usual steady rise; and the extra £24 million needed for the health service gives the impression that the brake put on the hospitals' expenditure in recent years has been released somewhat. The changes in the estimates for national insurance and

national assistance show the net effects of the new legislation for social security payments.

To offset these increases, there is a saving in the civil spending of the Ministry of Supply and in the cost of colonial services. But in the current year the latter has been swollen by grants and loans to Kenya, and from Mr Lennox-Boyd's statement on Wednesday, a supplementary estimate will evidently be required on this account some time in 1955-56. The fall in the housing vote presumably reflects the Government's determination that in future more houses should be built by private enterprise and fewer by local authorities.

Politics in Private Bills

THE results of the current batch of private members' bills are proving even worse than was feared. Last Friday pre-election expediency scored two more victories over principle and common sense. The first occurrence was when Mr Short introduced his Bill to allow local authorities to operate concessionary bus fares for old age pensioners and other arbitrarily chosen groups of citizens and voters. Mr Boyd-Carpenter rightly replied for the Government that local authorities wishing to use their ratepayers' money in this way should use the private Bill procedure that was designed for just such circumstances. But he hastened to say that he did not wish to put to this trouble those local authorities that have been operating such schemes illegally in the past. They will be indemnified and their paths cleared; only the others will have to introduce private Bills.

Mr Short's Bill took up so much time in the Commons that there was not enough left for a full debate on the Lotteries Bill, unless opponents of this minor change in the gambling laws were ready at least to let it pass into committee. This they were not, so the Bill was talked out and is now virtually dead for this session. There can be no serious pretence that the majority of the House or the country wants the private citizen's shilling raffle to remain subject to the present baffling and largely evaded restrictions, that it prefers the law to slither along in its present disrepute. But the Bill's prospects were politely dimmed by the Home Office spokesman, who seemed to be arguing that the Bill was immoral but practical. The Home Office would have given a firmer, and braver, lead on this issue under its previous tenant.

Red Light on the Disarmament Road

IN the five-power disarmament talks that have just opened in London the Russians made their attitude clear before they sat down; and it was not an encouraging attitude. Pravda's complaint that the membership of the United Nations sub-committee that is meeting at Lancaster House is weighted heavily against Russia, and the arrival of Mr Gromyko to play a role which, last summer, was left to the Soviet ambassador in London, Mr Malik, both suggest that the talks will be turned into a propaganda duel. This

suspicion is strengthened by the proposals on disarmament which were broadcast from Moscow last weekend. It is difficult to see how the Soviet government could have packed into three brief clauses a set of propositions more favourable to itself than these.

First, the Russians return to their old demand for an immediate and unconditional destruction of all stocks of atomic weapons. At the UN Assembly last autumn Vyshinsky appeared to have abruptly dropped this familiar formula, which was always an obvious attempt to clear the way for Soviet predominance in manpower and conventional arms. Its revival confirms the interpretation that Vyshinsky's move last year was merely a device for delaying and obstructing the Paris agreements on Western Union. Secondly, the Russians propose that the size of all armed forces be frozen at the level of last January 1st; this would not only perpetuate the Communists' numerical superiority but also prevent the West from adding any German contingent to its forces. Thirdly, in proposing a level above which defence expenditure should not be allowed to rise, the Russians have chosen to nominate the 1955 budget allocations. That would give them the benefit of the extra 12 per cent they have appropriated for their own armed forces this year.

Last May and June, when the same sub-committee held its previous session in London, its talks were conducted privately and without a propaganda fanfare. It seems that things will be different this time. Mr Gromyko has, in effect, brought to the table a placard inscribed: "No agreement here!" There is only one consoling aspect to this for the free nations. If the Russians are not ready for genuine disarmament anyway, it is better that they should be open about it.

Dear Food?

THE Minister of Food's written answer this week about relative food prices in Britain and three other carefully selected countries was, of course, slightly bogus; in particular, any translation of American into British prices straight across the official exchange rate is a trick that translators of wage rates could also play. Nevertheless, two conclusions can reasonably be drawn from his table, extracts from which are published below.

LATEST AVAILABLE RETAIL PRICES
(Per lb. except where otherwise stated).

	U.S.A. (Oct., 1954)	Switzerland (Dec., 1954)	France (Jan., 1955)	Britain (Jan., 1955)	
	s. d.	s. d.	s. d.	s. d.	s. d.
Bread	1 3	5½	7½	3 8	4 2
Butter	5 1½	7 6½	6 8½	1 4	2 3
Margarine ..	2 1½	n.a.	2 1½		
Milk (per pint) ...	1 0	5½	6½	2 10	3 5½
Beef	5 0½	4 10	2 4½	7½	8
Sugar	9	8½	1 0½		
Tea	9 1½	11 1½	n.a.	7 0	10 0

First, Britain is still a relatively cheap food country in an unduly dear food world. This is mainly because the support given to domestic agriculture here is usually wisely laid on the taxpayer rather than on the consumer (by import quotas or other means); but it is fair to say that British distributors of foods that are wholly imported—including tea—do not come out of this comparison too badly. Secondly, it is significant that the only one of Mr Heathcoat-Amory's fifteen commodities in which the British price was above those in both France and Switzerland was the only commodity that is wholly home produced—namely milk. This is also one of the commodities that is plainly in surplus supply. If the Opposition is going to make the cost of food its principal election issue, it would be wise to re-align its aim.

Return of Israel's Seer

WHEN Mr Ben-Gurion retired into Israel's southern desert fourteen months ago, everyone knew that he wanted to write the saga of its war effort before he died, but no one expected that he had quit the political scene for good. It was the moment of his return, and not the fact of it, that surprised even some of his intimates last week. He, the exponent of an "active" defence policy, has taken on the defence ministry in place of another "activist," Mr Pinhas Lavon. By doing so he has accepted service under Mr Sharett, the apostle of peaceful change.

Israel has been restless about its defences ever since Britain decided to quit Suez, and this restlessness increased at the news of the projected Turco-Iraqi pact. As against the few voices raised in argument that Turkey might succeed in knocking some realism into at least one Arab state, a multitude proclaimed that this newest of devices for arming Arabs would ultimately spell yet another threat to Israel. The news increased Israel's sense of isolation; Turkey is its only friendly neighbour and many Israelis instantly assumed, quite unnecessarily, that a Turkey in contact with Iraq must be an unfriendly Turkey. A people so cut off from normal give and take across frontiers tends to see every international situation in terms of stark black or white.

While nerves were thus on edge about defence, two aggravating factors arose. After four months of relative quiet, the frontier with Jordan once more became a scene of gunfire and incidents, while, inside the cabinet, serious differences arose between Mr Lavon and Mr Sharett as to the way defence was to be run. The first, explosive and unbureaucratic by temperament, had on at least one occasion in the Knesset implied that he condoned sponsored reprisals, and he sought changes in the field of defence that became, at his own request, the subject of a government inquiry. Its result led to his resignation.

Mr Ben-Gurion's decision to take his place may well have been taken from more than one motive. He reasoned that when frontier affrays are in the news and nerves on edge about defence a sensational appointment was needed to blanket the Lavon resignation. But he may also have reasoned that Israel's next elections are due on July 26th, and that if his party or coalition is to get a big enough majority to organise the end of proportional representation,

with its inevitable legacy of splinter parties, Mapai will need votes that only he can win. His ambition is, before he finally retires, to endow Israel with a party system of British, as opposed to French, pattern.

Satellites Falling into Line

THE announcement that the Hungarian prime minister, Mr Nagy, who has always been a strong advocate of the "new course" economic policy, is seriously ill, will inevitably be received with a large pinch of salt. But if he is indeed genuinely ill, he is probably consoling himself with the thought that in present circumstances his bed is the best place for him. With the open shift of policy in Moscow, Mr Rakosi is clearly coming towards the end of last year, having been fortified by a trip to Moscow. It is significant that the Hungarian régime reacted most swiftly of all the satellites to the change of government in the Kremlin, and that it did so with a stern warning that the people must expect sacrifices and privations, so that their armed forces could be strengthened and the war plans of the imperialists frustrated.

The Hungarians have been the recipients of louder and more lavish promises of better days than any other satellite peoples; a cry of *la patrie en danger*, an appeal to their patriotism, was no doubt considered the best means of consoling them for their frustrated hopes. Elsewhere in the Soviet bloc, where the movement towards a "new course" economic policy has in any case been much more cautious, the shift back to a tougher line is being more discreetly handled. The Poles, the Czechs and others are being let down fairly gently, partly for obvious reasons of political expediency, and partly because they have not, in fact, got very far to fall. All the same, a good many words are being eaten by those who have been expounding the wrong ideas about the relative importance of heavy and light industry; and no opportunity is let slip of stressing the overriding importance of the former. Mr Bierut, for instance, recently told the central committee of the party in Poland that the planned spurt in the production of consumer goods this year is "only an exceptional phenomenon" and that the conditions for the "further and more rapid expansion of the production of the means of production" must be created. In agriculture, too, the satellites are taking their cue from Mr Khrushchev; this will not come amiss to them, since everywhere the need to produce more food supplies is pressing. The Czechs have even decided to have their own version—by comparison a rather diminutive one—of the Soviet campaign to develop "virgin lands"; they have launched an appeal for volunteers to assist in the exploitation of the "vast land reserves" in the frontier areas formerly occupied by the Sudeten Germans.

Unions and Rebels

THREE news items in the past week provide an interesting contrast in union policy towards members who defy instructions. The Communist-dominated Electrical Trades Union is conducting a witch-hunt against those who, last

August, went back to work for Messrs. J. Lyons—in utter weariness of a four-month-long strike that had been called because a certain supervisor did not hold a union card. So far three leaders of the "back-to-work" movement have been charged, and fined the formidable sums of £20, £15 and £5 respectively. These fines have been treated as arrears of union dues. The appeal of the first man has been rejected. As a member may not be more than a pound or so in arrears without forfeiting union membership, and as the man concerned has been told that the arrears must be paid by March 4th, an expulsion seems likely; it remains to be seen whether the union will then try to get him out of his job. The rest of the 140 men who went back to work without permission are also to be charged by the prosecutor-judges of the ETU, but not until late in March. It is perhaps significant that the election of the general secretary and national officers also takes place in March.

If discipline is severe for those who contravene the instructions of their union in order to work, it amounts to only a little scolding for those who do so in order to strike. The National Union of Railwaymen is being called upon to do such scolding to guards on the Liverpool-Southport line. Some weeks ago these guards decided to refuse to do overtime, because some of them were asked to help collect tickets on Sundays, instead of sitting in the rest room. This week a porter was asked to act as guard to fill the temporary shortage thus created. He refused, was disciplined, and triggered off a strike. This fracas will be the first test of whether NUR's renewed promises to improve efficiency can be carried out.

The Transport and General Workers' Union also is faced with recalcitrance—by the busmen of West Bromwich, who are on strike against the employment of an Indian conductor. Neither union nor management was much helped by the decision of the transport committees of Wolverhampton, Walsall and Birmingham to stop their services at the boundaries of West Bromwich in order to avoid trouble with their own men. They have now resumed normal services, but only because the licensing authority has insisted. This affair is a direct violation by the busmen of human rights; it is the more unfortunate because India is the only country of the Commonwealth to allow unrestricted entry from Britain.

The Cost of Mau Mau

BRITAIN is to provide Kenya with a drawing-account of £14 million (£10 million in grants and £4 million as an interest-free loan) to meet the bills for the Emergency in 1955-56, as against £11½ million in the current year. Kenya will provide £2 million.

But the piper is objecting very bitterly to the tune that is being called. Both legitimately and highly illegitimately—in the Legislative Council and by means of pamphlets threatening surrendering terrorists with lynch law—the settlers are attacking the amnesty plan, which is now to run for three months. The European elected members in the Legislature must—like the settlers' newspapers—have the right to oppose the government outspokenly; but are their present tactics wise? Although the debate on the amnesty terms was not carried to a division, they are consciously or

unconsciously building up a picture of a completely irreconcilable, unreasonable and undisciplined community setting itself hard against the Government, the Colonial Office, the general trend of British opinion, and the other races in Kenya.

This is deplorable. Although there is much talk of settler opinion swinging behind those who oppose the amnesty, it is most improbable that the whole Kenya white community is taking up this attitude; but unless saner and more moderate people speak up soon, the impression that all settlers talk like Mr Slade will become a stereotype—and this is something that the other races can use to advantage, and that will tempt them to become anti-settler on principle. The settlers risk becoming isolated from everybody else; and with every repudiation of Mr Blundell's leadership, however hesitant it may sometimes be, they cut a worse figure.

Now that the amnesty offer is being tried, they have to make the best of it; and since it is being tried, it must be given a fair trial. Africans make up their minds slowly, and three months is not excessive. Military progress is slow, but there is progress. Settlers declare that the Kikuyu are still largely uncommitted. But to give them the impression that Europeans can never agree, are extremely rattled, and are more interested in terrorising than in observance of law, is no way to bring them over.

A False Economy

THE Government believes that productivity in the building industry has increased by about 10 per cent in the last four or five years; in consequence, Mr Bevin, the Parliamentary Secretary to the Ministry of Works, has told a questioner in the House of Commons, operational research by the Building Research Station, which was cut down as an economy measure in 1950 and 1951, is "not now so necessary." This is a curious complacency. Whatever the increase in productivity since 1950-51, there is still plenty of evidence that it has not been general throughout the industry; and that it is inadequate to make up the drop in efficiency since 1939, let alone to compare with the advances achieved in some other industries. In the last report that it was allowed to make, the Gridwood Committee on house building concluded that productivity in this section of the industry in 1951 was still 25 per cent below the 1939 level. In its study of productivity in a sample of about 150 housing contracts, the Building Research Station found that the number of man hours per house was almost three times as great in the worst contracts as in the best. Similar variations in performance are known in other types of building; indeed the building operations of the Ministry of Works itself are by no means a shining example.

With so much room for improvement, with new materials, new methods of construction and new types of mechanical equipment constantly coming into use, it is difficult to believe that a modest expenditure on objective research is unnecessary. Apart from occasional criticisms of slowness, it is also difficult to find anybody who denies that the Research Station has done its job fairly well. A much more common criticism—and it is to be hoped that this muddle does not account for the Government's decision

—has been levied against the distribution of responsibility for building research within Whitehall; at various times the Minister of Works, the Lord President, and the Treasury have seemed to be falling over each other's feet.

Communist Subversion in Germany

HERR GROTEWOHL'S appeal to the Federal German parliament for immediate joint talks on reunion was a blatant manoeuvre that has been made often before without any success. So far, the Social Democrat and trade union opponents of rearmament have consistently refused to accept the Russians' German puppets as allies. But the Communists have also been running an intensive underground campaign against the treaties, the effect of which will not be seen for some time. Money has been poured out by hundreds of camouflaged societies in Western Germany, which have been supporting the flood of appeals that have been sent from the Soviet Zone. Forged letters and leaflets have been circulated, which give the impression that they come from the *bona fide* antagonists of the Paris treaties. Signatures have been invited for alleged copies of the opposition's "German Manifesto" against rearmament. But the words "in freedom" were deleted from the original demand for German reunification—a significant omission if ever there was one.

A Communist trick which is practised on every possible occasion is to discredit the reliability of one western ally in the eyes of the others. The Americans, in particular, have to be made to believe that the British, French and Germans are not to be trusted with military secrets. Shortly before the *Bundestag* debate, the East German Communists played a trump in this game. They broadcast an alleged "leak" from the defence office of Herr Blank in Bonn, to the effect that General Gruenther had issued sealed orders instructing the office to move to the south of France in the event of war. If the report is a fake, Nato headquarters will, of course, be unimpressed. But, even so, the public will have been given more "evidence" to show that the Americans plan to use the German army as a shield behind which to retreat, leaving behind them a country destroyed by atomic warfare. The concept is one which Germans naturally dislike; and it has had to be countered by General Gruenther in an article in the Bonn government's daily bulletin, which shows that the Germans are not intended to do the shielding alone. This assurance is necessary. The current phase of cold war in Western Germany has made it abundantly clear that implementing the treaties will be as difficult as ratifying them.

Norway Trims its Sails

THE Norwegian government's action last week cutting back imports by 7 per cent came as no surprise. It had become obvious that, with a deficit in the foreign accounts equal to about £55 million in 1954, prompt action was essential. The real surprise is that after being dormant for the past nine years the Bank of Norway's discount rate has been raised from 2½ per cent to 3½ per cent. Norway

is almost the last country in Europe to revert to classical monetary techniques.

The return to dearer money is well advised, for the main problem of the Norwegian economy is a tendency towards over-investment. With nearly 30 per cent of gross national product going into investment, the rate of capital formation is the highest in Western Europe. Hitherto the Norwegian authorities have preferred to use direct controls on the banking and credit system; they may have better luck with traditional methods. The cuts in imports—quotas for cars from western countries are halved—are distributed widely. In addition, tighter controls on imports from Eastern Europe are promised, despite the fact that this may react on Norway's exports to these countries, since the trade is normally balanced on a bilateral basis. Another important proposal is the special tax of ten per cent on contracts placed for new ships.

Though Norway's difficulties obviously called for immediate action, it is discouraging that the first impulse is to slash imports. As it happens, the cuts do not affect Norway's liberalisation percentage. But would it not have been possible to tide Norway over its present temporary difficulties with some help from EPU?

Chinese Noughts and Crosses

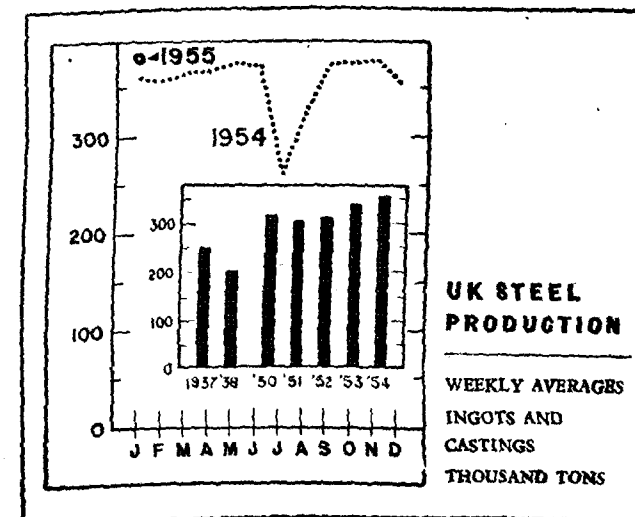
CHINA'S currency," says the Peking People's Daily, "is one of the most stable in the world." From March 1st, a new currency will be issued at the rate of one new yuan to 10,000 old ones. This drastic currency reform is represented by Peking as little more than a convenient bookkeeping change—a matter of simply crossing out the last four noughts. This explanation is, to say the least, inadequate. What of the confusion, the suspicions, and the cost involved in the change over? The Chinese themselves have found it necessary to offer additional reasons. The central gold reserve, says the Bank of China, is now eleven times larger than in 1950. What of China, is now eleven times larger than in 1950. What it was then is anybody's guess, but surely this does not explain a currency reform of the order of five digits? Another argument put out by Peking is that the change is justified by the increase in the prices of gold and other precious metals. But the Chinese yuan is not defined in gold, nor even officially linked, like the satellite currencies, to the Russian "gold" rouble.

The change will have little external significance, since trade with China is usually conducted in terms of sterling or other western currencies. But it may nevertheless make its mark on China's foreign accounts by acting as yet another check to the already much diminished flow of remittances from Chinese overseas. The main significance of the currency reform is, however, obviously internal. The authorities claim that, since prices and wages will be deflated by the same proportion, real income distribution will not be affected, but it will be surprising if they really will not be affected, but it will be surprising if they really desire and are able to achieve this result. And evidently the change is intended, at least in part, as a blow to currency hoarders. Those who turn in any large number of old yuan will doubtless find themselves making further "voluntary" subscriptions to National Reconstruction Bonds; and many peasants will discover too late that the old notes they have hidden away in a sock have become worthless.

A Move in Guiana

BRITISH GUIANA is one of the colonies that pins down a British garrison; it is generally believed that the troops, sent when the constitution was suspended, could not be withdrawn without risk of disorder. The majority of the people are still under the spell of the near-communist People's Progressive Party, and the Commission of Enquiry, led by Sir James Robertson, reported last November that the hold of that party was as strong as ever. But there have been some slight signs that the Government's determination to rule without the constitution, and to prosecute leaders of the PPP who break the stringent regulations for ensuring law and order, is having an effect. Going to prison was an effective moral weapon against the British Government in India—but only over a very long period of years, under the guidance of a political moralist of genius, Mahatma Gandhi, and for a principle that the British approved in their hearts—parliamentary self-government. None of these conditions has held in British Guiana; and a people fond of excitement and action have become less enthusiastic for the PPP organisation and leadership in and out of prison.

It is by no means discredited; the strength of its appeal has been tacitly admitted by the strong anti-government statements of the leader of the rival "moderate" party, the United Democratic Party, who evidently feels this is the only way to compete. But the expulsion of Dr and Mrs Jagan from the chairmanship and secretaryship of the PPP, despite their bitter opposition and protest, suggests that the party executive wants to find more freedom for manoeuvre than is permitted by an uncompromising anti-government, anti-British, anti-white line. It has perhaps realised that it is completely out of step with developments in the rest of the Caribbean. But the way back from revolutionary organisation—especially after a putsch that failed—to a constitutional party is difficult; and it is far from certain that the new leader, the very wily Mr Burnham, even contemplates it. Guiana's interregnum will no doubt continue—but the chance of getting some more representative people into the nominated Legislative Council may occur later. As some of the present members of the council are not even remotely acceptable to the Guianese, that chance should not be missed.



Books & Publications

Making West Africa Pay

WEST AFRICAN TRADE.

By P. T. Bauer.
Cambridge University Press. 466 pages.
55s.

THE MARKETING OF COCOA IN WESTERN NIGERIA.

By K. D. S. Baldwin.
Oxford University Press. 52 pages. 5s.

FOR many years the system and the policies of the marketing boards set up as successors to the centralised wartime arrangements for disposing of West African produce were accepted not only without challenge but as an improvement over the "haphazard" system of middlemen and merchants which "exposed" the growers to "violent fluctuations" in prices before the war. The author of "West African Trade"—a most comprehensive and scholarly analysis—was (with Professor Paish) the first to challenge them on every ground—economic, social, political—and to worst their defenders in a series of pitched battles in the specialist press. In the second part of his book he rehearses the arguments in detail, showing, for example, not only that the boards have arrogated to themselves powers and functions which were never vested in them at the beginning, but that between 1948 and 1951 they totally failed to achieve the things they were supposed to do. They neither stabilised prices to the grower nor marketed the crops advantageously; and they rendered incomes far less stable than they had been. The burden of a meticulous argument sustained through some hundred pages is that the boards have, in fact, ruthlessly (if from a high sense of duty) squeezed the growers, failed even to reinvest the proceeds in the national interest, and have discouraged the private investment that would, in ordinary economic conditions, have expanded output and done something (perhaps much) to bring down prices from "windfall" levels.

It will not be easy to refute either the evidence or the reasoning, and it will be interesting to see if the boards' spokesmen or apologists attempt it; in point of fact some governments have laid hands on the money that the boards have been making and put it to general revenue, thus somewhat clipping their wings but in no way invalidating Mr Bauer's arguments. The way in which African governments have taken over the technique of making a levy of up to 50 per cent of producers' incomes bears out some of Mr Bauer's warnings of the political effects of such policies and it suits Britain's trade balance

extraordinarily well, if one neglects the good that might come of having more prosperous customers. There may be some technical limitations on expanding the cultivation of some crops (particularly cocoa) as much as Mr Bauer would look for if the full world price were passed to the grower; and in some areas in Africa it has certainly happened that high export crop prices have at times led to a shortage of subsistence crops (for example in Southern Sudan)—but there has been no famine, and the situation has rectified itself in a season or so; while the common argument about the inflation that would result from giving the local populations more than is good for them is certainly specious when any increased African demand for imported consumer goods, whether cloth or kerosene lamps, could be met in full; indeed, imports of food are possible. Mr Bauer's exploding of this fallacy should let a lot of light into the dark places of colonial treasuries.

Mr Bauer, however, has not written a deliberately controversial book, though he is unable to prevent himself from being provocative—and occasionally from making deductions from rather slender evidence: the alleged crushing of opposition by the big British importing houses, for example. The monopolistic pattern of importing favours such methods, but as Mr Bauer so effectively shows by economic analysis that the strangle grip of the half-dozen or so big firms gives the consumer a worse service, perhaps he could have given them more benefit of the doubt on sheer pertinence. But though "West African Trade" is self-consciously a treatise, a laboratory exercise, the fact is that the author feels—even indignantly—for the African underdog. And who will blame him? The book is all the better for it—all the better as a purge for officials and business magnates and for Socialist economists who are all for monopoly if it is official or government-owned.

One hopes that they will read it right through; but it is perhaps more important that African politicians and administrators, who now have the power, should read it. Mr Bauer argues unfalteringly that if monopolistic tendencies both in importing and exporting were reversed, and more competition allowed, Africans as a whole would be better off—but he realises that some Africans would immediately suffer, and it is these who are the best friends of a system that makes life easier, and more profitable, for a group of large British trading firms, banks, and shipping companies, as well as for the marketing

THE ECONOMIST, FEBRUARY 26, 1955

boards. Mr Bauer lists their virtues, but he would like to set a horde of competitors, especially Levantine, among them. His defence of the Levantine merchant is particularly skilful—since it is a defence of expatriate business in a nationalistic West Africa generally, and it is largely borne out by Mr Baldwin's study of the middleman in Nigeria. What is sauce for the Syrian is sauce for the panelled boardroom in the City of London. The boardroom will not enjoy it; but perhaps, as Mr Bauer acknowledges the generous help of some of these firms, they are prepared to be reasoned round.

Chamber of Horrors

SEDUCTION OF THE INNOCENT

By Frederic Wertham.
Museum Press. 407 pages. 21s.

WHATEVER the defects of the horror comics Bill, which was given a second reading in the House of Commons this week, the case for some legislative action is at least strengthened by the publication in this country of Dr Wertham's study of American horror comics. It is true that the horrible phenomenon has not reached anything like the proportions here that it has done in the United States. There, according to Dr Wertham, some sixty million comic books are printed each month, and many children spend two or three hours a day perusing them. In Britain, on the other hand, the circulation of the worst publications is relatively small, and the publicity given to them in recent months has already, according to the Home Secretary, considerably reduced the supply. Dr Wertham's book suggests, too, that the American brand of comic is rather more vicious (to judge by the specimens shown in the National Union of Teachers' recent exhibition) than those sold in Britain. Many of the British ones, it is true, were printed from American matrices, and certainly are horrible enough. But importers in this country, presumably because of the existing law against obscenity, have gone in for violence and cruelty, but not as a rule in a sexual context. The illustrations in this book show some very nasty examples of sexual sadism.

Dr Wertham is a psychiatrist specialising in the treatment of children. His assertion that young and impressionable minds are being moulded into those of hoodlums, criminals and perverts—or at best, into frightened little illiterates who cannot sleep at nights—is supported by examples from his case-book. No one could read this book and still give the glib answer, sometimes heard, that it does children no harm to have this outlet for their aggressive instincts, which otherwise might find more practical expression. Nor can anyone be complacent about the situation in Britain, where horror comics, in spite of recent frosts, may yet grow rankly if they are unchecked. And no one, to judge by American experience, can rely on

THE ECONOMIST, FEBRUARY 26, 1955

parents to protect their children from this kind of corruption. But it is clear that many people, inside the House of Commons and elsewhere, feel that a satisfactory way of setting the law on the comics has yet to be found.

Air Force Saga

THE MINT.

By T. E. Lawrence.
Cape. 206 pages. 17s. 6d.

WHEN imagination and perspicacity are combined as they were in T. E. Lawrence, they are apt to produce some good guesses about the future, and one of his prophecies about this book may well come true. In 1928, writing to Mr E. M. Forster about postponement of its publication until 1950 because of "the horror the fellows with me in the force would feel at my giving them away," he added:

It is quite safely preserved and if the next generation want to read our stuff then they'll have their chance. Usually it's the next but one that revives us, after much derision.

This may well happen, though largely for a reason that Lawrence could not foresee.

Part of his purpose in writing "The Mint" was to engage the attention of the founders of the Royal Air Force by describing how far the rigours of joining up were beneficial, and how far futile. In 1922, the dreary or sordid patches may have seemed unusual to the intellectual reader for whom he was writing, but by 1950 they are no longer so. In a postwar age when every other man under forty-five has done squarebashing and sanitary fatigues, when bishops black their boots and Fellows of All Souls know how to empty a bin and fill a hod, they are the lot of all of us, and "The Mint" no longer provides the peripety and discovery that it was meant to do.

Its interest now is quite other: first, in the quota it adds to knowledge of T. E. Lawrence's strange history; secondly, in its portrait of the infant RAF. Of course it shows Lawrence as the introspective and self-flagellating creature that the world knows from his letters, but it shows him as something more—a person with the will and reasoning power to conquer neurosis by deliberately seeking, and pursuing against great odds, a life of shoulder-rubbing with ordinary people. Self-consciously at first, but later with a growing satisfaction, he works at turning part of himself into someone "just like any other chap." Of course he never attains this target. Even when at Cranwell, where "months and months flowed silently away: I think I had become happy," he remains the wakeful and self-questioning member of the sleeping hut; but he is also one who takes pleasure in ordinary emotions such as gratification at the envy with which other units regard his superb motor-bicycle. As a personal record, "The Mint" is a tale of triumph over a diseased mind; as a piece of writing, it never reaches the heights of the "Seven

Pillars," but being virtually a diary, it is far less mannered and more direct. It will always be a second best, but, as he prophesied, is likely in due course to have a revival.

Its claim to the status of a classic will be enhanced because of the contribution it makes to early RAF history and folklore. This element will help posterity to discard its obscurities, and to retain its detail about sculleries, and to retain its account of the early technique of minting a "posh flight" out of much down-at-heel raw material. In a chapter called "School," a few sentences analyse the conflict between teaching servicemen the "passivity of puppets with something of their immediacy and automatism" and teaching them "to retain a fig of voluntariness." This combination, once resolved, produces a service that is "a vocation absolute and inevitable beyond any question under the sky, and so marvellous that I grow hot to make it perfect." From this point to September 15, 1940 there runs an unbroken thread.

Disbelieve It or Not

THE SPOOR OF SPOOKS.

By Bergen Evans.
Michael Joseph. 288 pages. 15s.

THE compilation of *sottisiers* serves two useful purposes. It does something towards popular enlightenment; a few hydra-heads of nonsense smashed are all to the good, and the spectacle encourages other club-wielders. It is also, from the author's point of view, a healthy outlet for the misanthropy generated by the spectacle of *Homo Stultus* in the mass. Both motives are at work in this robust, cheerful and exasperated onslaught on the forts of folly—myth and bugaboo, homely wisdom, Higher Hokum and *idées reçues*. From "extra-sensory perception" to Mr Whittaker Chambers's interview with the Devil, from Nostradamus and miraculous fasts to the doctrine of soul-mates and the belief in beer as a galactagogue, from the fear of impending matriarchy to the comforting conviction that crime does not pay, through the folklore of pregnancy and the legal learning of the amateur, Mr Bergen Evans ranges with iconoclastic glee, taking an occasional side-swipe at such embodiments of the American way of life as the automobile.

One misses, in this transatlantic compendium, some notable British folklore—has Mr Evans heard that hardy perennial of the teatables, about the girl bather who met an octopus and perished miserably in giving birth to an eight-armed baby? Or the various Poe-like legends of monsters immured in the secret chambers of this or that Stately Home? But one cannot have everything. It is all splendid fun, a sort of Ripley-in-reverse; a Voltairian performance on the strictly lowbrow, knockabout level. Mr Evans's intentions are, indeed, as serious as those of Voltaire. "We are committed to democracy, that 'formidable heresy,'" he says

Government Periodicals for the Business Man

MONTHLY DIGEST OF STATISTICS

4s. 6d. (by post 4s. 10d.)

Annual subscription £3 including postage

ECONOMIC TRENDS

Monthly 2s. (by post 2s. 1½d.)

Annual subscription 25s. including postage

BOARD OF TRADE JOURNAL

Weekly 9d. (by post 11d.)

Annual subscription £2 5s. including postage

DIGEST OF COLONIAL STATISTICS

Bi-monthly 5s. (by post 5s. 3d.)

Annual subscription 31s. 6d. inclu. postage.

H.M. STATIONERY OFFICE

York House, Kingsway, London, W.C.2; 423 Oxford Street, London, W.1. (Post Orders: P.O. Box 559, London, S.E.1); 13a Castle Street, Edinburgh 2; 39 King Street, Manchester 2; 2 Edmund Street, Birmingham 3; 109 St. Mary Street, Cardiff; Tower Lane, Bristol 1; 80 Chichester Street, Belfast; or through any bookseller

BOOKLISTS 1955

We are happy to send, free on request, our recent catalogue of Standard Textbooks, together with booklists covering Economics and allied subjects, specially compiled for the use of the leading publishers.

The Economists' Bookshop

11-12 Clements Inn Passage
Aldwych, London, W.C.2

HENRY
CECIL'S
best-seller

Brothers in Law

[10/6]



"Startlingly funny
people... I adjure you
to read this book"

C. H. ROLPH (*S. Times*)

MONICA
DICKENS
THE WINDS OF HEAVEN [12/6]

★
GEOFFREY
HOUSEHOLD
FELLOW PASSENGER [12/6]

★
SHIRLEY
JACKSON
THE BIRD'S NEST [12/6]

★
RICHARD
LLEWELLYN
SWEET WITCH [10/6]

★
JOHANNA
MOOSDORF
FLIGHT TO AFRICA [12/6]



BERGEN
EVANS

THE SPOOR OF
SPOOKS [12/6]

"A bracing book by a master-
debunker... One's cherished
beliefs go down like ninepins"

ELIZABETH BOWEN (*Tatler*)

MICHAEL JOSEPH

in his tailpiece, "and democracy is based on the belief that men can and will be reasonable." It will certainly be a black day when that belief in turn is relegated to the *sottisier*.

German Search for Unity

THE EVOLUTION OF GERMANY.

By John A. Hawgood.
Home Study Books. Methuen. 220 pages. 8s. 6d.

THIS book justifies the claim of this series to "provide new interpretations of modern knowledge... in a language of general intelligibility..." and it should stimulate the intelligence of the reader. As the preface says, it is not just another conventional history of Germany; nor one more dissertation on "the German Problem"; nor is any of its limited space wasted on pseudo-psychological speculation about "the German character." The title is, perhaps, questionable—unless "Evolution" is interpreted as a process complicated by accidents and follies.

The book, which has a comprehensive reading list, is divided into four sections. The first describes the "German tribes" and their relations with one another and with their neighbours. The second reviews their "Resources," geographical and geological; the use made of them by nobles, peasants and townsmen; and those changes in population which have contributed to the instability of the course of German history.

In Section III Mr Hawgood, mindful of G. K. Chesterton's advice, walks backwards across the stage of history from Hitler to the early Hohenzollerns, assessing in turn the failures of the Weimar Republic, Bismarck, and the Frankfurt "Liberals" of 1848 to recover a unity lost centuries before—and rediscovered by Mr Hawgood in Section IV. This last section is arranged in the normal chronological order. Luther is acquitted, not altogether convincingly, of the charge of having widened the divisions and increased the tension of German political life; while the Renaissance, and the eighteenth century "Enlightenment," are shown to have had little influence on the political development of Germans, with the exception of those princes who took up enlightened despotism too late to save themselves or their subjects from the revolutionary wrath to come. But this, when it crossed the Rhine, was the Napoleonic Revolution, a strategic simplification, which gave the Germans a short experience of unity without political education.

The book concludes with an appreciation of the effects of the great emigrations of freedom-seeking Germans: these movements diminished not long before the urge of European colonial expansion started, a competition in which the Germans acquired few colonies and many jealous complexes. Some readers may feel that Mr Hawgood tends to blame fate rather than the Germans for their tale of woe; but his last pages contain a warning that the *furor teutonicus* may even now not have been exorcised.

THE ECONOMIST, FEBRUARY 26, 1955

Critical Roundup

THE ATTACK ON BIG BUSINESS.

By J. D. Glover.
Harvard University Graduate School of Business Administration. (London: Bailey Bros. and Swinfen). 391 pages. 48s.

THIS book," says Professor Learned in his foreword, "has been written primarily for use by thoughtful business leaders." "It is," says the author in his preface, "an endeavour to put together an accurate and understandable picture of the kinds of things that have been said and written against 'big business.'" This is a substantial assignment. At no time, even when the business man as such has been something of a folk hero, has big business been popular; and the "things said or written against big business" form a very large and varied class. They include highly technical attacks based on refinements of the theory of imperfect competition; screams of rage by artists; assaults in the name of extreme individualism and of all-embracing state socialism; criticisms of technical or administrative competence and of influence on the moral climate; much good sense or much twaddle.

Professor Glover does, on the whole, a very competent job of classifying, exemplifying, and sorting grain from chaff. The counts in the indictment are presented severally, with a wealth of quotations and references. There is the economists' attack: big business is inefficient; big business is monopolistic (or oligopolistic, which is as bad). There is the political and social attack: big business "runs the country"; it is incompatible with either the social or the economic bases of democracy. There is the ethical and moral attack: big business is crassly materialistic; it is irresponsible; it is the creator of "a baleful, inhuman civilisation." A fourth section mildly indicates the differences between the current American scene and that which might have been deduced from the foregoing analyses and jeremiads; emphasises, *per contra*, the positive value of criticism; and suggests to the "thoughtful business leader" some ways of enlightening and disarming the opposition.

To apply to "The Attack on Big Business" the sort of criticism called for by a profound and original analysis would be absurd. In all these fields it is sketchy enough to justify a pained raising of academic eyebrows. But the business leader sufficiently thoughtful to follow up the references given will find quite enough profundity to be going on with; the less thoughtful reader who has hitherto lumped all critics together as irresponsible or sinister un-Americans, "mere theorists" or cranks will—if he gets through the book at all—experience a most salutary opening of the eyes. One may even breathe a suspicion that some of the more intellectually exalted critics of big business, if they could overcome their irritation at the patball standards of controversy here exhibited, might gain a sense of proportion—and perhaps the ability to distinguish a genuine adversary from a man of straw.

THE ECONOMIST, FEBRUARY 26, 1955

Australasian Agriculture

WARTIME AGRICULTURE IN AUSTRALIA AND NEW ZEALAND 1939-50.

By J. G. Crawford and others.
Published for the Food Research Institute of Stanford University by Stanford University Press (London: Geoffrey Cumberlege). 367 pages. 60s.

IN some respects (including its more successful husbandry) New Zealand stands to Australia as Scotland does to England. The drily critical account of New Zealand wartime agricultural policy contrasts strongly with the lush documentation of the Australian section. But when you ask a prominent civil servant to write an account of wartime agricultural policy, you must expect to get a thoroughly competent analysis of the official records and documents—but with the most interesting parts of the story inevitably left out. We do not hear about the howling futility of both wartime and postwar "plans for agriculture" which are operated neither by the price incentive, nor by the compulsory allocation of labour and equipment, but which seem to rely on the force of ministerial oratory only. There is no answer to the permanent conundrum of how you can regulate prices in wartime, without compulsory purchase of supplies and control of distribution as well. It has in fact been Australian policy deliberately to discourage agriculture, and to pay to producers less than the world prices, for the sake of the supposed advantages of industrialisation (and to provide cheap food for an urban electorate).

Mr Ross's account of New Zealand agriculture only occupies a quarter of the book, into which he compresses a competent account of wartime problems, with only a few pages on postwar issues. The ironical threat of an unmanageable glut of meat in 1940, owing to the breakdown of sea transport, is graphically described, as is also the wholesale diversion of milk from butter to cheese. The sion of milk from butter to cheese. The author allows himself to be very critical during the war, and of transport in the postwar years. It is one of the most interesting episodes of recent history, which we tend to forget, that in New Zealand a general election has been fought, and won, on the issue of preventing restrictionist practices and irresponsible strikes in the waterside workers' (dockers') union.

Studies in Tradition

THE CONSERVATIVE MIND.

By Russell Kirk.
Faber. 480 pages. 30s.

GREAT BRITAIN and the United States are alone among the greater nations of the world in having escaped revolution during the last hundred and sixty years. Their conservatism, by this ultimate test, has been successful. What is the secret of its success? In what is the answer, Mr Russell Kirk quest of an answer, Mr Russell Kirk explores a large number of conservative writers of both countries, including for

good measure Tocqueville, who had considerable influence on them. The difficulty inherent in such a task is that conservative thought is usually meaningless save as the response to a reforming or revolutionary challenge; so that a satisfactory account of conservative arguments involves an almost equally thorough examination of radical arguments. Otherwise, it is like hearing one end of a telephone conversation.

Mr Kirk, in this series of intelligent and illuminating essays, overcomes this difficulty with skill. His concern is with those "who have stood by tradition and old establishments." But because, in Britain and the United States, liberty became itself a tradition, he permits himself to include in his list Whigs like Burke and Macaulay and Liberals like Tocqueville and John Stuart Mill. Likewise his American list includes John and Henry Adams, Irving Babbitt and George Santayana. He includes Disraeli and Newman but not Peel; Bagehot and Balfour but not Salisbury or Churchill.

Many who regard themselves as conservatives would think this selection very arbitrary. There is much point, if not complete conviction, in Mr Kirk's contention that "Often it requires a man who is not quite one of them to wake conservatives from their congenital lethargy." So it was with his hero, Edmund Burke, whose philosophy he regards as the source of most subsequent conservative thought. It is only by widening the scope of conservatism in this dubious way that Mr Kirk is able to conclude that

In both great English-speaking nations, conservatism has manifested a political and intellectual continuity for nearly one hundred and sixty-five years, while the radical parties that detested tradition have dissolved in succession.

Perhaps this somewhat fictitious continuity is small objection to a book which remains, in its essence, a collection of lively critical essays, worth reading for their own sake despite marked political prejudices and occasional errors of fact and interpretation. The initial study of Burke is the best in a book of many excellences.

Urban Anecdotes

THE CITY AND COUNTY OF BRISTOL.

By Bryan Little.
Werner Laurie. 418 pages. 25s.

MR LITTLE is a disciple of the pig-sticking school of urban history. Seated firmly in the saddle of his excellent bibliography, he gallops through the centuries of Bristol's history, spearing firmly the facts and anecdotes that spring up before him, and transferring a dozen or so of them, triumphantly, to each printed page. He performs the feat very well; but repeated at such length it becomes tiresome. Moreover, Bristol is peculiarly unsuited to this kind of treatment. Its history is too long and too varied; no English provincial city has been so continuously important as Bristol

has. A more selective approach was needed to indicate the patterns in the city's history.

In a book with the subtitle "A Study in Atlantic Civilisation," the history of Bristol before Cabot's voyage of 1497 might well have been treated more briefly, as preparation for the transatlantic connection. In fact, the well-marked pattern of that connection is not brought out at all clearly. The city's seventeenth and eighteenth century prosperity was based largely on its convenience—as compared with London—for transatlantic trades. But quite early in this period, the greater safety of Liverpool and of Glasgow in wartime became apparent, and in each war of the eighteenth century these ports advanced at Bristol's expense; in each peace they consolidated most of their new gains. The coming of machine industry to the north gave a new basis to their superiority; and the winding Avon appeared as a serious obstacle to the larger ships of the nineteenth century. Bristol was in real danger of becoming a backwater. It was saved, not by the Atlantic connection (though the new docks at Avonmouth preserved some part of this), but by industry and administration.

Mr Little does not clearly indicate this or any other pattern; and chronological anecdote, while it may still by courtesy be called history, cannot claim to be "A Study in Atlantic Civilisation." The last part of the book, in which the author leaves the Atlantic alone and turns to recent developments, is more interesting. The growth of public and private administrations centring in London, requiring branch headquarters in regional capitals, brought one kind of salvation. Another came with the development of electric power, shifting industry from the coalfields. And out of electric tramways came the Bristol aircraft industry, established to give the tramway workshops a little occupation in slack times.

Books Received

THE PARLIAMENTARY GOVERNMENT OF THE COMMONWEALTH OF AUSTRALIA. *Second Edition.*

By L. F. Crisp. *Longmans, Green, in association with The Wakefield Press, Adelaide.* 353 pages. 21s.

THE ECONOMIC STATE OF NEW ENGLAND. Editors: Arthur A. Bright, Jr., and George H. Ellis. *Yale University Press (London: Geoffrey Cumberlege).* 750 pages. 48s.

This monumental book is the report of the Committee of New England of the National Planning Association. It covers every aspect of economic life in the region ranging from forest lands to non-profit educational institutions. It will certainly be the standard reference work on a region where problems such as unemployment and obsolescence in industry have become critical.

TWO STUDIES IN AFRICAN NUTRITION: *An urban and rural community in Northern Rhodesia.*

By Betty Preston Thompson. *The Rhodes-Livingstone Institute, Manchester University Press.* 74 pages. 8s. 6d.

American Survey

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Eisenhower's Next Term

Washington, D.C.

PRESIDENT EISENHOWER is now coming under the impersonal pressure of one of the almost unchangeable laws of American politics, which compels a President, especially if he is politically successful, to try for a second term of office. While Mr Eisenhower hides his own intentions behind jest and subterfuge, and indeed may not have made up his mind, the political forces which genuinely want him and those which feel they cannot do without him are so arranging things that he can scarcely avoid being a candidate again in 1956.

Mr Eisenhower's own freedom of decision is greatly reduced, and he could only decide not to run at the cost of backing down on a multitude of obligations. The economic interests who feel that he is good for them are bringing their influence to bear through the Republican party structure; they must have a hearing in an era in which politics are becoming ever more expensive. As always, the men around the President have arrived at a sense of power, which translates easily into a belief that the nation cannot go on without the guidance of their chief. At all levels of the party, from the Cabinet and the Congress to the lowliest place-holder, the conviction grows that Republican survival demands a second Eisenhower term. The whole process gains force from every new indication that the President is the most popular political figure in the country today, with an appeal rivalling that of Franklin D. Roosevelt.

In these circumstances, the commanders of the party organisation, the Republican National Committee, have devised arrangements for the nominating convention in 1956 which can succeed only if Mr Eisenhower is again the presidential candidate. They have picked an unusually late date, August 20th, which would not leave enough time before the November election for any lesser nominee to make himself known to the voters. They have planned a brief session, four days, not long enough for a choice to be made from a wide-open field were the President to step aside. Feeling sure of what they are going to do and how they are going to do it, they have chosen San Francisco as the convention city, despite a three-hour time difference from the Atlantic coast; if, as is hoped, daily sessions can be limited to a genteel five hours in the afternoons they will fall during the peak evening television time in the east. Obviously, the party organisers expect no repetition of the all-night performances which left dark circles under the nation's eyes during the 1952 conventions. Finally, although the traditional function of the National Com-

mittee is to "elect, not select," the committee has adopted a resolution notifying the President, in effect, that he is expected to continue into a second term.

In a national history which has seen thirty-three men serve in the presidency, there is only one clear-cut case of a President's declining, once elected, to seek a second term. The example is Rutherford B. Hayes, 1877-81, who declared he would not accept renomination. The hard fact is that he could not have won it had he wanted it. Three other Presidents who were elected, as distinguished from Vice-Presidents who succeeded through death of their Presidents, failed to win renomination. All served in the stormy years just before the Civil War, when parties were still trying to evolve amid the debate over slavery. These experiences are not relevant today. The lesson of presidential history is that a man who has been elected once tries again, and usually wins.

★

The tendency of the men around the President to organise the pressure for a second term has been illustrated by recent changes in the White House staff. The men involved, and their offices, are not well known, but the three senior members of the group who advised Mr Eisenhower in his 1952 campaign are now under the White House roof and close to him. Mr Fred Seaton, who had been an Assistant Secretary of Defence, has left the Pentagon to become an administrative assistant to the President. Mr Bernard Shanley, who had been counsel to the President, has become his appointment secretary, sacrificing prestige for a more intimate relationship. Mr Sherman Adams continues as the Assistant to the President. These three will form a political headquarters hard by Mr Eisenhower. They will guide him toward renomination, set road blocks for challengers, and at the same time try to lighten his physical burdens so that he will be fit for a new race. In this, they are consulting their own desires, whatever the President's may be.

For justification, they can refer to many signs that the Republican party would be foolhardy to let go of the good thing it has in Mr Eisenhower. Dr George Gallup has reported on various soundings of the electorate which support that view, including a recent survey indicating that, in an election today, the President would score even more heavily than he did in 1952 over Mr Adlai Stevenson, were he the Democratic candidate. At the same time, Dr Gallup finds that the Vice-President, Mr Richard Nixon, who would

THE ECONOMIST, FEBRUARY 26, 1955

apparently top the Republican field if Mr Eisenhower stepped aside, would lose to Mr Stevenson three to two. The determinations of scientific poll-takers find confirmation in the cruder studies of all practical politicians.

Mr Eisenhower, for his part, is discovering that it is going to take more than four years to bring the Republican party forward into the second half of the twentieth century. The great difficulties he has had in Congress with his programme for the liberalisation of foreign trade policy drive the lesson for the liberalisation of foreign trade policy drive the lesson home. His efforts to disengage from the cherished Republican commitment to Nationalist China bring him up against a serious problem in his own party; and while the point is debatable, a respectable body of opinion holds that only the Republican party under Mr Eisenhower could carry off, without political disaster, a recognition of the Chinese Communist régime.

At home, the political philosophy which Mr Eisenhower calls "dynamic conservatism" generates anger on the Republican right. At a recent mass meeting in Chicago, the party's die-hards mourned the capture of the President by "people of questionable Republicanism," and took as their targets his highway and school construction programmes, his unbalanced budget, his foreign trade policy, and his opposition to the constitutional amendment still being pressed by Senator John W. Bricker to restrict the presidential treaty-making power. The President believes that a party dominated by views so narrow would find itself permanently in the minority and he wants to save the American political system from that fate. But weighing against the evidence that more than two more years are needed to do this, and that the country needs more Republican administration and cannot have it without an Eisenhower candidacy, are many personal considerations. There is still little evidence that the President really likes his office. He would be 70 at the end of another term. He is concerned by the exactions upon his wife's health. He is deeply eager to retire to his farm at Gettysburg.

When it comes to the final result of all this, the political realities are depressingly difficult for the Democrats. They find it hard to contest the President's programme in Congress, it is so much like their own. If Mr Adlai Stevenson runs again he has every reason to expect defeat, and the probable end of his political career. If he does not offer himself, few other Democrats of sufficient stature would be willing. Today it is hard to make the facts of 1956 predict anything but a second term for President Eisenhower.

Democrats Get In First

SINCE much of the President's legislative programme is what the Democrats themselves would have ordered, their best chance of making political capital out of their congressional majority is to get in first and go farther. This is why they opened hearings on Bills giving financial aid to the states for school and road building before the President sent Congress his less liberal proposals on these subjects. And this is why the House Ways and Means Committee last week suddenly offered every income tax payer a reduction of \$20 in liabilities for himself and for each of his

dependants. This would in practice exempt from taxation several million families with low incomes—and a substantial number of votes.

The Democrats decided in January to do something of this kind this year, after the President made it clear that he hoped to ask for a tax reduction in time for the 1956 election. But congressional enthusiasm for the idea waned with the growing prospect that increased military expenditure would be needed for Formosa. However, the committee's income tax reduction, which is likely to be approved by the House this week, would not come into force until next January and would thus only mean a loss of under \$1 billion in revenue during the 1955-56 fiscal year. The proposal is being pressed now because it can be tied in with the urgent extension of corporate income taxes and excise taxes on liquor, petrol, cars and cigarettes. These taxes are due to drop on April 1st and the President's budget calculations depend on their continuance at current rates. For this reason he would be reluctant to veto the Bill and for this reason too it may be possible to push the income tax reduction through the Senate in spite of the powerful opposition of the Democratic financial expert there—Senator Byrd, who is determined that the budget must be balanced with no more delay.

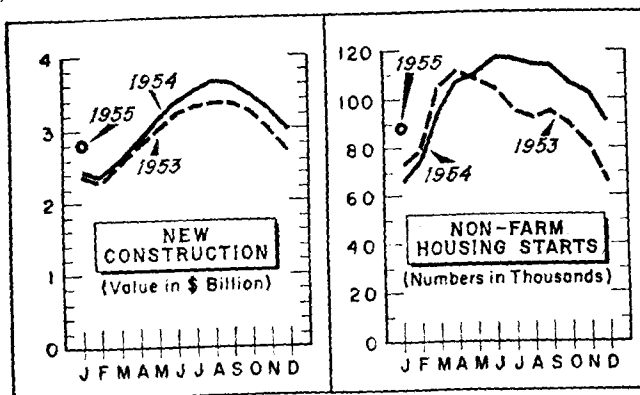
The Senate is also where the tariff reduction Bill, moderate as it is, will meet its strongest opposition, and anything stronger than it met last week in the House could kill it. For in spite of the successful attempt to limit debate on the Bill, and therefore a potential flood of crippling amendments, clever and complicated manoeuvres almost succeeded in attaching to the Bill the most crippling amendment of all, which would have undermined any tariff concessions. While it was Mr Rayburn, the Democratic Speaker, who saved the President's favourite legislation, Democratic votes as well as Republican contributed to the crisis. As industry has moved into the Democratic south, so has protectionism. For this and other reasons, trade policy has become as bipartisan as most other aspects of foreign policy—and more controversial.

Building Boom

SPENDING for new construction, one of the plumpest of the cushions which kept last year's readjustment from sinking into a recession, is doing as much or more to swell this winter's recovery. In January all records for that month, normally unfavourable for building, were broken, both by the value of structures put in place and by starts on new houses. The latest figures for new contracts awarded do not suggest that any falling off of construction is coming. But in these gains private residential building, generally responsible for roughly a third of construction outlays, is playing an even more important part than usual. In this some observers see the possibility that the building boom may burst before long and deflate hopes of sustained prosperity in 1955—or, maybe, 1956.

For several years it has been said that the gap in home building left by the depression and the war years must by now have been filled; but so far this has had little effect on the demand for new dwellings, perhaps because Americans

are always anxious to move to a better house. Now, however, the stunted birth rate of the nineteen-thirties is affecting the marriage rate and the number of couples wanting homes for the first time is falling off. Yet, if present levels of building continue, there will be more new residential units available this year than ever before. Already the first warning has appeared—a rise in the number of vacant flats in many places. More ominous, perhaps, are the increasingly easy terms on which new houses are being sold: frequently no down payments are asked and furniture is sometimes moved free; a refrigerator and even a television set is often standard equipment; the garage may be complete with car—a Cadillac for a \$60,000 house, a Ford for a \$10,000 one—to be paid for with the house by joint instalments. Such schemes entice buyers into the housing market who may



not be able to stand the long financial strain of a mortgage.

Behind the government's so far gentle efforts to make money a little less easy to obtain is a desire to check unsound housing credit. But it can be argued that the surest way to burst the construction boom is to raise interest rates, for the present house building activity depends almost entirely on mortgage loans. Indeed there are those who wonder whether all the funds needed this year can in fact be found at reasonable rates. Total mortgage debt outstanding is now about \$75 billion, an increase of \$9 billion in 1954, and another \$16 billion will have to be borrowed to finance the new houses planned for 1955. But once this year is over, housing may begin to play a less vital part in the building boom, for by then federal spending on school and highway construction should be going up.

Hoover's Report Cards

THE Commission on Organization of the Executive Branch of the Government was founded in 1947, under the chairmanship of Mr Herbert Hoover, to propose improved procedures and more efficient administrative practices for the federal government; it then made 273 recommendations, 193 of which were put into effect. The commission was re-established in 1953 with a new team of twelve men, still under Mr Hoover, and it was given the power to make recommendations not only on the methods of government but also on the "functions" and limitations of administrative action. The commission appoints "task forces" made up of prominent citizens, to investigate special

aspects of government and to report their findings to the commission. The latter, in turn, passes these on to Congress with its own evaluation.

The second batch of Hoover reports is now beginning to appear. The first in this new series was prepared by a task force headed by the President of Princeton University and deals with problems of personnel and civil service. Among its numerous recommendations was one for the creation of a "senior civil service group" (along British lines) in which administrators of exceptional skill could serve without partisan political interference. It was in the mixture of politics and permanent administrative service, even at the rural post-office level, that the task force saw the main threat to the efficiency and integrity of the civil service. The Hoover Commission itself had reservations about parts of its task force's findings but agreed that \$50 million a year could be saved if there was less turnover in government employment. It pointedly ignored, however, that part of the report that dealt with the need for a thorough overhauling of present security regulations.

The second report deals with possible reductions in government paper work and red tape. The government at present handles 25 billion pieces of paper a year and waste paper is the largest single item of export from Washington. Seven hundred and fifty thousand federal employees are needed to sort and file papers in millions of cabinets covering office space with a rental value of \$180 million a year. The cost of government forms comes to some \$867 million a year and directives run to one billion dollars annually. The commission urges that a "paper work management programme" be set up (no doubt with sufficient filing cabinets) to see whether some \$255 million a year can be sheared off red tape. Eighteen more reports from the Hoover Commission are due before its powers expire on May 31st, and there are those who say that Mr Hoover is doing more about government now than when he was in the White House.

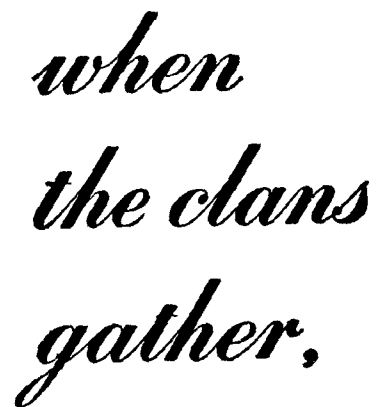
City and State

MANY visitors to the United States are surprised to learn that Albany, and not New York City, is the capital of the State of New York. This surprise is often shared by Mayors of New York who think of their megapolis as a state in itself. When the Governor of the state happens to be a Republican and the Mayor of New York City is a Democrat, as was the case during Mr Thomas Dewey's administration, relations can get very strained, particularly over budget arguments. Today there is a Democratic Governor in Albany, Mr Averell Harriman, and a Democratic Mayor in New York City's Gracie Mansion, Mr Robert Wagner. But even so they are waging the traditional financial battle to the malicious amusement of the Republicans, who constitute a majority of the State Legislature.

The budgetary problems faced by a Mayor of New York are formidable. The 114 agencies which administer the city have asked for \$1,868,061,980 for the fiscal year beginning next July 1st. This is an increase of nearly \$225 million over the present year. The largest increases were

11.30
 Your wife telephoned—
 wants you to settle your
 holiday to-day if you can.
 A.S.
 She wants sun—South of San Remo or Rapallo?
 France or Italy? The night
 like Alario?
 Will it be too hot in July? -check on service
 Switzerland might be better. to hire and human
 Get the boy to pick up an hotel list
 from that office
 in Strand or Regent St? Which air
 company goes?
 Do you get meals
 on tourist class?
 33 or 66 lbs of
 luggage—check
 with airport on
 phone.
 What about sleepers—Do I need
 where can they be
 removed—ask for a visa for
 Italy—write
 to consulate
 Settle on
 Alario—is it to be Renew
 passports
 The Europa or Beau Séjour?
 Phone BofE
 about currency
 allowance—is it £100
 now? How much in sterling
 and how much
 in Travellers Cheques?

WOULD TAKE YOU DAYS ON YOUR OWN
 —BUT ONLY HALF AN HOUR AT COOKS



its

Grants

STAND FAST WHISKY

WILLIAM GRANT & SONS LTD. DISTILLERS. SCOTLAND

It must pay \$309,561,347 this year in interest.

To meet these obligations Mr Wagner asked the State Legislature for an increase of \$27,700,000 in grants from the state, and for permission to divert to the city \$11 million in betting taxes, now going to the state treasury. He has also asked for an emergency grant of \$18 million to meet the school problem and for the right to increase city taxes by raising business taxes and issuing bonds. All this does not fit into Governor Harriman's programme. He is compelled by law to balance the state budget and he was elected, by an extremely narrow margin, on the promise of cutting taxes. Consequently, he has recommended that New York City's share of state grants be increased by only \$5,600,000 and that it should receive only \$3,600,000 of betting revenue. He has ignored the emergency education grant altogether. Moreover, Governor Harriman has recommended increases in state aid to other localities proportionately higher than to New York. So far, Mr Harriman and Mr Wagner have been sparring gently, but with a Republican Legislature anxious to widen the breach and force an unpopular Democratic recourse to higher taxes, the battle may become violent.

WITH coyness and trepidation, the House of Representatives voted last week to raise the salaries of members of Congress and of the Judiciary. One hundred and eighteen Representatives voted against the Bill, even though the economic case for it is incontestable, rather than face the wrath of their constituents. The latter have no justification for indignation; since their last pay raise in 1946, Congressmen have found it increasingly difficult to make ends meet and several have been forced to quit public service. Nevertheless, the measure is political poison and on several previous occasions in American history it has haunted candidates at election time. That is why many Republicans are delighted that it is being brought forward by a Democratically-controlled Congress.

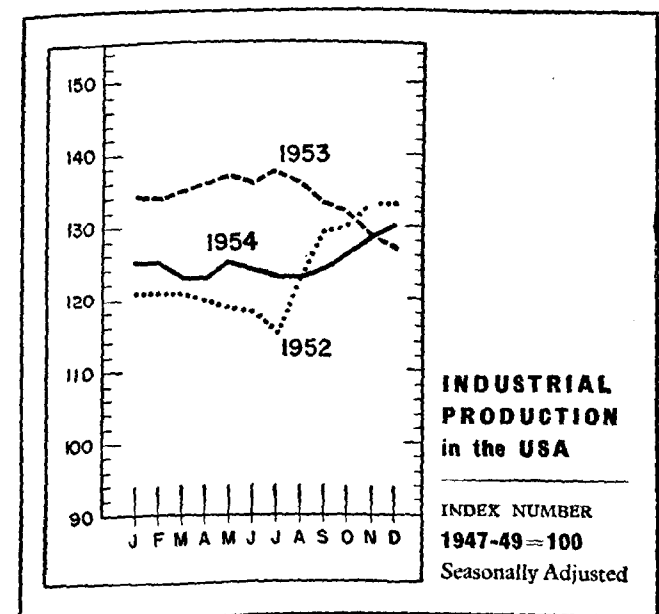
The new Bill provides for an additional \$10,000 a year for Congressmen, bringing their salaries and expense allowances to \$25,500. The Senate is expected to whittle this figure down to \$22,500. Members of the Judiciary will also benefit from the new wage scales: the Chief Justice will receive \$35,500 and Associate Justices will likewise be raised by \$10,000 to a salary of \$35,000. Circuit and lower court judges will also receive better pay. The need to attract more good men into the Judiciary is flagrant and it is hoped that the new salaries will help. A Republican Representative from North Dakota, on the other hand, was candid enough to admit that, if better men were attracted to run

It is likely that the Senate will indulge in considerable beating of breasts before approving the Bill. Already, Senator Williams of Delaware is proposing that the increases should be postponed until the budget is balanced—a remote prospect. But as the total additional cost to the American people is expected to be less than \$5 million a year, the Senate will almost certainly decide in the end that valour is the better part of bankruptcy.

New York.

Two other companies also appear to be on the verge of entering the atomic industry race. The Detroit Edison Company is preparing to submit to the AEC plans for a reactor plant with a capacity of 100,000 kilowatts to be built in Michigan. Detroit Edison is planning to spend \$3.8 million on nuclear research this year and will probably ask for AEC backing. In New England, the recently formed Yankee Atomic Electric Company is planning to build a "full-scale experimental plant" with a possible capacity of 200,000 kilowatts. The high cost of conventional fuels in New England justifies efforts to hasten the day of atomic energy.

Whether any of these plants will generate power at competitive prices is another matter. Even at the present high prices for electric current along the Atlantic seaboard,



Consolidated Edison can supply New York users at seven-tenths of a cent a kilowatt-hour by using conventional fuels. Only if it succeeds in generating atomic electricity at less than a cent an hour, will it have demonstrated that reactor plants can be competitive. Moreover, the problem of third party accident insurance remains unsolved. Consolidated Edison hopes to work out an arrangement with the insurance industry by the time its reactor "goes critical," but for smaller firms some form of government-sponsored "war risk insurance" seems inevitable.

Internationalists on Main Street

FROM A SPECIAL CORRESPONDENT

THE organisations which Americans form are infinitely various, ranging from the American Council of Learned Societies to the Elks, Moose, and Odd Fellows, not to mention a group known simply as "World" (Membership: 300). Some are, or are alleged to be, subversive. The Attorney General of the United States publishes a blacklist, largely composed of obscure groups with titles such as the Yugoslav Seamen's Club or the Chopin Cultural Center. At the other extreme are the ultra-nationalist organisations. These are supported by the kind of people who not long ago set out to become "Ten Million Americans for Mobilising for Justice" for Senator McCarthy, and ended up unable to fill Madison Square Garden in New York for a rally.

Much less is said about the plethora of organisations in the United States devoted to the spread of internationalism and enlightenment about world problems. One of the oldest of these is the Foreign Policy Association, before whose New York chapter Mr Dulles made an important speech last week. It publishes a book listing groups in the United States interested in international affairs; the book is nearly 400 pages long.

The FPA itself reflects the growth of internationalism since the last war. Founded in 1918, the association made a distinguished record as a non-partisan educational body. It reached a peak of membership in the agonised years from 1938 to 1941, then declined somewhat, and by the late nineteen-forties seemed to be suffering from organisational sclerosis. Prominent speakers still graced its banquet tables in New York; the useful pamphlets on current foreign problems still appeared. But in the branches and affiliated organisations around the country there grew up a feeling that the association was too tightly organised at the top, and lacked the flexibility and the dynamism needed to do an effective job at the local level.

Since then, a quiet revolution has taken place. A sizeable grant of money was forthcoming from the Fund for Adult Education, a creation of the Ford Foundation. New leadership has taken over at the top, in the person of Mr John W. Nason, a Rhodes Scholar. Under his guidance, the association has concentrated on helping with the formation of new citizens' groups in the field of foreign affairs, and on offering a variety of services to those already in existence. The FPA's membership has climbed again, but no one at headquarters cares whether it ever reaches the 1938-41 peak or not, as long as the association performs these functions with energy and imagination. There is

THE ECONOMIST, FEBRUARY 26, 1951

less exploitation of speakers with big names, and less belief that an occasional speech, to an audience of pre-convinced internationalists, is educating Americans about world affairs. The FPA is only too glad to turn the glory over to the local citizens who enlist its aid in forming a new World Affairs Council or Committee.

These councils are themselves often hybrid creatures. In St Louis, for instance, the local branch of the Foreign Policy Association, the St Louis Co-ordinating Committee for Unesco, the Inter-American Centre, and the Citizens' Committee for Atomic Energy Information grouped together in 1949 to form the St Louis Council on World Affairs and to make a common appeal for funds. Since then the local branch of the American Association for the United Nations and the Export Managers' Club of St Louis have come to be housed in the council's offices, although they raise their money separately. In Kansas, the state Council grew out of an annual Governor's Conference on World Affairs. Often the initial impetus comes from a committee set up to mark United Nations Day.

★

The approaches of these councils and committees are diverse. They offer documentary films for rent to schools, civic groups or clubs; they collaborate with businessmen's organisations such as Rotary, Kiwanis, or the Junior Chamber of Commerce. They distribute information on foreign affairs in every conceivable format and at every conceivable level of subtlety, from bright posters to reprints from learned journals; they help secondary school students to organise model United Nations sessions, where students play at orating with Mr Lodge or walking out with the late Mr Vishinsky. They burgeon with organisers' kits and with the organisers themselves. And over all, the FPA's regional representatives hover helpfully, ready to give the benefit of that wide practical experience without which local initiative is only too likely to fritter itself away in futility, leaving a community not only unorganised and uneducated, but disillusioned.

All this takes patient work, for Americans have become wary about joining organisations, especially those which smack of the foreign and the strange. A few words of suspicion have been known to hold up the organisation of a World Affairs Council for months, while the FPA wearily went about the business of proving its non-partisanship. In Texas, for instance, organisers go on the assumption that no internationalist organisation can survive unless it can claim to be 100 per cent Texan. The Dallas Council on World Affairs is healthy and effective, but it must maintain and assert its independence from New York influences, Manhattan being to many Texans quite as foreign as London or Djibouti. In many places the taunt, "un-American," must be exorcised in advance.

Nevertheless, thousands of Americans are enrolled, not only in non-partisan educational ventures, but in "action groups," such as the American Association for the United Nations, for which Mrs Eleanor Roosevelt has done so much, or the United World Federalists. More and more groups, whose primary purposes are not international, have become interested in promoting an understanding of foreign affairs and foreign peoples. In the United States, the great reserves of good will and friendliness for other nations have not been exhausted by the harsh realities of the postwar years, and they are being organised, informed, and put to work today on an unprecedented scale.

THE ECONOMIST, FEBRUARY 26, 1951

SHORTER NOTES

Senator Morse of Oregon, once a Republican and latterly the Senate's only Independent, has officially joined the Democratic party. He has thus formally given the Democrats the clear majority in the Senate which his support had already enabled them to enjoy in practice.

The Supreme Court has decided that both the theatre and professional boxing are subject to the same anti-trust laws as other interstate commercial enterprises and has thus cleared the way for the Justice Department to prosecute the Shubert theatre companies and the International Boxing Club for monopolistic practices. Although a previous Court ruling had exempted baseball from the provisions of federal monopoly legislation, this did not, according to a majority of the Justices, mean that all entertainments and sporting exhibitions are merely amusements and not businesses within the meaning of the anti-trust laws.

★

St Louis, in the border state of Missouri, has taken a significant step towards ending racial segregation in its public school system, in accordance with the recent Supreme Court ruling on the subject. The integration of Negro students in the secondary schools, in which they constitute thirty per cent of the enrolment, was achieved without incident, and is to be followed next September by the opening of all primary schools to Negro children.

★

In the refunding operation early this month, all but 5 per cent of the holders of the maturing securities took advantage of one of the exchanges offered by the Treasury. It was particularly satisfactory that the new long-term issue, for 40 years at 3 per cent, went better than had been expected; it was not available for cash but \$1.9 billion was reinvested in it.

★

The "lifetime" president of the International Longshoremen's Association, Mr Joseph P. Ryan, was indicted two years ago after the New York Crime Commission had accused him of appropriating union funds for his own use and accepting gratuities from employers in violation of the Taft-Hartley law. Mr Ryan, who resigned his ILA leadership last year, has been found guilty on the gratuities charge and sentenced to six months in prison and a \$2,500 fine.

★

In view of the serious depression and unemployment in the textile industry, the Textile Workers Union has decided not to press for a wage rise this year. The union took this decision in spite of the fact that there have been wage cuts but no wage increases in the industry since 1951.

Newsweek

Iraq has money to spend

How? . . . Why? . . . This is described in a most comprehensive article appearing in the February 28 issue of "NEWSWEEK".

Factual and analytical articles, such as this, or the one dealing with Scandinavia on March 21 next, fill the pages of each issue of "NEWSWEEK" and have earned the confidence of discerning readers the world over.

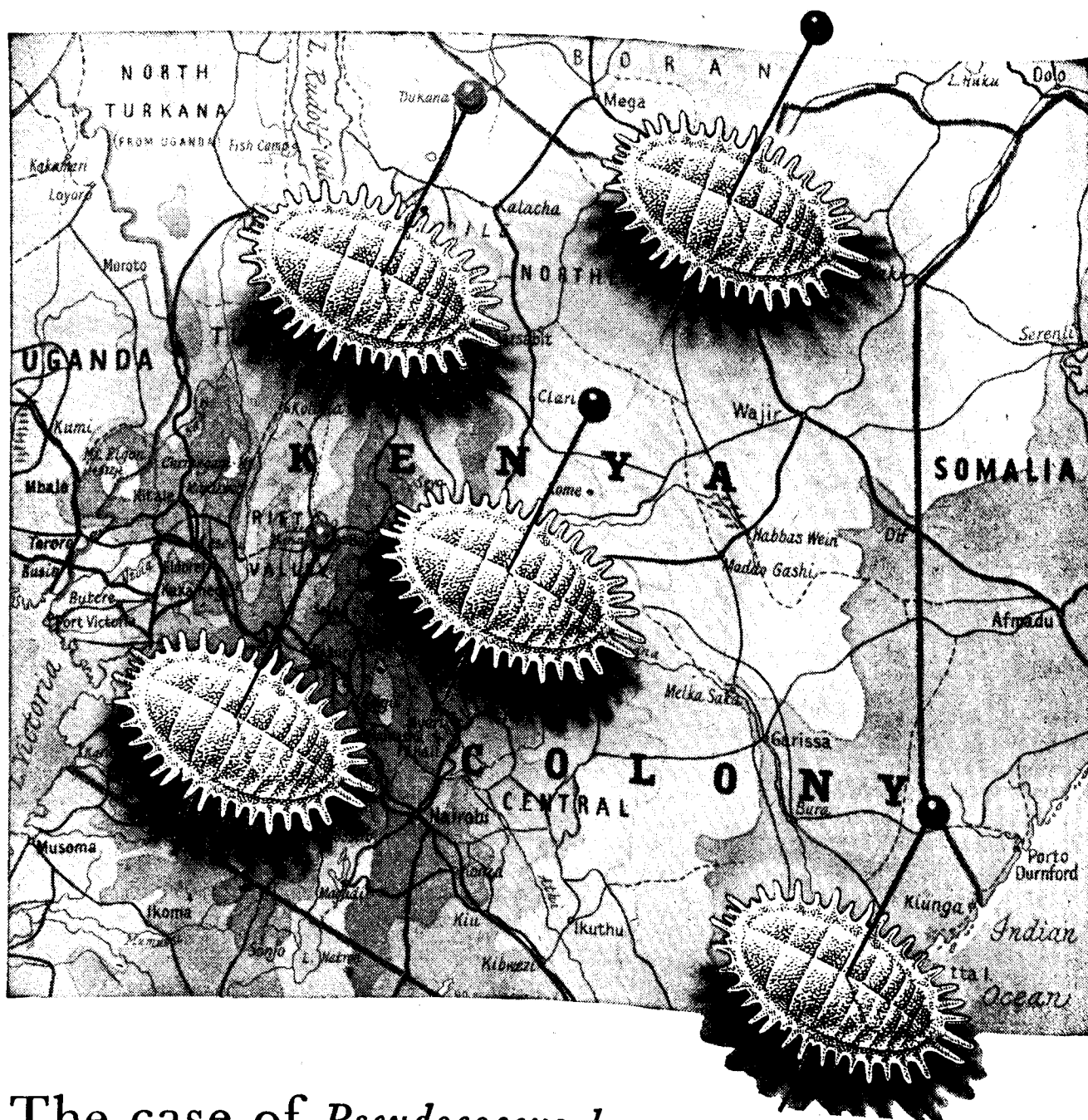
These readers, over 2,500,000 of them—consist of top Business Men, Government Officials, Professional Men, Engineers, Architects—in fact the men who make decisions. By advertising in "NEWSWEEK" you can sit in at thousands of Board Meetings. Send for a specimen copy to-day and judge for yourself. Like so many of the most influential International Advertisers, you also will realise the importance of placing "NEWSWEEK" on your Advertising Schedule.

You can advertise separately in the EUROPEAN, PACIFIC or U.S.A. editions.



Newsweek

EUROPEAN ADVERTISING OFFICE,
MORRIS HOUSE, JERMYN STREET, S.W.1.
Tel: WHitchall 0967/8.



The case of *Pseudococcus kenyae*...

P. kenyae is a mealy bug which feeds on the sap of Kenya's coffee trees and spreads disease through the plantations. Given the chance, predatory insects soon clean up infestations—but between the mealy bug and the predators stands a species of ant. In return for a secretion of 'honeydew' the ants protect the mealy bugs from their natural enemies.

Direct control of the pest has always been difficult, because mealy bugs wear waxen coats which throw off insecticides. However, Kenya coffee growers have solved the problem by using the Shell insecticide dieldrin—against the ants.

Dieldrin is a powerful and persistent ant destroyer. One low-cost application to the stems of the trees acts as a lethal barrier to the ants for at least two months, by which time the predators have moved in and killed the mealy bugs.

dieldrin

dieldrin and aldrin are  insecticides for world-wide use

For further information apply to your Shell Company

Issued by The Shell Petroleum Company Limited, London, E.C.3, England

The World Overseas

Japan's Confused Elections

FROM OUR TOKYO CORRESPONDENT

JAPAN goes to the polls tomorrow with the main parties as muddled and confused as the electors. Neither of the two conservative parties nor of the two socialist parties has made any attempt to suggest remedies for the nation's economic plight. All have dutifully pledged tax cuts, but only the Socialists have offered any suggestion on how this could be accomplished—in their case, of course, by cutting down the defence budget. The ousted Liberals (whose former doughty leader, Mr Yoshida, is mischievously running as a private member) have lost the initiative to their fellow-conservative opponents, Mr Hatoyama's Democrats, and are playing a desperate "double-up" game; the Democrats promised a 500-million-yen reduction promise; the Liberals countered with a 1,000-million-yen reduction promise; the Democrats triumphantly pulled out of thin air a six-year plan for "economic independence" (which even the party's able financial authority, Mr Tanzan Ishibashi, admits is "somewhat abstract and divorced from reality"); the Liberals countered doggedly with a three-year plan. In the circumstances, an apologetic warning from the Japanese Embassy in Washington that the government should not lean too heavily on expectations of continued American economic aid is regarded by all parties as being execrably timed and abominably embarrassing—the more so since all parties are pretending virtuously that their one aim is to be honourably rid of all American aid and influence.

For the West, the most important aspect of the election campaign has been the adroit timing of the Soviet overtures to Mr Hatoyama's caretaker government. Mr Molotov said to Mr Hatoyama's relations with Japan; he that he wanted to "normalise" relations with Japan; he has already succeeded admirably in "respectablising" conservative Japanese discussion of the Communist problem. The frustrated and unhappy left-wing Socialists, virtually indistinguishable from the Communist party, are drinking bitter green tea as they listen to Mr Hatoyama enthusiastically voicing the sentiments of which they felt they had a justifiable monopoly. Mr Hatoyama, as a professional politician if amateur diplomat, can afford to be exuberant over the Soviet gesture—to an extravagant degree which gives his Foreign Minister, Mr Shigemitsu, the professional diplomat, frantic—because the Moscow-Tokyo negotiations stress Japan's independence and the Democrats' "escape" from the Washington "colonialism" which imprisoned the weak Yoshida-san. True, both Mr Hatoyama and Mr Shigemitsu are earnestly professing—perhaps too much—Japan's unshaken

devotion to Washington and the West, but they know very well they will gain no votes by needless enthusiasm for that theme. As the campaign drew to its close, the advisers of the worried Mr Taketora Ogata, the new leader of the Liberals, strongly urged him to drop even his half-hearted warnings to Mr Hatoyama on the dangers of becoming friendly with Moscow.

None of this Japanese excitement over the Soviet Union's belated overtures should be interpreted as evidence of growing pro-Communism in Japan. The popular mood remains one of nationalism and neutralism. Mr Molotov has simply given Japan its first real postwar opportunity of demonstrating its independence. Britain, with great advantage to Japan and the West, could have aroused the same reaction by a more positive and sympathetic interest in Japan. Sir Anthony Eden's unfortunate refusal to visit Tokyo after his visit to Bangkok has been noted sensitively and regretfully. Conversely, Mr John Foster Dulles' decision to refrain from visiting Tokyo on his trip to Bangkok has—with equal sensitivity—been noted gratefully.

It was a natural corollary that Mr Hatoyama should also announce proudly that his government, if returned to power, intended to recognise Communist China. The manner of his announcement was also significant and consistent; he chose a distinguished visiting British pressman as his medium, thereby slighting the United States Ambassador, Mr Allison and again usurping the role of his harried Foreign Minister.

Some other points of interest have emerged from the campaign—which will probably result in a sullen and uneasy coalition between the two conservative parties. First, the Communist party is back in the field, strong and full of spirit and yen, after a curious lull of leaderless inactivity. With only one seat in the Diet, the party is running 99 candidates and may hope to elect three or four of them, including the redoubtable Yoshio Shiga, who has emerged from hiding after six years. Second, the ultranationalist rightists are also re-emerging, but not as confidently yet as the Communists, although their accredited membership is five times the official 100,000 membership of the Communist party. Eventually, they will probably again be a stronger threat to Japan's precarious democracy than the Communists.

Third, business interests are in the saddle—with Mitsui representatives saying openly that they would have preferred a Yoshida government to continue in office. Fourth, the

armed services are temporarily in the background; they are a liability now rather than an asset, even to the armament-dedicated Liberals and Democrats. Only two eminent representatives of the old Imperial forces are running as candidates. Fifth, there is no apparent evidence of any serious hostility against the Liberal members who were involved in the ship-building scandals. Finally, there is one certain prediction that can be made; the West will not benefit from the results of the Japanese election of 1955.

French Patchwork

FROM OUR SPECIAL CORRESPONDENT IN PARIS

AFTER eighteen days of interregnum the crisis is over. France has a new government. M. Mendès-France, brought down by his fellow-Radical, M. Mayer, is succeeded by another Radical, M. Edgar Faure. This is more than a farce; several lessons can be drawn from the paradoxical succession. Most French parties, and the Radical "club" in particular, manage to include conflicting groups under one label. Furthermore, with the Communists outside its orbit, the oscillations of the political pendulum have a limited range. Hence the key role of the Radical party. After the fall of Dien Bien Phu, popular pressure produced a leftward swing and brought M. Mendès-France to power. Now the pendulum is back to its more natural position. The Laniel majority is resurrected, but it now has a Radical at its head.

Before the crisis ran its full course other candidates had to be cleared out of the way. After the conservative, M. Pinay, and the Christian Democrat (MRP), M. Pflimlin, it was the turn of the Socialist, M. Pineau. But in spite of solid MRP backing he failed for several reasons. A tactical blunder cost him the votes of overseas deputies. Though himself a moderate "European" he packed his cabinet list, like M. Pinay before him, with former supporters of the EDC. ("Only Adenauer is missing," commented one Socialist "rebel.") This created unrest not only among the Gaullists, but in the divided Socialist ranks as well. The chief cause of M. Pineau's failure, however, was the deep suspicion of the conservatives. For the first time during this crisis the conservatives (Independents, Peasants and dissident Gaullists) acted together in a disciplined fashion. After eight months out of power they would not allow a Socialist to take over and initiate reform both in North Africa and at home. They would not accept this even in order to allow the MRP to recover its "leftist" label. Speaking on behalf of the conservatives, M. Reynaud evoked prospects of monetary instability and raised the spectre of inflation. M. Pineau was then doomed.

When he was defeated, however, in the early hours of last Saturday morning, the victorious conservatives did not wish to put forward one of their own men. To counteract the "Mendès myth" it was preferable to suggest a candidate with a left-wing reputation, but one who could be "trusted." When it was learnt that M. Edgar Faure had been approached, stock values rose on the Paris bourse. Still, some people wondered whether M. Faure would agree to lead a centre-right coalition. It was rumoured that in a

THE ECONOMIST, FEBRUARY 26, 1955

heated meeting, M. Mendès-France had advised his former colleague to agree only if he were sure of Socialist backing.

M. Faure went ahead without Socialist support. By Wednesday morning he had formed a prospective right-wing cabinet, and he then faced the Assembly. Since he had been Minister of Finance in the two preceding cabinets, he could claim some credit for the economic recovery of the last eighteen months. He promised to foster rapid industrial expansion and on its basis to increase real wages by 7 per cent before June, 1956.

When M. Faure replied to questions in the afternoon the mood was more relaxed. The problem was no longer whether he would muster a majority, but how big it would be. More confident, he could show the parliamentary skill which has kept him so long in the limelight and even produced the saying: "governments go, Faure remains." At first he answered soberly many questions of detail. Then, warming up, he blurred the outline of his North African policy with adroit rhetoric. He pledged himself to ratify the Paris agreements, but to keep their opponents satisfied he repeated in vague terms his predecessor's idea of "parallel negotiations." Finally, after scoring some clever debating points, M. Faure ended on an emotional note, referring to France's prestige, to the vital tasks facing it and to its leaders' duty of self-sacrifice.

No Future for Ostriches

The performance was brilliant, and some time elapsed before the critics began pulling it to pieces in the lobbies. Then some noted cynically that M. Faure has always shown a great propensity for "self-sacrifice." The partisans of M. Mendès-France accused the new premier of falsity, ingratitude and, above all, of preventing a clear division in the Assembly. It was also observed that all the applause came from the right side of the parliamentary semi-circle; that M. Mendès-France did not clap; that not only the Communists but the Socialists as well kept silent.

M. Faure was finally elected by 369 votes against 210. He "broadened" the majority by exchanging Socialist support for almost all the votes from the centre to the extreme right. The new government is more in the image of the present Assembly than its predecessor, which was born out of anger and frustration; the centre-right coalition is the natural ruler in this Chamber. But this does not necessarily mean that the new government will last. Comment. Besides, the right-wing itself stands divided. M. Laniel, who governed with a similar majority, has shown that it can be held together only by an ostrich-like policy. After the Mendès-France experiment it will be more difficult for a premier to keep his head in the sand.

The new government has a fair chance of getting the Paris agreements through the Council of the Republic. It will find it more awkward to act on the North African, and particularly on the economic, front. There it will also have to fight against a dangerous shadow. Since M. Mendès-France was brought down before producing his economic programme, the new team's acts will be matched by the public not against what he achieved but against what he might have done. For the first time since 1947 Christian Democrat ministers hold key economic portfolios (M. Pflimlin the Ministry of Finance, M. Bacon that of Labour); will they now prove their reforming zeal? Whatever their intentions or those of the premier, they are likely to be

THE ECONOMIST, FEBRUARY 26, 1955

the prisoners of their conservative majority. In a few weeks' time the new government will face an important test. If the April rendezvous is judged by the workers to be a new version of All Fools Day, M. Faure will lose the remnants of his left-wing reputation and the political regrouping begun last year will proceed on clearer lines. German rearmament, North Africa and M. Faure's economic policy will determine whether M. Mendès-France is brought back to power after next year's elections.

Aden's Hinterland

THE visitors' book at Aden carries some notable signatures for last month, beginning with Mr Henry Hopkinson's (the first British Minister-in-office ever to visit the territory) and ending with President Tito's. The latter, who was little more than a passer-by, no doubt retained only the impression Aden makes on every winter traveller—that of a busy oil and coal bunkering port below sharp bare hills and on a hot blue sea. Mr Hopkinson, who stayed longer, was able to see a very different scene; he spent nearly a week in the huge hinterland which is the Aden Protectorate, and which was till lately little known, except to intrepid Arabian travellers. As he learned, it is now opening up at a speed that confronts its rulers and advisers with some perplexities.

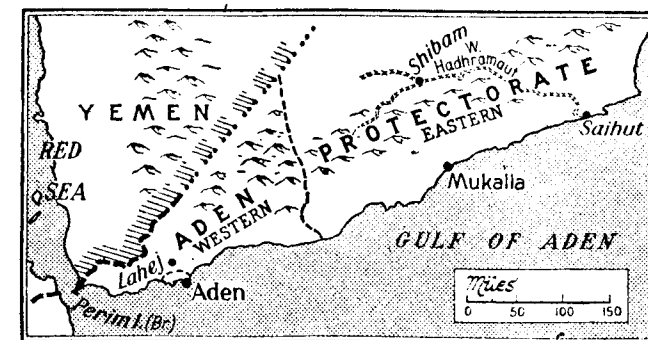
Aden itself, which is a Crown Colony, is only 80 square miles in area. The Protectorate, which stretches for 750 miles along the southern coast of Arabia, has an area of 112,000 square miles and consists of independent sheikhdoms and sultanates having treaty relations with Britain of much the same pattern as those now growing familiar along the oil-bearing coast of Arabia. These tribal territories, that is, are autonomous and highly individualistic, but some of them accept British advice about their internal affairs and all agree to British management of their external ones.

The western protectorate, which is divided between nineteen such rulers, shares a frontier with Yemen. The eastern one, divided between two main rulers, has no frontier troubles to speak of since it adjoins the Empty Quarter of Arabia. The greater part of both has been familiar only to people who like man as well as nature to be red in tooth and claw, for both were until quite recent years riven by tribal blood feuds. Some idea of the state of human relations that prevailed can be gleaned from the fact that good agricultural land, now bearing a heavy crop of long staple cotton, ran to waste until 1949; that many farmers could visit their fields only by way of trenches dug wherever they lived within gunshot of a neighbour; and that the so-called "Ingrams' Peace" signed in the eastern protectorate in 1937 required 3,000 "signatures" before it could be reckoned a valid document.

Today, several new influences are changing these mediaeval conditions, easily the most important being the prosperity of Aden Colony. This has reaped, since 1951, much of the profit discarded by Dr Mossadegh at Abadan; Aden oil refinery, designed for a throughput of 5 million tons of crude oil a year, came on stream last August after 21 months of tremendous building activity. The Colony's accounts for the year ending March, 1954, show

a revenue of £2.4 million, which is an excess of £788,000 over estimates and a surplus for the year of £344,000. Four years earlier, revenue was only £1.1 million.

Naturally, the news of so many new working and trading possibilities has penetrated to the Protectorates, and new ideas have been carried home by the returning worker. Another new influence on inland life and outlook is the sight of agricultural improvements, wrought by means of much patient preaching by a tiny Anglo-Arab staff and the demonstrations which this is able to stage, thanks to the Colonial Development and Welfare Fund. A third and more unsettling element is the anti-western and anti-British propaganda that is introduced by Cairo radio, by Yemeni visitors, and by travellers returning from Java, and is disseminated by means of gossip; as everywhere, this carries far even among people who are allegedly not on speaking terms.



In the light of all these developments, the British personnel based on Aden itself has rather naturally reckoned that if the Protectorate is to take on a new pattern it may as well adopt a model one. Last year, therefore, it devised a scheme of federation whereby the local rulers should get together at least in sufficient measure to promote social and economic progress. The scheme, which was presented to the rulers of the Western Protectorate in January, 1954, looked fine to anyone who could use a typewriter. It offered promise of much more rapid expansion of social and administrative services than any one ruler could compass on his own; by opening up communications it also offered the promise of more jobs for protectorate inhabitants. (Up till now, Yemenis living across the border have tended to hear of, and snap up, the work that is going at Aden before news of it percolates eastwards.) The scheme also ensured sheikhly unity against Yemeni encroachments. Easily the most demonstrable argument in its favour was the success of the Abyan irrigation scheme which was impossible of execution while an age-old feud prevailed between the Sultans of Yafa' and Fadhlī, but which, within a few years of a settlement between them, has this season produced first-class long staple cotton to the value of £2.5 million. In January, 1954, therefore, the rulers of the Western Protectorate were talked into accepting federation "in principle."

But they had many doubts about its details. They were worried about the restrictions it might impose on their main source of revenue, which is the levying of duty on goods in transit through their domains; they were concerned about compensation for this right, and they were worried about the amounts and distribution of such grants as might be coming their way for local improvements. They were also exercised about the novel idea of delegating the legislative and executive work of the proposed Council of Rulers

to bodies on which only two or three of them would sit. Nothing has therefore yet come of the proposal, and, happily, Mr Hopkinson felt constrained to say that he was not going to force it on them.

The great point about the Aden Protectorates is that they constitute, as at present run, a friendly hinterland for a port that is important both as a base and as an industrial centre. If they are to remain so, they had much best not be hurried. If they proceed at their own pace, the new ideas that are reaching them in such profusion may change their habits in a way that will not upset their present good relations with their British ally.

Radar in the Far North

FROM OUR OTTAWA CORRESPONDENT

THIS year a bigger share of Canada's defence budget will be spent on the air defence of the North rather than on strengthening Nato forces in Europe. The published figures hardly show the switch in emphasis, though they do show a decrease in the vote for "Mutual Aid" to other Nato countries from \$300 million to \$175 million. But expenditure on early warning devices, radar and suchlike, are concealed behind innocent generic headings like "construction." Somewhere in those figures lies a planned expenditure of something like \$50 million in the coming year on a warning chain which will stretch right across Canada from the northern part of British Columbia to the northern part of Labrador. It is called the Mid-Canada Line, and Canada is wholly responsible for it—even to paying for it all.

As a construction project the Mid-Canada Line is a tremendous challenge. The 55th parallel, which it roughly follows, crosses the northern part of all the provinces in almost uninhabited country. In some parts, as in the Ungava peninsula, it is a rocky, steep terrain where helicopters may provide the only access to selected sites. On the coasts of Hudson Bay some supply will be possible by water, and a few settlements of Eskimos will help to provide a suitable labour force. The Northern Affairs Department is sending in specialists to smooth the relations between contractors and natives. In the northern parts of the prairie provinces, swamps present one of the main problems. It is difficult to find sites where radio reception is good and yet the ground is suitable for construction. Apart from helicopters, the main transport of construction supplies and equipment is being done by "tractor trains"—huge tracked tractors hauling three or four wooden sleds. This exercise is possible only in the winter months, and it is going on now.

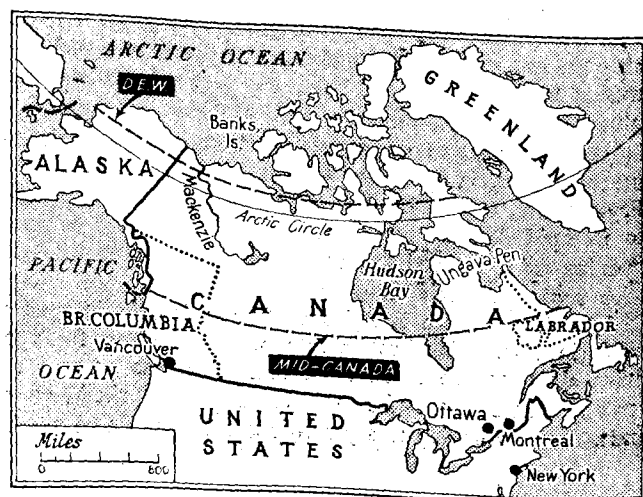
In building the Mid-Canada Line, Canada has taken an opposite course to that which the United States is following in building the yet more spectacular "D.E.W. Line" across the very far North. (D.E.W. stands for distant early warning). The Canadian authorities—primarily the Air Force, with the Department of Defence Production and Defence Construction Limited (a Crown company)—is planning everything to the last detail before letting contracts. A management contract has been let to the TransCanada Telephone System, which is working in very close co-operation with the government agencies. But sites are being

THE ECONOMIST, FEBRUARY 26, 1955

selected by the RCAF in co-operation with the management contractor; Defence Construction Limited is moving in supplies itself; and actual construction contracts will not be let until the authorities can provide nearly all the details about each installation.

The Distant Early Warning line, which is to cross "the most northerly practicable part of North America," has been made an American responsibility. The United States is paying for it, and it will be very much more costly than the Mid-Canada line. But Canada has stipulated that as much of the work as possible shall be done by Canadians. Newspaper reports here have been guessing its cost at \$200 million, and probably this guess is as good as another. The fact is that nobody can possibly know what it will cost, and the Americans are going at it (some critics say) as though they did not care.

They are making a mass assault on the Arctic the like of which the northern wilderness has never seen before. The general line to be followed by the chain of early warning

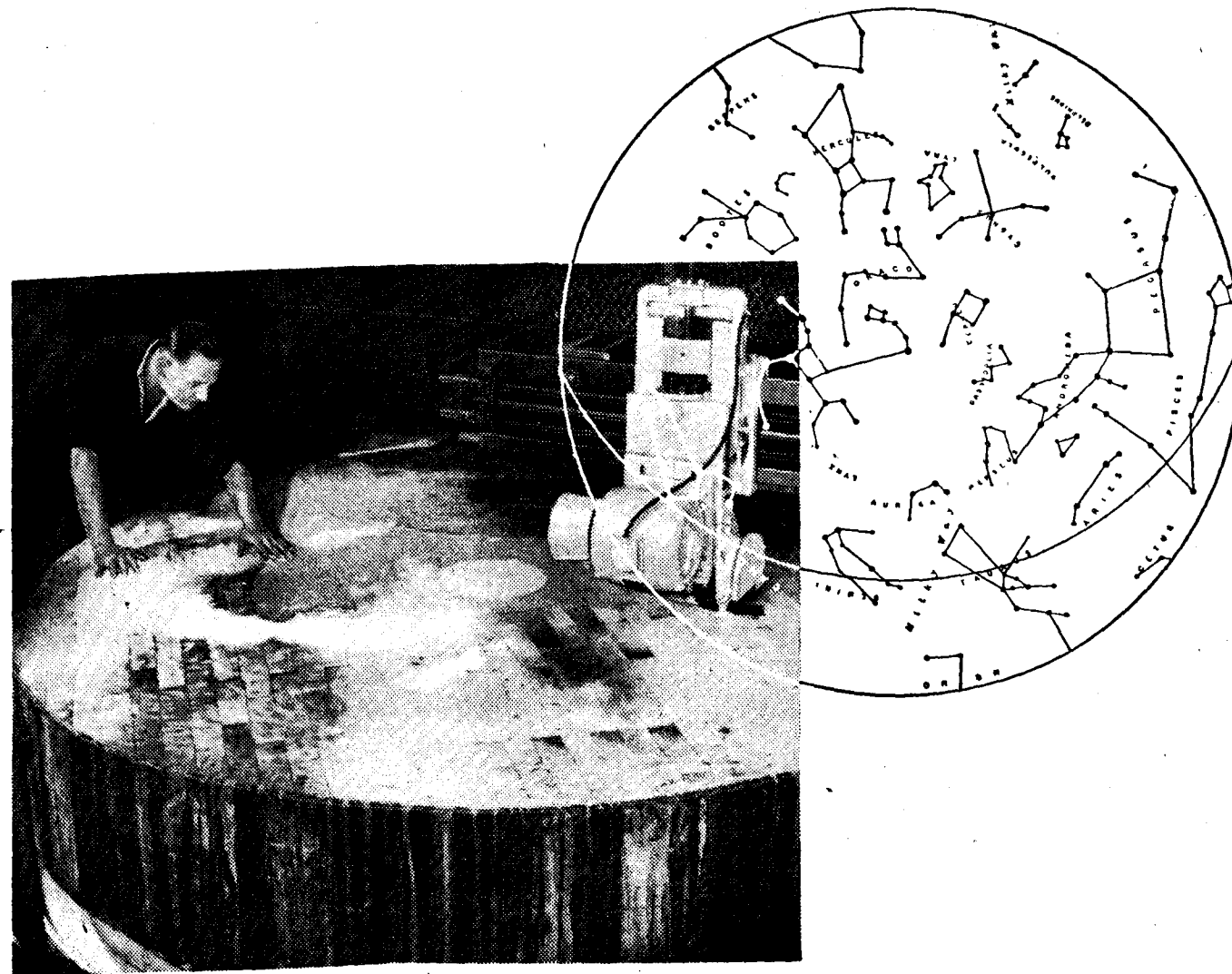


stations has been decided, though not without some argument—and some Canadians are still saying that they knew a better plan. Much of the country to be crossed is almost entirely unknown. The coastlines, on which heavy supplies should be landed during the short summer of 1955, are mainly uncharted and ice conditions present unforeseeable hazards. Before the few weeks of what the optimists may call "open water," supplies must go in by air. Canadian air-carriers are co-operating in a sort of pool air-lift which is intended to move thousands of tons before June.

A Canadian air-survey company has just started work along the projected route of the chain with a view to selecting sites on which later in the summer two Canadian contractors are supposed to start building. The whole operation is being planned by the Western Electric Company from a project office in New York on the basis of a management contract with the United States Air Force. The transportation by Canadian air-carriers and down the Mackenzie River by barge will be by sub-contract from the Canadian prime contractors. It will be supplemented, where necessary, by the United States Air Force. The Americans are also responsible for the carriage of supplies by sea, and it is presumed that only the Navy will be able to provide the vessels needed, including ice-breakers.

The world is now used to the American method of

THE ECONOMIST, FEBRUARY 26, 1955



CARBORUNDUM and a present for Sir Isaac Newton

IN 1949, BRITISH ASTRONOMY received from the MacGregor Trust of Michigan the gift of a piece of glass. It was special, low-expansion glass—a disc more than 8 feet in diameter, weighing 5 tons and worth more than £10,000. This was the MacGregor Trust's very generous contribution to the 98-inch astronomical telescope that is to be installed at the observatory at Hurstmonceux, in Sussex, as a memorial to Sir Isaac Newton.

Sir Howard Grubb, Parsons, and Company, of Newcastle on Tyne, undertook the work of converting the biggest piece of glass in Europe into a 98-inch telescope mirror whose concave surface would nowhere depart by more than 2 millionths of an inch from a perfect sphere with a radius of some 50 feet. Before they began the job, they consulted CARBORUNDUM—as many highly competent engineering firms do when they are faced with specially difficult or important work that involves the use of abrasives. And

the consultation was fruitful: for the job of shaping this big piece of glass, CARBORUNDUM were able to develop special diamond wheels which eliminated the danger of overheating and cut the glass more cleanly and rapidly than it could have been cut without them. When they were used for machining the edge of the disc the new wheels were able to take cuts up to a sixteenth of an inch deep.

Including the slow, meticulous work of finishing, the making of the mirror from the disc has taken almost 2 years' actual working time, and has involved the cutting away of 1800 lbs. of glass. We were interested enough in this great undertaking to send the CARBORUNDUM Film Unit to make a 16 mm. record of the work, in colour, with a spoken commentary. We shall be glad to lend this film, free of charge, to responsible organizations who may care to see it.

Abrasive and Refractory products by **CARBORUNDUM**

THE CARBORUNDUM COMPANY LIMITED, TRAFFORD PARK, MANCHESTER

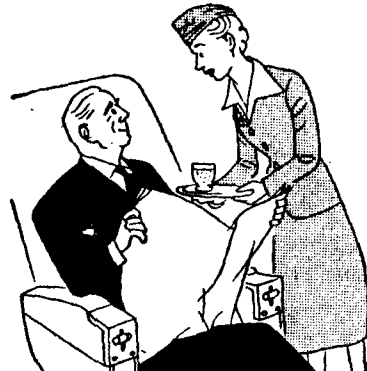
"Yes Sir! You can now fly TWA to USA at reduced Thrift Season fares ..."

THE ECONOMIST, FEBRUARY 26, 1955

TRAVEL AGENT



"You enjoy the same superb
TWA service all
the way ... on the ground ..."



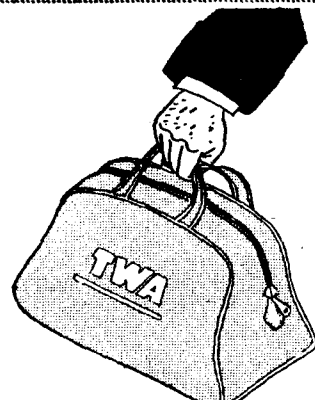
... and in the air, with the
same comfort and
individual attention ...



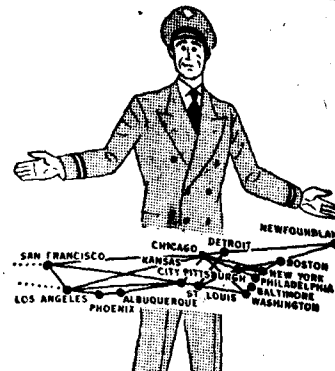
... but on your next trip to
America and back
when you fly TWA ...



... you'll be making the
worth-while saving
of £28 ...



... nearly £35 if you fly by
the thrifty TWA
Sky Tourist service ...



... TWA can fly you on to
any one of 60 major cities
inside America, too."

Now is the time to plan your trip to the U.S.A. TWA Thrift Season reduced fares are in operation until the end of March. Reductions apply to all TWA transatlantic services.

London to New York (RETURN FARES)	On Season (APR-OCT)	Thrift Season (NOV-MAR)	Saving
First Class	£257. 5.0	£228.12.0	£28.13.0
Sky Tourist	£186. 9.0	£151.16.0	£34.13.0

To dollar earners—TWA is the only airline flying from Europe which also serves 60 major U.S. cities in the principal markets of America. TWA knows America. Their specialised knowledge can be of assistance to you.

3 MILLION PEOPLE A YEAR

FLY TWA

TRANS WORLD AIRLINES

USA • EUROPE • AFRICA • ASIA

See your Travel Agent or 'phone TWA:
Trans World Airlines,
200 Piccadilly, W.1. TRAfalgar 1234.
TWA Manchester: BLAckfriars 4649.



THE ECONOMIST, FEBRUARY 26, 1955

tackling a big project. The usual reaction, from the raised eyebrow to the flat declaration that "it can't be done," has been proved wrong so often that there is now a strong presumption of success. But it is doubtful if American methods have ever met a more formidable adversary than they face this time. This is the Arctic. They wrestle not against flesh and blood but against principalities and powers. The Arctic experts are inclined to be a little shocked at the irreverent mass attack on powers which they have always treated with more respect. One of the Canadian prime contractors has been wise enough to retain the services of Colonel Tom Manning, the outstanding Arctic explorer. It will be something new for him, whose last exploit was to circumnavigate Banks Island alone in a canoe, to watch the mechanised approach of the American method.

Development by Deficit in Asia

WHEN the seventh session of the Committee on Industry and Trade of the UN Economic Commission for Asia and the Far East (ECAFE) meets in Tokyo in the middle of March there will be before it a paper prepared by an expert working party on the financial aspects of economic development programmes in the area. This is an important subject, the practical implications of which deserve serious consideration by the governments taking part. The main point at issue concerns the wisdom of using the method of government budget deficits to finance economic development.

The working party's report, which balances the pros and cons of deficit financing, is unduly circumspect in expressing a definite conclusion one way or the other; but it is obvious from the remarks made by ECAFE's Executive Secretary that the method is, to say the least, not disapproved of in those quarters. It is frankly admitted that deficit finance is inflationary; but, it is argued, that, for a developing but backward country, which is unable to raise the financial resources by taxation, internal savings, or foreign assistance, it is justifiable. Moreover, a number of arguments are raised to show that the inflationary impact may be less in underdeveloped countries than in more mature countries. Finally, in the last resort, there are always controls to hold down and delay the effects of inflation. But the working party's report is at pains to distinguish between a moderate amount of inflation, which, it infers, will do little permanent harm, and uncontrolled inflation, which would be disastrous. This view, as well as other recommendations made in the report, have recently been challenged in an article in *Lloyds Bank Review* by Dr Frederic Benham, himself the British representative at ECAFE, and economic adviser to the UK Commissioner-General in South East Asia. Dr Benham is frankly apprehensive of the inflationary consequences and he writes "the scope for deficit finance is not very great; the limits beyond which the inflationary effects become harmful are soon reached." This is wise counsel.

Many Asian countries, notably India, have already embarked on deficit-financed development programmes, so far without disaster. But the insidious effects of inflation are seldom quick to appear. In the case of India, the

possession of substantial sterling assets is a protection against the effect of inflation on the balance of payments; other countries less well off for foreign reserves might, however, be misled by India's example to ignore this inevitable consequence. Moreover, the point should not be overlooked, though unfortunately it was not stressed in the working party's report, that a tendency towards inflation in an underdeveloped country might choke off the inflow of foreign development capital, because of doubts abroad about the country's economic stability.

Dr Benham was right, furthermore, in deprecating the working party's recommendation that, in order to minimise the inflationary effects, development plans should be revised to include mainly quick-yielding schemes rather than long-term projects. This surely is short-sighted advice. Finally, not enough attention has been paid by the advocates of deficit finance to the long-term social and economic effects of this policy. The working party, for instance, is relatively unconcerned at the transfer of income from the fixed income earners that is the inevitable consequence of inflationary finance; it will help, it says, to provide the government with the required real resources. But what of the social and political consequences of the erosion of this stable element in the society? Furthermore, is it reasonable for the democratic countries of South East Asia, nearly all of which have welfare state ambitions, to acquiesce in the deliberate impoverishment of the fixed income earners, many of whom will, one day, be either the employees or the wards of the State?

But the greatest danger in financing economic development by deficit finance is the probability that once started a mild dose of inflation tends to get out of control and becomes chronic. This is especially true of the countries in South East Asia whose shortcomings in the administrative field would make it difficult to hold the line effectively. Furthermore, as the post-Korean boom and slump of commodity prices showed, these countries are still largely at the mercy of world economic trends. For these reasons the temptations of deficit finance should be put aside; sound finance, even if it is unspectacular, will in the end serve the underdeveloped countries of Asia better.

Vanoni's Four Million

THE problem of surplus population in Italy, particularly in Southern Italy, has coloured the attitude of Italian representatives in all international economic organisations since the war. They have taken the leadership in manpower committees and migration conferences and have missed no opportunity to press for fresh outlets for their people. One of the most hopeful aspects of the new Italian ten-year development plan, generally known as the "Vanoni" plan after its sponsor, the Italian Minister of the Budget, is the fact that it treats the Italian surplus of manpower as a resource to be used, rather than as a drain on the economy to be exported as quickly as possible.

When the Vanoni plan was submitted to the OEEC council meeting last month it was warmly welcomed as an optimistic approach to a problem that has long been recognised as a dangerous source of weakness in the economic

base of the Atlantic community. As the Italians have rightly stressed, the responsibility for hard work and disciplined effort can only be theirs, but their chances of success will be improved if they receive from their OEEC partners both the moral support and the tangible help which they are entitled to expect.

The document submitted to the OEEC is not a detailed plan of action but a series of interlocking forecasts and assumptions about production, consumption, investment, trade, size of the labour force and related factors which, taken together, would bring about nearly full employment by 1964. The plan's best claim to realism is the fact that the annual rate of growth of the Italian economy which is necessary over the next ten years to achieve a satisfactory level of employment and a viable economy without external aid, is about 5 per cent, which is roughly the average rate of expansion attained during the past four years. The problem, therefore, is one of preserving, re-directing and, if possible, stepping-up a momentum which already exists, rather than the much more difficult task of moving the economy off dead centre. But simply to speak of maintaining the present rate of expansion for the next ten years gives a totally false impression of the difficulties that lie ahead. As the Italian plan fully recognises, a far greater investment effort will be required for a 5 per cent increase in national product, since there is no longer a large reserve of unused productive capacity. The gross investment effort needed is estimated at about 33,970,000 million lire (about £20,000 million), and assumes an increased rate of saving by stringent action to hold down consumption. This in a period when national income is to increase by 63 per cent, and gross investment is to be practically doubled, overall consumption will be held to a 50 per cent increase, most of it among the newly employed.

Houses as Counterweights

The plan starts from an analysis of the magnitude and character of the labour supply which must be absorbed by the end of the ten-year period. During this time the addition to the labour force from natural increase in the population is estimated at two million, from unemployment and underemployment in agriculture 1,300,000, and from industry 2,200,000. From these totals a rather high "frictional" unemployment figure of 700,000 and anticipated emigration of 800,000 are subtracted to give the "four million new jobs" goal of the plan. The abnormally high birth rate at the end of the war will be reflected in sharp increases in the labour force in 1960, 1961, and 1962, but will then be followed by a considerable drop in 1963 and a downward trend; from 1967 on the net increase in the labour force will be manageable at about 80,000 a year. This long term trend gives the Italians hope that if by an exceptional effort they can create four million jobs by 1964 they will then have brought about an "equilibrium of the economic and social system such as Italy has not known since the political unification of the country."

The government will play an important part in the ambitious investment programme which is the core of the plan. Approximately half of the total new investment will be channelled into three so-called "impulse sectors," agriculture, public utilities and communications, and public works, in which public investment will be dominant. This so-called "propulsive investment" is designed to create the economic and social conditions required for an expanding

THE ECONOMIST, FEBRUARY 26, 1955

economy, not to provide appreciable lasting new employment in the sectors affected. On the contrary, in agriculture the objective is a substantial reduction in the numbers employed so that at the end of the period 33 per cent of the total labour force, rather than 41 per cent as at present, will work on the land. The government will also invest heavily in new housing, which will not be looked to primarily as a source of new jobs but as a necessary social requisite for expansion; the basic target will be 10,200,000 new rooms by 1964. But the rate of investment in residential housing will deliberately be kept below the rate of increase in national income in order to channel investment into job-creating, income-producing industries. Housing is also to be used as a balancing factor and investment will be contracted or expanded to stimulate or siphon off demand for other consumption goods as required.

Investment in all the above sectors, as well as other government influenced investment, will be consciously directed to narrowing the economic and social gap between north and south, and the aggregate increase in income in the south over the ten-year period is estimated at 118 per cent as against 48 per cent in the north.

The prevailing optimism of the plan permeates the assumptions about foreign trade. It is assumed that by 1964 it will be possible for Italy to balance its international accounts without external aid. But instead of cutting down imports the Italian planners have set themselves a goal of increasing exports (including invisibles) to 60 per cent above the current level. This would allow a 43 per cent increase in imports, which they estimate would be adequate to satisfy the needs of the planned expansion. The greatest increase in imports is to be in iron and steel products, the greatest export hopes lie in mechanical and chemical products.

It is easy to wonder where Italy will find the markets, to question whether the internal discipline that is the *sine qua non* of the plan exists, and to feel that the implicit assumption of substantial foreign aid is optimistic. It is tempting to point out the vulnerability of any plan so patently "constructed" on so many bold, and interlocking, assumptions. And it is impossible to ignore the fact that the strength of the Communists in the trades unions and the parliament will be a formidable hurdle to the legislative action, hard work and self denial which the plan requires. But the Italians are undoubtedly on the right track; the optimism of their plan is, in a sense, its greatest strength, and if the government can persuade first itself and then the people of Italy that their problems are not intractable but manageable, the corner will have been turned.

"Motor Business"

The March issue of this quarterly research bulletin for the motor and allied industries deals with:—
The domestic and export markets for agricultural tractors.

Car ownership and purchase in Britain.

Second-hand prices of cars and vans.

The bulletin is fully illustrated by charts.

For particulars of this service apply to:—

THE ECONOMIST INTELLIGENCE UNIT

22 Ryder Street, St. James's, London, S.W.1
Whitehall 1511. Ext. 47

THE ECONOMIST, FEBRUARY 26, 1955

721



MORE POWER AT LOWER COST

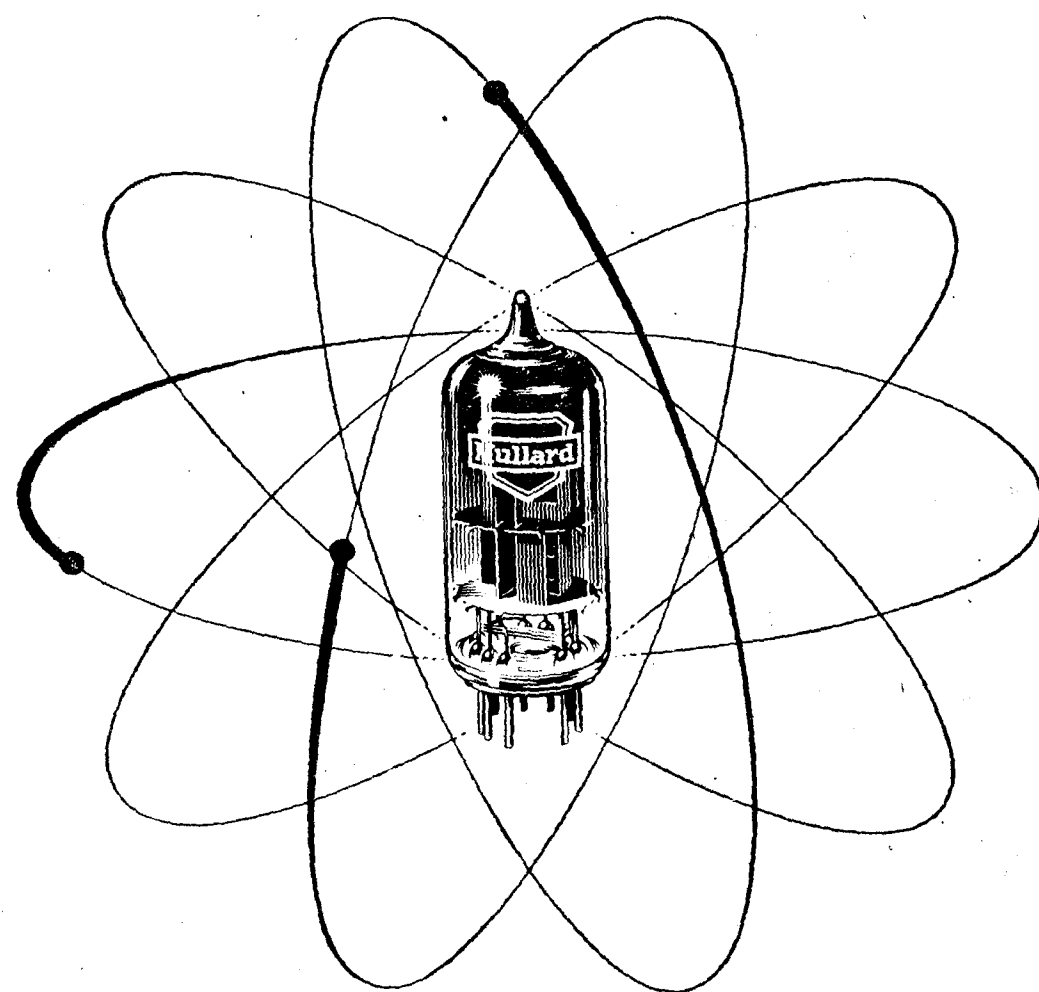
The Deltic is the smallest and lightest diesel made, in relation to its power. This means higher speeds for naval craft and more cargo space in freighters. The facilities for 'overhaul by replacement' which are available to users of the engine mean a shorter lay up and more sea-time for all Deltic-powered ships.

The Deltic is a working example of the Napier principle: more power at lower cost.

NAPIER

Partners in Progress with The ENGLISH ELECTRIC Company Ltd.

D. NAPIER AND SON LIMITED · LONDON · W.3
CRC P1



ELECTRONICS is interwoven throughout the entire pattern of modern defence. For the multiplicity of its applications, for its accuracy and for its integrity, electronic valves of the highest quality are essential.

Mullard—an organisation devoted to research, development and production in the specialised field of electronic valves—has been privileged to make a major contribution to defence.

Mullard

VALVES FOR DEFENCE

MULLARD LTD • CENTURY HOUSE • SHAFTESBURY AVENUE • LONDON • W.C.2.

PP 500A

FROM DEFENCE TO DETERRENCE

A New Order of Priorities

THE 1955 Defence White Paper is the first official "appreciation" of Britain's strategic situation since the advent of nuclear weapons which inspires real confidence that Ministers are clear about what may happen and what ought to be done. They have taken the facts about the hydrogen bomb as their starting-point and reasoned from there. It is the only way: frankness and logic in this grim predicament will alone give the country faith in its leaders.

The previous White Paper was not only made obsolete by the American hydrogen bomb test, but its talk of a "period of broken-backed warfare" and "mobilisation of the reserves behind the shield of the active forces" strengthened uneasy feelings that British politicians and chiefs of staff were well behind the scientists and even the popular press. But in the past year the authorities have caught up a lot. The decisions to disband AA Command and to evacuate Suez have now been followed by the formulation of a new and much more convincing order of priorities. The trouble will be to live up to it. The most disquieting sections in the White Paper are those on research and manpower—though much in the other sections is vague but slightly complacent about aircraft and missiles.

Defence is now deterrence. Even with atomic bombs this was increasingly evident, though the experts never entirely abandoned hope that a system of interception might be devised which, given enough money, and the time to build and the power to sustain it long enough, would raise the proportion of raiding aircraft destroyed to so high a level that the damage sustained from bombers that got through would be short of prostrating. The decisive calculation is whether the cost to the attacker can be made greater than the damage done. But even if the rate of kills could be raised from 30 per cent (and this is optimistic) to 95 per cent, the surviving bombers, if they carried H-bombs, would be enough to devastate the country. That does not mean that no defence by fighters or missiles is required; to make things look easy, because of fatalism alone, is to

invite disaster; fighter defences are part of the deterrent.

The strategic revolution (for once the word is not an overstatement) that has occurred in little more than twelve months is this: so long as it was the original A-bombs that were in question, a small island might conceivably be defended, while it would take a massive bombing effort to provide an effective deterrent to a large and remote country. Defence and offence were still in some sort of balance. But with H-bombs, there is little or no defence, and the deterrent is overwhelming. Attack has become much the best part of defence, and by the same token the readiness to attack has become much more likely to succeed in its main objective of preventing the war from ever happening. The new doctrine is not easy to assimilate. But it is cast-iron in its logic.

THE PATTERN OF SPENDING

	Estimate, 1954-55		Estimate, 1955-56	
	£ million	Per cent	£ million	Per cent
Admiralty	367.0	22.4	347.0	22.6
War Office	561.0	34.2	484.0	31.5
Air Ministry	537.0	32.8	540.4	35.4
Ministry of Supply ...	151.0	9.2	147.5	9.6
Ministry of Defence ..	23.9	1.4	18.3	0.9
Total	1,639.9	100.0	1,537.2	100.0
Of which				
United States Aid	85.4	...	43.0	...

It is from the horrific facts about the H-bomb that the White Paper has distilled hope from despair. For the time being—perhaps until ballistic rockets offer to give complete surprise to the attacker—the certainty of retaliation on a mortal scale renders thermo-nuclear warfare useless as an instrument of national policy. It would almost certainly destroy the social structure of the belligerents and dissolve

their regimes, certainly any institutions not based on the people's will and needs; and after it the would-be "victor" would emerge far weaker than smaller powers that kept out of the fight—it might be forced to sue for their succour. To a country seeking world-mastery these facts are a deterrent indeed.

Circumstances may render this stable situation unstable again. But the relative security it offers must be a cardinal point of policy. The nuclear deterrent is related intimately to the whole strategic position of the Western powers. For the deterrent to be effective, the Communist powers must know that we are determined to retaliate; that we are in a posture to retaliate effectively; and they must also know what will produce retaliation. To be undefended on the ground in Western Europe would invite piecemeal advances none of which could easily be made a case for invoking the supreme sanction. It would dangerously weaken the air defences of the bomber bases in Britain, which start on the Elbe. It must be made evident that aggression in Europe will generate such heat as to make hot war inevitable. The 30 western divisions must be there to prevent any *faits accomplis* by the 100 Soviet divisions.

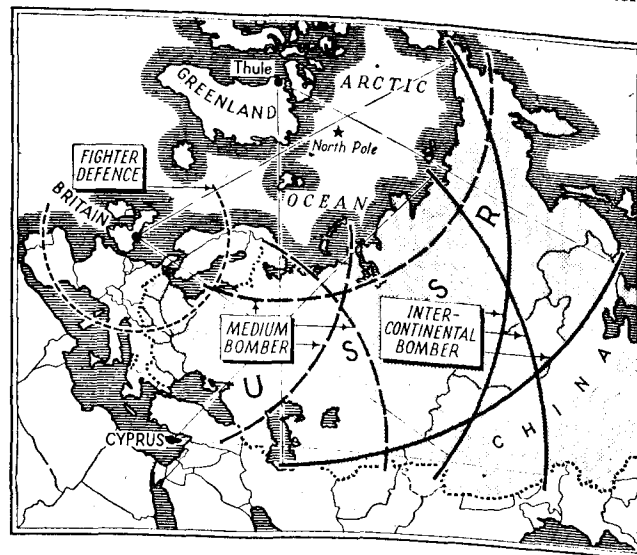
Nor will Britain's possession of the H-bomb change the facts about what the White Paper describes as "Communist imperialism in the cold war." The deterrent, if effective, leaves the cold war as the only remaining area of struggle in which a final decision can be reached by the Soviet. Any idea that little is needed in the way of forces between the nuclear-armed armies in Western Europe and policing units elsewhere is fallacious. The West, and its thermo-nuclear deterrent, could be outflanked and isolated by the gradual transfer of enormous territories, populations and resources from the western to the eastern orbit, either by infiltration, or by wars fought by conventional weapons—limited wars on the Korean pattern, perhaps in South East Asia, conceivably in the Middle East or elsewhere. In the political and psychological situation of the most critical area—South East Asia—it is not enough to show that the Western way of life is superior, but also that it is defensible.

This is a vast commitment; it has not decreased simply because Britain is stockpiling thermo-nuclear weapons. The small drop in the estimates for 1955-56 compared with a year earlier is no indication that defence costs can be pared down for technical reasons. In fact, on the outturn, the estimate for 1955-56 at £1,537.2 million, if it is fully spent, is likely to be in excess of actual spending this year. Yet much of the deterrence described in the White Paper is still in the planning or testing stage; the White Paper is largely written in the future tense. Such economies as can be discerned in defence spending—in production or manpower—are a matter for disquiet not satisfaction, for they reveal us to be less secure, not more.

The problem, in fact, is and will increasingly be, to get the deterrent forces we need out of the resources that we can spare. For that reason, strict adherence to the order of priorities will alone give the maximum of security. The first priority is the maintenance of the deterrent to hot war; the White Paper calls for "even higher priority for the primary deterrent." The second priority is the winning of the cold war; and only third comes the means of waging a hot war if it should ever get started—"the defence and continued functioning of the home base." The weapons to be chosen for the forces, the allocation of money between them, must reflect these priorities. The strategic bomber

qualifies for the highest priority; in the Navy, for example, the aircraft carrier, useful (or, as some would say, allegedly useful) both for the atomic deterrent and in the cold war, rates ahead of anti-submarine ships.

To relegate the defence and victualling of this island to the third priority is a difficult but necessary decision. To the present generation of Englishmen, who have twice had to endure year-long sieges, it is hard to swallow the doctrine that another long period during which a beleaguered island depends upon the shipping lanes for its life is really not very likely. Yet faith in the magnitude of the H-bomb deterrent implies the belief that the initial phase of an all-out hot war would, to all intents, end the war. The vision of broken-backed war has dissolved; if the H-bomb is ever used, civilisation's back would indeed be broken, but there could hardly be any organised war, either to wage or to ward off. The White Paper cannot altogether face this prospect. "We also need," it remarks, "defensive strength to take toll of the enemy's attacks. To this end the reserve army, apart from its overseas commitments to Nato and for other purposes will continue to play a vital role." It is far more likely



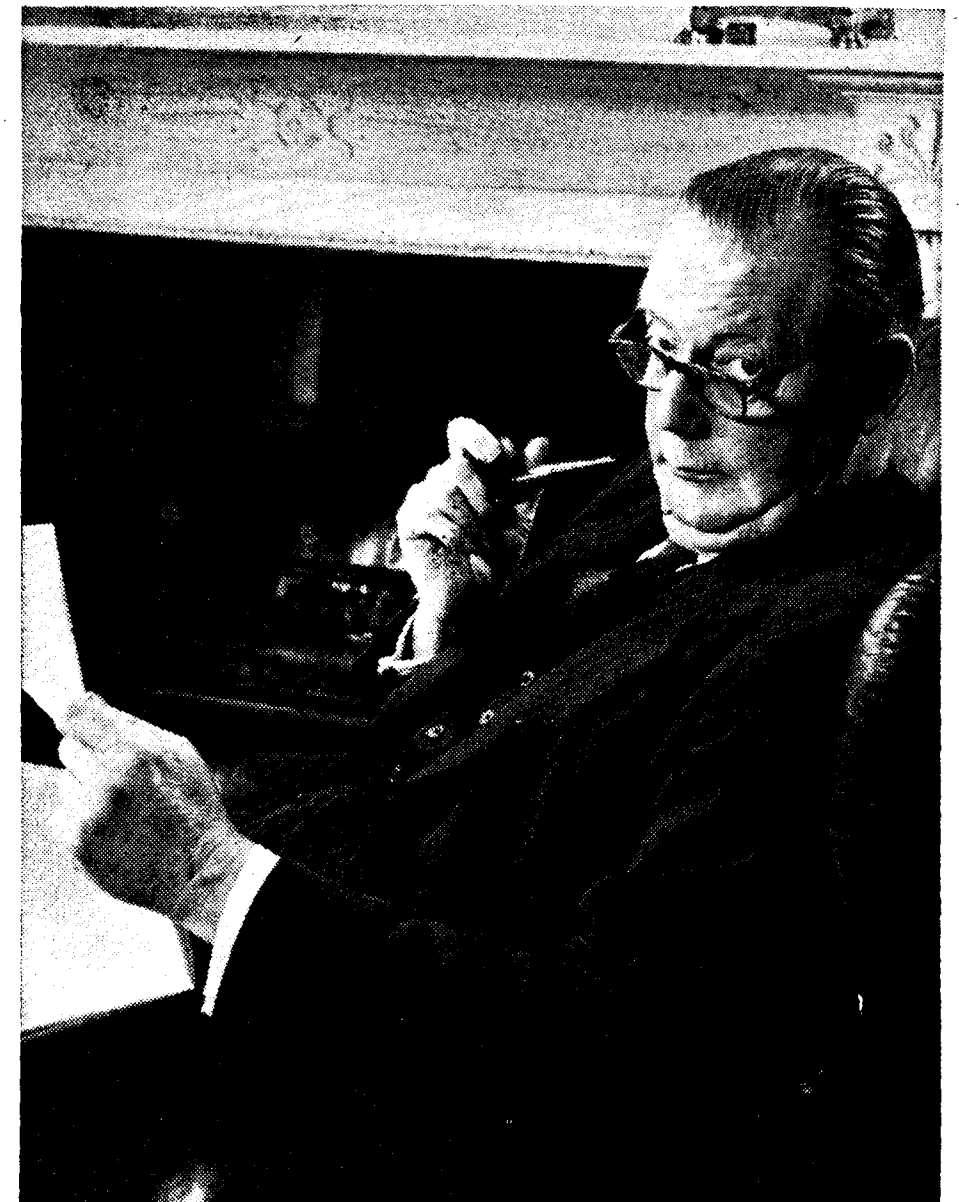
that the reserve army will be detained at home creating order; only a force capable of being flown to Europe would have much chance of getting there. This situation would change only if the hydrogen bomb (and perhaps the new big A-bombs) were somehow banned, but tactical nuclear weapons still employed.

But it does not follow that Civil Defence also must have a low priority. Civil defence—planning for survival—is, in fact, a part of the deterrent against hot war; for it shows that while Britain sees in the immense destructiveness of the opening phase the likelihood that organised warfare would soon cease, she is prepared "to face the threat of physical devastation, even on the immense scale that must now be foreseen" as "manifestly preferable to an attitude of subservience to militant Communism, with the national and individual humiliation that this would inevitably bring." Civil defence is the symbol of an attitude that means no flinching; no bluff. To bluff with the hydrogen bomb would be fatal.

The estimates show, so far, relatively little of this reshaping of forces; but the logic of events was already changing the allocation of money even before the H-bomb appeared. The Air Force share has risen to 35.4 per cent of the total,

THE ENGLISH WAY OF LIFE...

"The
Mermaids
are
late
this
year..."

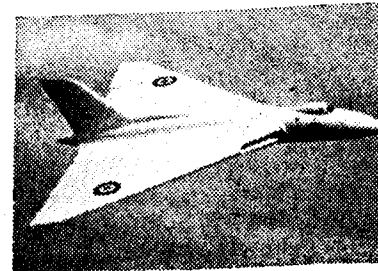


Sitting quietly in his London Club, Colonel Russell is not a man whose demeanour suggests a martial past. His hobby is rose growing: Lady Hillingdon, de Meaux, Mermaids. . . Colonel Russell takes his coffee slowly, and before returning to Threadneedle Street, may stop for a moment to discuss his roses with Charles, the Hall Porter. "The Mermaids are late this year . . ." But don't let Colonel Russell's rather reticent manner deceive you for a moment. The slight stiffness in his right leg (which gets worse in the cold weather) dates from the first World War. In 1916, as Captain Russell, he was severely wounded when leading his company against six enemy machine gun posts.

Today, when we are all faced with the threat of a third, more terrible, World War—one thing is certain. Britain's friends and foes alike can count on there being enough 'Captain Russells' to spring

forward at the right moment. But courage and determination by themselves are not enough. They must be backed with up-to-date equipment.

This is why the Hawker Siddeley Group of companies is so important to Britain. Aircraft and aero engines designed and perfected by Group companies provide the essential equipment of security. The unquestioned excellence of Group aircraft like the Hawker Hunter, Gloster Javelin and Avro Vulcan proclaim our faith in freedom across the skies today. Over 65,000 skilled workers, technicians and aeronautical engineers man the immense production facilities of the Hawker Siddeley Group, forging the tools of national security. This combination of men, machines and aeronautical genius is a safeguard that, as long as there's an England, there will always be gardens, roses and men like Colonel Russell.



THE AVRO VULCAN
World's first 4-jet Delta bomber. Great range, fighter-like manoeuvrability and 'built-in' development potential are the striking features of this large bomber. No other high-flying bomber in the air today is so fast, safe and reliable.

Hawker Siddeley Group

18, St. James's Square, London, S.W.1

PIONEER . . . AND WORLD LEADER IN AVIATION

A. V. ROE • GLOSTER • ARMSTRONG WHITWORTH • HAWKER • ARMSTRONG SIDDELEY • HAWKLEY • BROCKWORTH ENGINEERING • AIR SERVICE TRAINING • HIGH DUTY ALLOYS • and in Canada: AVRO AIRCRAFT • ORENDA ENGINES • CANADIAN STEEL IMPROVEMENT

ROLLS-ROYCE
petrol engines
power the
wheeled combat vehicles
of the
British Army

ROLLS-ROYCE LTD • MOTOR CAR DIVISION • CREWE AND LONDON

the Army has slipped back to 31.5 per cent. The Navy is about the same as before—and the new emphasis on its offensive capacity may have stayed the axe. But it is no comfort that only £600 million was provided in the estimates for defence production for 1955-56 as compared with £650 million in the two previous years.

This, then, is the emerging pattern: deadly serious preparations for a fantastically destructive war of weeks or days, as the best means of ensuring that it will not happen; preparedness to fight peripheral limited wars and police wars that well may happen and prove costly in men, production and money over the next five or ten years until a new atomic situation emerges—as it may with the ballistic rocket, or when several powers have nuclear weapons. It is not a happy prospect, and the government inevitably—and no doubt in all seriousness—tried to soften it with their disarmament proposals. But it could be a worse prospect: a nuclear war that does not happen is still better than a conventional one

The Unconventional Armament

IT is still possible to draw a distinction between the weapons and tactics of nuclear warfare and those that are described as "conventional" armaments; but the distinction is already blurred and will in time disappear altogether. Two new technologies have wrought a revolution in the design of weapons that has not been equalled since the appearance of gunpowder. They have crammed as much technical progress into a decade as the world once took two and a half centuries to assimilate, and it is small wonder that the military planners are breathless from trying to keep their strategy abreast of the scientists. The two technologies are those of electronics and nuclear physics; the White Paper makes no attempt to minimise their impact on warfare. They mean the end of military strategy as the world has known it; the end of conventional air defence; of vast movements of armies; of battles at sea. But what they mean in positive terms is still far from clear.

The thermo-nuclear bomb, with its ability to pulverise areas of 30 square miles or more and to spread destruction over 200 miles with a single explosion has dwarfed all other concepts of warfare. An atom bomb is restricted in size by the need to keep the fissile material within critical margins; but there is no limit in theory to the size that a thermo-nuclear weapon can reach. It took Britain 2½ years to collect sufficient plutonium to set off the first atom explosion at Monte Bello in 1952, but if the scientists at Aldermaston decide to by-pass the difficulties involved in collecting enough tritium (a rare and heavy form of hydrogen) for hydrogen tests and use instead one of the light elements like lithium, which is relatively plentiful, it may not be so long before this country starts to build its own thermo-nuclear stockpile. There is no reason to believe that this will cost Britain anything like the huge sums spent in the United States. Lithium is not expensive to prepare, and the really heavy expense, the establishment of the atomic plants and research stations, has already been written off in the development of Britain's first atomic bombs. This assumes that the bombs will eventually be capable of being carried in and dropped from aircraft: it is worth remembering

that does. The fact must be faced that to keep it as favourable as it is, the very heavy insurance premiums must be paid. There is no guarantee that they will not grow heavier.

Britain, whether she likes it or not, is a world power. Her responsibilities are global, wherein she differs from, for example, France or China. The Colonial Empire abuts on some of the hottest spots in the cold war, and much of it is fertile ground for Communist subversion. The ability of Britain itself to take up a strongly deterrent role depends on a warning screen in Europe, which inexorably involves us in the maintenance of permanent forces on the continent—as does the probability that the Soviet has 400-mile range V-2 rockets. There is no avoiding this vast commitment, no question of leaving it to the Americans, or of haggling over fair shares. And because, in fact, it only can be met by collaboration with the nations of Nato and Seato it is vital that Britain's contribution of nuclear weapons to the deterrent umbrella over all should give her a full voice in policy.

that there is no evidence to show that this stage of development has yet been reached either in the United States or Russia.

The hydrogen bomb is essentially a weapon against large targets; against cities and perhaps against specific concentrations of troops or ships. While its great destructive power has the immense advantage of reducing the importance of accurate aim, many targets are not big enough to warrant the use of such pulverising explosive force. A whole range of nuclear weapons of varying size and power is being developed for use against targets such as these. This ability to produce not only weapons of increasing mass destruction, but atomic counterparts for almost all known forms of attack has been one of the surprises of atomic science. While the bomb and the heavy bomber were the only atomic weapon available, it seemed as if strategy in the field would remain much as it was, except for the prospect of total destruction of the rear communications. The arrival of tactical atomic weapons has destroyed this concept.

The White Paper makes two points about these weapons: first, that they give Western Europe its first real answer to the 400 land divisions of the Soviet bloc; and secondly, though less explicitly, that military strategy for this kind of atomic warfare is thrown into the melting pot. New methods of organisation, of supply and of equipment must be evolved and will be tried out in manoeuvres during the year. There will be little prospect in future of giving the infantry any support from conventional artillery, since the difficulties of moving it into position and of supplying it are too great, and the same holds for much of the equipment and the transport to which armies have become accustomed. There must be no "tail," and troops in the front line will have to attain a high degree of self-sufficiency as well as a high degree of dispersion. Some support can be given to them by ground attack aircraft, but there are not sufficient numbers of these in Europe to do the job adequately. The Army is placing more reliance on covering its troops with atomic fire-power. American atomic cannon are already in Europe; they are not regarded as particularly

effective weapons, but short-range atomic guided weapons are contemplated for the British Army. Easily launched, and easily concealed, missiles are tailored to the new strategy.

During the past three years, there has been a gradual change of emphasis in the RAF from air defence to air attack, with the growing realisation that no effective protection from atomic (and now thermo-nuclear) bombing was probable. Radar warning is limited by the physical properties of the beams to a distance of roughly 180 miles. This gives the defences roughly 10 minutes' notice. Modern bombers can fly at heights of 12 miles or so, and at those altitudes there is a real doubt about whether a defending fighter will be able to do a useful job of interception. It is significant that British bombers fly unarmed and rely on their height, speed and manoeuvrability at rarefied altitudes to outstrip the defences. Compared with the strength of the United States, Bomber Command is never likely to be more than a token force but, backed by a home-produced stockpile of atomic and thermo-nuclear weapons, it puts

THE ECONOMIST, FEBRUARY 26, 1955

under British command and direction the only real deterrent. Probably the only targets that can be adequately concealed from an attacking power are the bombers and their airstrips.

The Minister of Supply's confidence in the adequacy of Britain's present air defences may be based on knowledge that Russia cannot at present deliver such an atomic attack on Britain from Russian bases, but the date when it does become possible cannot be far off. It may also be true that Russia would not contemplate a nuclear war before Soviet aircraft were able to reach into the interior of the United States. Evidence suggests they may be in a position to do this some time in 1958. What defence will Britain then be able to muster? A fighter, even one armed with cannon as powerful as the 30 mm Aden, is no match for a modern bomber: if it can climb in the time available to the bomber's altitude, its own speed and that of its target are both so great that one shot is the most that can be expected. To give the fighter any real chance, it

Missile Mechanics

GUIDED missiles are taking longer to perfect than even the hydrogen bomb. Scientists have known in principle for many years how to build a weapon that will search out its own target, but the gap between theory and practice is wide and difficult to bridge. Ways of homing the missile are roughly classified as "active," where the missile does all its own hunting; and "passive" when it is directed from the ground or from the launching aircraft.

A moving object cannot fail to send out all kinds of electro-magnetic signals, so that while a missile can home on radar, it can also use the heat, or the noise, or the vibrations of an aircraft, or the infra-red radiation from its engine, or the static electricity, to find its target. The nearer the missile gets, the stronger these signals become and the more inexorably it locks on to its target. But if the missile is built to hunt alone, then it has to contain an additional link between homing systems and the servos that move its controls on to the collision course: this is a computing unit to calculate the course of the missile in relation to that of its

target so that its flight is continuously adjusted and corrected.

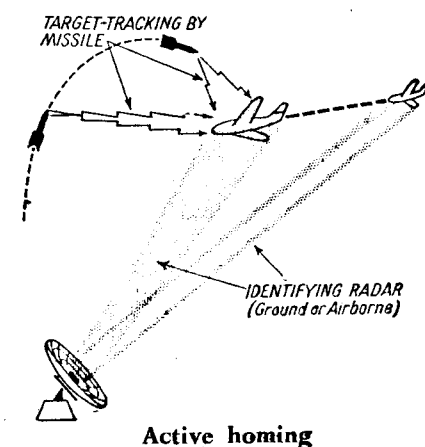
In the "passive" systems, this complicated process of computing takes place outside the missile. If it is launched from the ground, one radar set keeps continuous track of the target; another watches the missile. The collision course is worked out on the ground and radioed up to the missile. In other passive systems, the missile uses the radar beam on the target as a guiding line.

The same kind of "passive" homing can be used for air-to-air missiles, but an aircraft cannot send out such strong guiding signals to its weapon as a ground station can. Where the fighter gains is in its ability to come close enough to the target before launching to improve considerably the missile's chances of locking on to its victim.

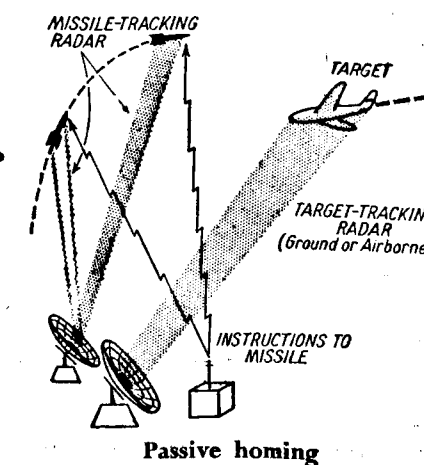
It is much more difficult to set a missile on a mission against a target such as a city that does not move. The same kind of sensing devices can be used—heat is particularly effective—and a navigational course can be plotted for the missile. But here the designer runs up against three physical problems. First, it seems doubtful whether at present scientists can protect the atomic warhead from damage during flight at rocket speeds over long distances. Second, the vast weight of fuel needed to give a rocket the same kind of range as today's manned bombers makes a long-range rocket so huge that its introduction may have to wait for an improvement in the specific consumption of rocket motors. The third problem is one of navigation. The world's maps are not accurate enough and it may be difficult to set the course of a long-range missile with any hope of reasonable aim. It is only a matter of time before these physical

problems are overcome; ranges of up to 1,000 miles are expected within 20 years.

In the ultimate future, scientists believe it will be possible to use the same methods that missiles now employ to find their targets, to seek out and destroy the missile itself in flight. Until then, the only real defence against missile attack, either on raiding aircraft or on land targets, is to throw their sensing mechanisms off the scent. A missile homing on heat or infra-red radiation can be diverted from its target if a new, stronger source of heat is shot into the range of its scanners. Radio signals between ground station and missile can throw the weapon off its course, so can interference to the radar beam on which it is homing. Then the designer resorts to counter "counter-measures" and builds into his missile a system of rapidly changing codes and wavelengths so that the signals cannot be interrupted and the missile keeps to its destructive trajectory. Counter-measures, once a game, are one of the most important features of robot war.



Active homing



Passive homing

THE ECONOMIST, FEBRUARY 26, 1955

must be equipped with guided missiles, and no fighter is likely to be designed today with any other armament. Missiles are dependent on progress in electronics, and this has been somewhat slower than the progress made in nuclear weapons. Some experimental air-to-air guided weapons may come into service in Britain next year, just as a selection of experimental but not very effective missiles are in service in the United States, but the first really efficient designs will not be delivered to the RAF before 1957 at the earliest. Ground-to-air missiles are not likely much before the 1960s. While their effect on tactics is likely to be considerable, they can only partially offset the present overwhelming superiority of the bomber. And as the design of missiles improves, a new threat appears in the form of the ballistic rocket. At present its range is limited for reasons given below; atomic missiles seem restricted to about 20 miles, but other types with ranges of about 400 to 500 miles do exist and against them there is no known defence of any kind. Long-range atomic missiles of 1,000 miles or so are not expected to appear in numbers until the 1970s, but the White Paper plainly regards their introduction as inevitable.

The unconventional armaments, the nuclear weapons and the guided missiles, have developed faster than methods can be evolved for using them. The one clear line of theory that has been evolved in the new strategy is that of the deterrent, the overriding importance of maintaining a nuclear stockpile and the aircraft and other weapons capable of delivering it at points of maximum vulnerability. The clarity of this argument, and the uncertainty about so many other aspects of the "unconventional" strategy, tend to obscure one most important trend: that it is only a matter of time before today's unconventional weapons are tomorrow's conventional armaments. At some time, both from reasons of effectiveness and cost, all ground forces will have atomic artillery—and not only those in Western

The Conventional Armament

THE discharge of our many overseas commitments in cold war must continue to absorb a large share of the resources which we can make available for defence." All three services are involved—even in policing operations the RAF may be called in.

Lessening the Strain on the Army

In some respects, the thermo-nuclear bomb has simplified the problem of making the army into a dual purpose force, able to deal with hot and cold war. The tactical nuclear weapon means that armies must be dispersed, highly mobile, free of undue dependence on roads, able to operate in self-contained units of the minimum effective size—which is certainly less than that of the reduced size of a British division. This, however, is also approximately what is wanted in most of the cold-war terrain. It is certainly the requirement in Malaya and it was so in Indo-China. The army's tactical problem is to design a force large enough to be effective, and mobile enough to be able to concentrate rapidly for attack, and to disperse as rapidly if threatened with nuclear bombardment.

No less plainly, nuclear tactics require that dispersal must be the characteristic of the "infrastructure" in Europe.

Germany—while homing missiles of all kinds will be the basic equipment of the RAF. It may seem that the more effective the deterrent becomes in Europe, the greater the probability of the kind of local "hot" war that was fought in Korea. But, though atomic weapons were withheld in Korea, armies of the future may find it impossible to fight an engagement of this kind without using some of their atomic armoury and there are doubts about whether a nation in the face of defeat would hold back from using the largest and most terrible striking force at its disposal—the thermo-nuclear bombs. A dividing line can be drawn today between conventional and unconventional operations, but it is important to a clear understanding of the problems of Britain's defence to remember that this will not always be so, and to draw the grim deductions therefrom.

In about four years' time an "unconventional" Navy will take to sea; its outlines are those of a floating counterpart to Bomber Command. This new approach, explained in more detail in a later section, is the result of two technical advances in carrier design, the combined use of the angled deck with mirror landing aids. They have lifted the most severe of the limitations on the size and power of the aircraft that could be launched from carriers' decks, and greatly reduced the gap between the weight and range of attack that could be mounted from land-based airfields and from carriers. If the Navy can, in fact, strike as far and as hard into enemy territory as Bomber Command (and this depends on the performance of strike aircraft still undeveloped) then the carriers can exploit routes that take their bombers over the least defended territories. This is the plan that lies behind the new investment in high-powered fighters and missile ships. Both are needed to defend the attacking carriers; the fighters for distant interception, the missiles for those aircraft that break through the fighter ring.

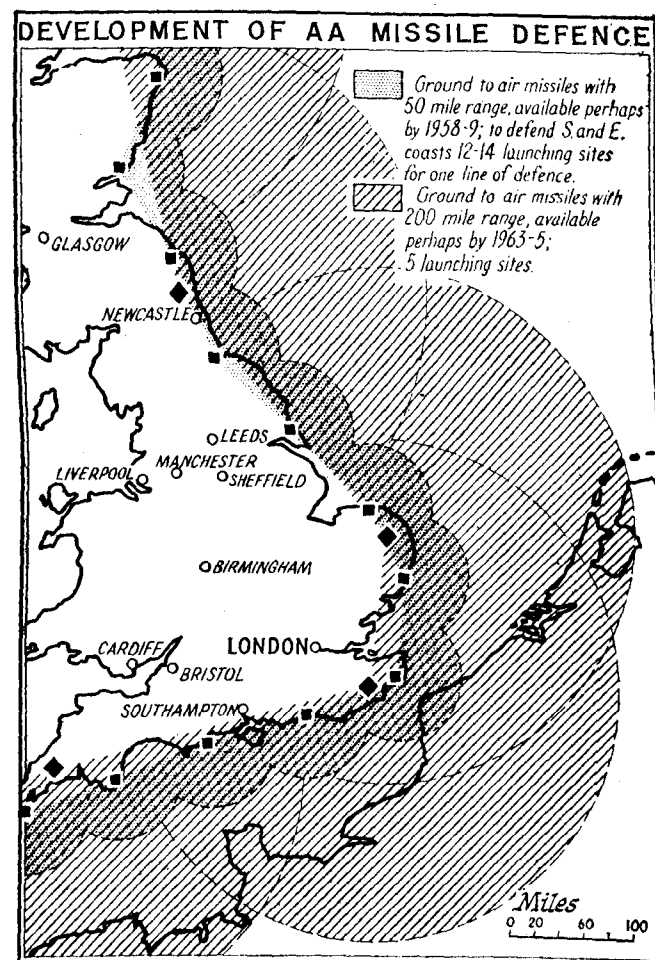
Obvious targets must be avoided; everything must be stored in dispersed dumps. "Pipelines"—convoys on roads, build ups in railway yards—invite paralysing blows. The long tails of divisions as at present organised must be cut down or right off. The army, besides air support and communications needs its air supply lift. Independence of elaborate supply trains involves simpler and fewer weapons—certainly less artillery, other than anti-aircraft guns. (At present British formations in Europe are covered by US atomic cannon.) The White Paper, however, offers little promise of this streamlining. The list of new equipment is rather meagre.

The requirements of the army in the field are, on the broader canvas, the requirements of the army as a whole. The previous White Paper had to report that the army was fully stretched in meeting the commitments set by international and colonial demands. There was no strategic reserve at home; the portion of the army that was stationed in Britain was engaged in training national service men. Abroad, where the army was not engaged in operations it was tied down in garrison duties which were far from good for morale or the attractions of an army career. The rigidities of this situation have been lessened by the withdrawal from Suez and Trieste, and reduction of troops in Korea.

It will again be possible to reconstitute the strategic reserve in this country—which ought to be instantly ready for service and transport anywhere by air. But regular strength is expected to fall from 114,700 on April 1, 1955, to 108,400 on April 1, 1956—mostly of course as the result of men with three-year engagements becoming due for release.

Unfortunately, the White Paper is as reticent about plans for improving the inter-continental mobility of the army as it is about the plans to "streamline" it in the field. At present the army's airlift is based on Transport Command and long-term contracts with commercial charter companies. The encouragement to the companies to provide a reserve of trooping capacity is vital, but the time is approaching when the question of supply and control will have to be considered. Indeed, when missiles and ballistic rockets take over from Bomber Command, military aircraft will be entirely concerned with the army and should logically be unified with it. Meanwhile, a point of some importance is that it may well become necessary to equip an airborne army to land where there are no elaborate bases, and perhaps in the face of opposition. British bases throughout the world are dwindling. Streamlining on the ground and reinforcing in the air are twin keys to the better use of a smaller army.

But how small can the army be allowed to get? Thermo-nuclear warfare clearly reduces the need for huge trained



reserves. A large regular army would certainly reduce the need for national service men. But it is impossible to have a large regular army unless the country is prepared to pay the market rate for it. What that rate is, nobody knows; but indications are that the increases in pay introduced in April,

THE ECONOMIST, FEBRUARY 26, 1955

1954, have not reached it. Servicemen do not put forward organised demands for better pay, but they can elect to leave the army for occupations which do. An inquiry should be made to find out what are the true inducements to hold 180,000 men to the colours; and it is up to those who want national service cut not to cavil at the bill. Meanwhile, the White Paper is right to argue that any appreciable reduction in national service would reduce the army to a size at which it could not meet its commitments.

The length of the period of national service, however, is not simply a matter of the size of the army. It is a matter of trained men. If it takes a full year to train a man, then to cut the call-up by six months is to cut the size of the national service element in the army not by a quarter but by a half. Both hot- and cold-war deterrents will be weakened if the army is too obviously unable to meet a big new overseas commitment which might come any time.

What Sort of Tactical Air Force?

The great part of the RAF's resources have been diverted to meet the threat of all-out hot war, a thermo-nuclear conflagration. This, clearly, is according to priority, but it is fair to ask whether the build up of the RAF's striking and defensive power at home has not been allowed to drain away too much for its ability to play an effective part in conventional non-nuclear operations. Its atomic bombers can carry an effective load of ordinary high explosive and indeed a good deal of development work has been done on conventional bomb design since the war. They are, to that extent, dual purpose carriers but are never likely to be built in numbers large enough to provide much of a striking power in terms of high explosive, nor indeed would it be right if they were. But there is less justification for the policy of cutting down RAF fighter strength outside Western Europe to the status of token forces.

The White Paper draws a distinction between the RAF's role in the hot war and its contribution to the policing operations in Kenya and the Far East but carefully avoids any direct reference to the type of operations that were met in Korea, where the most modern marks of conventional equipment were brought into action. If this kind of operation were to start up again, the RAF could use its Hunter fighters to good effect but the evidence suggests that very few will be sent to the danger centres outside Europe, even though those are the points at which these conventional local wars are most likely to break out. This deliberate limitation on the numbers of modern fighters allotted to the RAF's overseas commands reduces the amount of air cover that can be offered to the ground troops in those areas, and shortage of aircraft suggests that little in the way of close support from ground-attack aircraft is likely either.

There is no question here of waiting for the development of suitable aircraft; the performances required are less exacting than they are for nuclear warfare. But since the aircraft themselves are costly—a Hunter costs about £70,000—and the priority given to this type of operation apparently low, the necessary funds appear to have been withheld. The fighting in Korea drove home the importance of full air cover; the RAF's state of unpreparedness in regions that many consider to be the storm centres of the next few years is almost an open invitation to aggression.

In operations of this kind, numbers count; in aircraft as well as men on the ground. It will soon be as "uneconomic" to use a hot-war fighter for conventional operations as it is

THE ECONOMIST, FEBRUARY 26, 1955

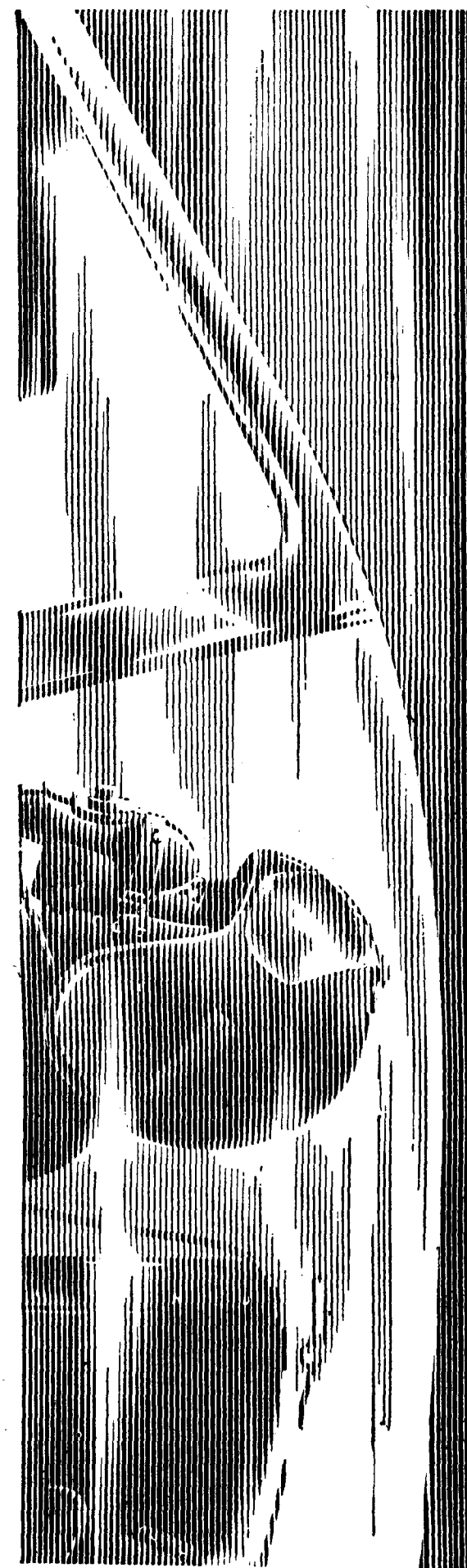
Oxygen brings new ideas to Life

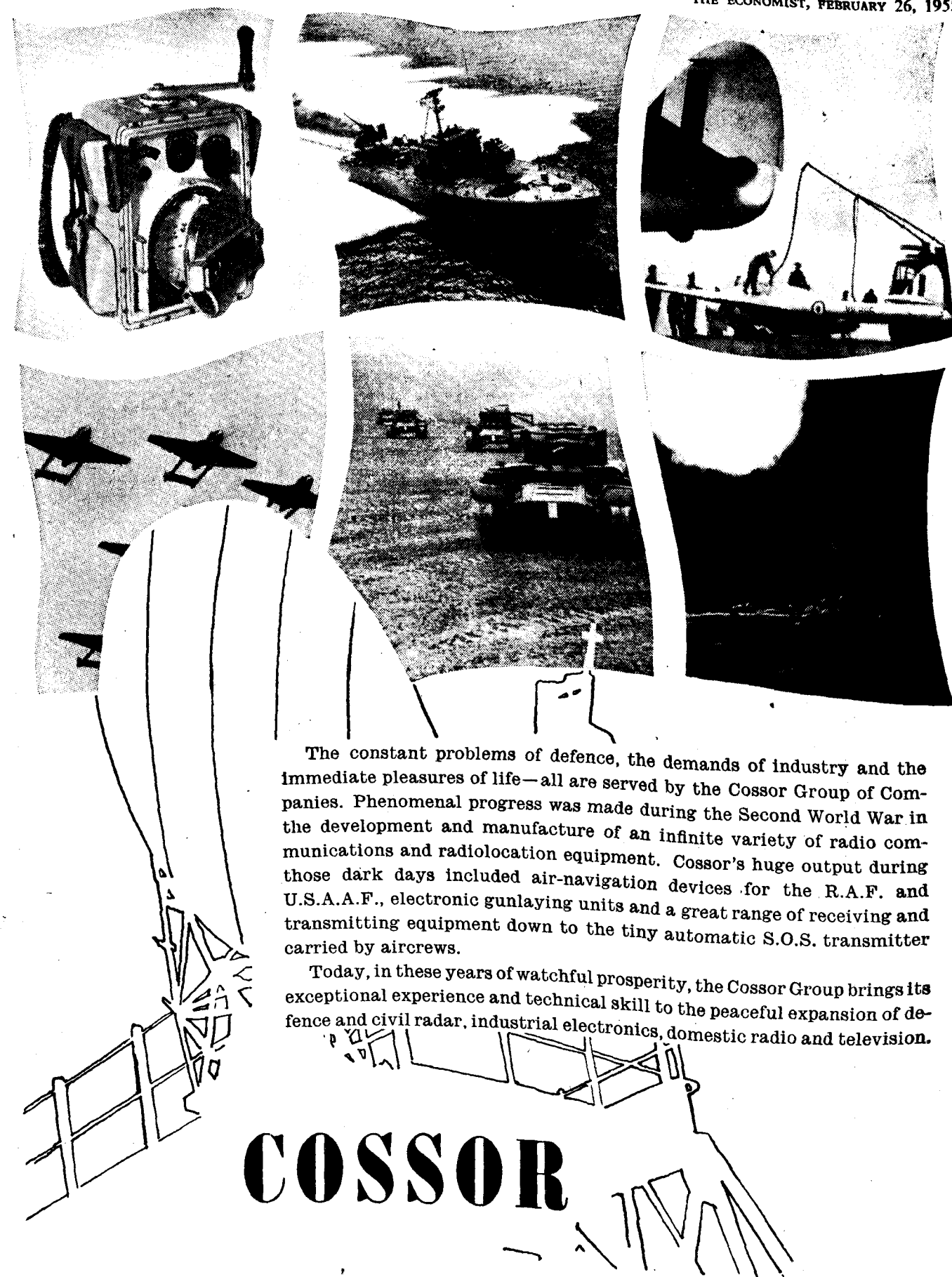
For rocket propulsion, atomic power and nearly every other forward-looking project in the land, the British Oxygen Company supplies gases and helps to promote development.



**BRITISH OXYGEN
COMPANY LIMITED**

BRIDGEWATER HOUSE, ST. JAMES'S, LONDON, S.W.1





The constant problems of defence, the demands of industry and the immediate pleasures of life—all are served by the Cossor Group of Companies. Phenomenal progress was made during the Second World War in the development and manufacture of an infinite variety of radio communications and radiolocation equipment. Cossor's huge output during those dark days included air-navigation devices for the R.A.F. and U.S.A.A.F., electronic gunlaying units and a great range of receiving and transmitting equipment down to the tiny automatic S.O.S. transmitter carried by aircrews.

Today, in these years of watchful prosperity, the Cossor Group brings its exceptional experience and technical skill to the peaceful expansion of defence and civil radar, industrial electronics, domestic radio and television.

COSSOR

THE COSSOR GROUP OF COMPANIES · HIGHBURY GROVE · LONDON · N.5

A. C. COSSOR LIMITED

STERLING CABLE COMPANY LIMITED

BEST PRODUCTS LIMITED

COSSOR (CANADA) LIMITED

COSSOR RADAR LIMITED

BEAM INSTRUMENTS CORPORATION (U.S.A.)

to use an atom bomber. This is, perhaps, the strongest practical case for the adoption of a "light" fighter by the RAF; a cheap, high performance of aircraft of the kind that Nato may be forced to adopt for reasons of economy.

Navy on the Offensive

If it were true, as the White Paper says, that "in a major war, the task of the Navy would be to secure the sea communications without which we cannot for long survive," it would be clear from the order of priorities that when more money is needed for the deterrent, it ought to come from the Navy's vote. But in fact the White Paper shows signs that the newer school of naval thought is gaining ground. For elsewhere a very different doctrine is set forth:

The Navy makes its contribution of heavy carriers to the allied striking fleet whose great mobility and offensive power, to be augmented by guided missiles and by other modern equipment which is under development, will add powerfully to our ability to hit the enemy either independently or in support of allied land forces and land-based forces.

In another place the White Paper observes that experiments have been successfully made to equip carriers to take aircraft carrying the atomic bomb. If it is possible for the Navy to get the RAF to commit the bombs along with the bombers to the fleet carriers, then the Navy will be what naval men think it should be—a first priority, because a part of the deterrent against hot war. For it will provide moving air bases which can retaliate against the enemy from an unforeseen direction through weak points in the defences.

In the cold war, the carrier has the greatest importance. Around the periphery of the Sino-Soviet land-mass, which is where limited wars may be started, the carrier can give to land forces support the RAF will be in no condition to provide. Control of these seas is, in fact, the main counter-balancing force to overwhelming Chinese manpower and growing technical resources. It thus is of great importance in influencing Japan and the East Indian archipelago. While cruisers may be useful along coasts, and for dealing with trouble on colonial seaboard in the traditional "send a cruiser" manner, only the carrier can reach inland with its aircraft. The De Havilland 110 and the Supermarine fighter (which now seems to be classified as the N.113) will have

a fire power equal to anything in the RAF. This is an asset unknown in battleship days, and one to be exploited and weighed against arguments that the high cost of carriers had better be put into the strategic air force.

Apart from the carriers the Navy's long "make-do and mend" with its ships continues. The new generation of ships, which has been promised, is not yet ready. The last three cruisers with guns are now being completed, but otherwise the Navy's modern ships are all small—ships built when the Navy's job was seen as essentially convoying and mine-clearing. It is not an easy decision to divert resources from the nation's traditional insurance against starvation when, as the White Paper says, "The vast conventional forces controlled by the Communist world include a large and growing Navy." But in any hot war it must be presumed that Soviet sea forces could be a nuisance only as long as their supplies held out for an initial sortie; Britain's possession of nuclear weapons would mean that they would have no depots to refit at. The task of dealing with them, and with cold-war naval problems, is one shared with the preponderant American Navy. For this reason, the decision to continue building so many small ships, announced in the Navy estimate this week, indicates the time-lag between strategic thinking and programme planning. The costly decision to refit the battleship *Vanguard* is inexplicable. Its place is in the reserve fleet.

Moreover, when the new generation of missile ships comes along, the situation will improve. It is evident, however, that the missiles are not going to be ready for a long time, and the first experimental ship will only be ready by 1956; in the meantime the Navy's answer to *Sverdlovs* must be carrier-based aircraft—some of which are missile carriers. Other sea-air counter-measures are being worked out to Soviet submarines, themselves designed for a sea situation which is changing out of recognition.

But, as in the other services, much is on paper still, and meanwhile keeping up a sea tradition in obsolete ships is hard. At least the Navy has been given a vital role, by implication if not outright. This should help recruiting; but the problem of making the Navy a career in a world in which there is an easier way of making a living than on shipboard will have to be seriously faced by the Chief of Naval Staff, Admiral Lord Mountbatten.

Total Civil Defence?

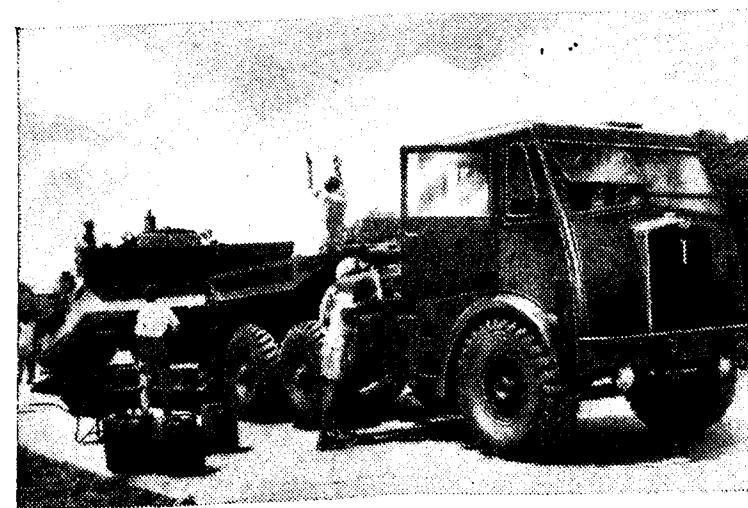
CIVIL Defence should be high on the order of priorities because, without a clear demonstration of plans to survive somehow despite thermo-nuclear devastation, the Soviet will never take really seriously the stated intention to use the H-bomb itself if defined limits are transgressed. For the deterrent to be effective, we must show that we are not unprepared to use it. But the history of Civil Defence has been unhappy—indeed to Soviet eyes it must have seemed a sign of infirmity of purpose, and an indication of a fear to face the facts, which might be turned to account at the right moment. That way lies danger.

There is thus much leeway to be made up. A complete air of unreality has hitherto pervaded the Home Office's efforts, because to the public they looked so absurdly inadequate to the problem. What has never been made brutally clear to the public at large is that the heavy casualties certain among

civilians and Civil Defence units does not obviate the need for the survivors to deal with the situation as they find it, stirrup pumps and all, and to be organised to do so; just as a regiment takes over the front of a decimated regiment in war, fighting with whatever it has got. The White Paper is rather more realistic in its forecasts and plans, but to say "public morale would be most severely tested" is a triumph of understatement. The trouble is that the public still have no real idea what lies behind a statement like "it would be a struggle for survival of the grimmest kind." There is no human precedent; but mix the Lisbon earthquake with the Black Death and the Bengal famine in equal parts and history, though no guide, may give some idea of the steadiness of nerve demanded.

The White Paper admits that it does not yet know the full danger to be expected from "fall-out"—information that

TRANSPORT FOR HEAVY INDUSTRY



THORNYCROFT 'BIG BEN'

Thornycroft "BIG BEN" heavy duty vehicles with the latest Thornycroft 11-33 litre 155 b.h.p. diesel engine are now in full production.

Range includes dump trucks and other types of load carriers, and tractor-trailer combinations for movement of machinery and heavy indivisible loads up to 56,000 lbs. in weight.

The Thornycroft range includes medium and heavy load chassis suitable for Service and Commercial applications up to gross laden weight of 224,000 lbs. or even greater under certain conditions.

JOHN I. THORNYCROFT & CO., LIMITED, THORNYCROFT HOUSE, LONDON, S.W.1, ENGLAND.

may come to hand when the British H-bomb is tested somewhere (where?). Until it does, "it would be unwise to embark on measures which may later prove to be misdirected." But some things are clear enough. It is clear that the whole country would be affected, and liable to damage, the farmer little less than the townsman; and therefore the central rule must be for those who are unfit to help the survivors of demolished areas—cities, towns or countryside. Therefore Civil Defence is everywhere, not just on the edge of towns. It is clear that the problem of law and order would be great, and that martial law would have to be the law of the land for a considerable time. It is clear that in view of the risk that central government might be wiped out (however dispersed) regional commands must be expected to run the country for as long as might be needed. And for that purpose, much more unification of command within regions will be necessary.



* Does not include population outside thirteen main towns.

The Government, in the White Paper, has made some sensible decisions—such as to give all regular, reserve and Territorial Army forces a training in Civil Defence. It seems certain that this will be the major role of the Territorials, though this is not stated—perhaps for fear of undermining morale. It is true that after hydrogen bomb attack a parachute landing cannot be ruled out. The modest expansion of mobile defence to 48 reserve battalions is a sound start—provided they are ready for instant action and trained to move without orders on the noise of an explosion. But there are different organisations for all the Civil Defence services—the Civil Defence Force, the Industrial Civil Defence Service, the Auxiliary Fire Service, the Women's Service and the Hospital Service—and the police. It is clear that these must be brought under some unified command: perhaps a territorial divisional commander with the commanders of each service under him. This would probably be unwelcome to many local government authorities, who are vitally concerned and will have to be driven, if not led, to play their part. The time may be coming for the appointment of a Commander in Chief, Home Defence.

It will not be enough to have a cadre of people trained in Civil Defence, however large. The prospect of bombs that will contaminate in varying degrees areas of 5,000 square miles makes it important that the whole population should have some basic understanding of what to do in emergency. The obvious instrument for such indoctrination is to hand in television. Great political courage would be needed, however, to meet the first opposition to its use.

Thinking about Civil Defence, moreover, seems to go

little beyond the first impact. The struggle for survival would follow, and would succeed in proportion as arrangements had been made beforehand. Heavy losses in stocks and capital equipment cannot be avoided. The problem of dispersed stocks of food, oil and other necessities has not yet been faced, because the cost of providing storage is intimidating. A heavy and successful attack would leave only a skeleton of industrial capacity standing—but even this would have to have stocks to draw on; and strategic stocks are not necessarily rightly located. Plainly Britain could not set up standby plant dispersed all over the country, but some provision for stocks of mobile power and lighting plant, simple machine tools and so forth cannot be waved aside as unthinkable. The White Paper rightly points out that communications must be kept going, and standby facilities are to be built by the Post Office. The major ports are highly vulnerable, and the small-port survey was a necessary task—but the vital capital improvements have yet to be made. These must include offloading into lighters by ships for which no berthing is left.

Hitherto, the allocation for Civil Defence has been heavily underspent, as the result of the apathy or illwill of local authorities. It may be easier to ensure that the civil departments spent the £70 million allotted to them (of which £23 million goes to the Ministry of Food and £13 million to the Post Office). But in terms of any realistic preparations for the aftermath of hydrogen bomb attack, these sums mean little. They leave the country vertibrate and smashable, whereas it must have the survival ability of a worm cut in sections. It is a pity the comparison has to be with lowly forms of life, but hydrogen war would quickly level down elaborate social and technical structures in any case. An H-bomb would not have smashed feudal Britain, whatever other results it produced. The question here is how far a democracy in pursuit of an ever higher, ever gaudier standard of living is prepared to think out the grim realities of a possible total reversal of its fortunes, to cost up the measures logically needed to improve the survivors' chances of rebuilding the nation, and to foot the bill—in hope that the far bigger bill will not have to be paid.



MUST WE BE HEROES?

And fight the Fire Fiend without NU-SWIFT? But why? Even the Royal Navy don't do that. Please send us details of your wonderfully rapid and reliable Fire Extinguishers—BEFORE IT IS TOO LATE!

Name.....

Address.....

Post NOW to Nu-Swift Ltd. 25 Piccadilly W.1.

In Every Ship of the Royal Navy

SUCCESS speaks for itself..



There is only one "TAPER-LOCK"

Complete simplicity makes "Taper-LOCK" the quickest and surest method of pulley mounting. Only genuine "Taper-LOCK" has the patented half holes which make this possible. Send today for leaflet 300/4 with details of Stock drives up to 75 H.P. fitted with "Taper-LOCK"

FENNER pulleys
incorporating
time saving TAPER-LOCK

Give Fastest/Simplest pulley change

and here are NEW TAPER-LOCK developments..



J. H. FENNER & Co Ltd • HULL • ENGLAND

LARGEST MANUFACTURERS OF V-BELT DRIVES IN THE COMMONWEALTH

1883-1955

'ENGLISH ELECTRIC' applies 72 years

of continuous traction experience to the design
and manufacture, *in its own works*, of both electric and
diesel-electric locomotives for the world

76 RAILWAY SYSTEMS SUPPLIED... NINE COMPLETE ELECTRIFICATIONS

The ENGLISH ELECTRIC Company is unique among British manufacturers of electric and diesel-electric locomotives and equipment for railway electrification. It is the only one with facilities for designing and building in its own works both types of locomotive, complete with their power equipment. Thus ENGLISH ELECTRIC is fully equipped to play an important part in implementing the Transport Commission's re-equipment plan.

Since the early days of electric and diesel-electric railway traction, ENGLISH ELECTRIC has been a pioneer. 72 years ago, when the Giant's Causeway Railway in Ireland became the first hydro-electrically powered railway in the world, the equipment was supplied by Siemens Bros., whose Stafford works have long been one of ENGLISH ELECTRIC's most important factories.

In 1899, the Preston works, then owned by Dick, Kerr & Co. and today one of the greatest traction factories in the world, made the electric coaches for the Waterloo & City Railway in London—re-equipped in 1940, after 41 years' service, with ENGLISH ELECTRIC coaches. The same works in 1904 electrified the Liverpool-Southport railway, and in 1912 carried out the world's first high-voltage (3,600 volt) direct current electrification. Since 1936 ENGLISH ELECTRIC has equipped over 1,000 of the electric driving coaches on British Railways' Southern Region—the most intensive electric suburban service in the world.

In diesel-electric traction, the pioneer work begun on diesel engines in 1904 by Willans & Robinson Ltd. at the Com-

pany's Rugby Works laid the foundation for ENGLISH ELECTRIC developments. The first main-line diesel-electric locomotives to enter service in Britain, Australia and New Zealand were all powered by ENGLISH ELECTRIC.

ENGLISH ELECTRIC has long appreciated the world trend towards the efficiency and economy of electric and diesel-electric traction, and has been a vigorous and competitive world-supplier of such equipment, often pioneering new applications.

In this way ENGLISH ELECTRIC has gained wide experience of varied design requirements, and has constantly expanded its production resources. Today, it has facilities for building complete diesel-electric locomotives, up to 2,000 h.p. Such powerful locomotives, as well as diesel-electric trains, railcars and shunting engines, are proving their value on railways in 18 countries.

ENGLISH ELECTRIC experience of electric traction at home and overseas includes the provision of locomotives up to 3,600 h.p. and of electric rolling stock, equipment for power stations and substations, switchgear, fusegear and rectifiers for complete railway electrification schemes.

With its roots in the earliest days of electric and diesel-electric railway traction, and with such wide experience and efficient production resources enabling the Company to carry out a complete job, ENGLISH ELECTRIC is finely placed to play a full part in the renaissance of Britain's railways that is now in sight.

'ENGLISH ELECTRIC'
bringing you better **TRANSPORT**

ENGLISH ELECTRIC HAS BUILT RAIL AND ROAD TRACTION EQUIPMENT FOR MOST OF THE PRINCIPAL COUNTRIES OF THE WORLD, INCLUDING: AMERICA, EGYPTIAN SUDAN, ARGENTINA, AUSTRALIA AND TASMANIA, BRAZIL, CANADA, CEYLON, DENMARK, EGYPT, FRANCE, GOLD COAST, GREAT BRITAIN, HOLLAND, INDIA, JAPAN, MALAYA, MOROCCO, NEW ZEALAND, NIGERIA, POLAND, RHODESIA, RUSSIA, SOUTH AFRICA, SPAIN, SWEDEN, URUGUAY, VENEZUELA.

Electric Traction...

... best meets the needs of systems where power is available at low cost and where the density of traffic justifies the capital investment in fixed installations. The areas and lines recommended by the Transport Commission for earliest electrification are those whose density of passenger traffic, as in the suburban areas, or of freight traffic, as in the main trunk lines, make it particularly desirable.

ENGLISH ELECTRIC has supplied
electric railway equipment to
53 railway systems in 16 countries

Diesel-electric Traction...

... represents the application of the most efficient practicable heat engine to a locomotive; transmission of power to the wheels by electrical means is accepted as the most generally successful. The diesel-electric locomotive has great advantages owing to its full-power output over a wide range of speeds. This makes it particularly suitable for freight and yard work and for many of the main-line passenger and goods services in this country.

ENGLISH ELECTRIC has supplied
diesel-electric railway equipment to
29 railway systems in 18 countries

The English Electric Company Limited
Queens House, Kingsway, London, W.C.2

THE BUSINESS WORLD

The Bank's Big Stick

THE sixth sense of stock markets seems to have worked after all, if a little belatedly. In the seven business days to the close of dealings on Tuesday last, industrial equities took their worst tumble since the dark days of 1951-52, carrying the ordinary share index of the *Financial Times* down by over 17 points or 9 per cent. One of the major causes of this dramatic break in the boom was a growing conviction that, since the end-January increase in Bank rate had so obviously failed in its purpose, tougher measures would be needed and would in fact be applied. In the event, the new plan—made known by the Bank of England on Thursday morning and by the Chancellor in Parliament in the afternoon—proves to be even tougher and more far-reaching than the market had expected. Bank rate has been raised by a further 1 per cent, to 4½ per cent, its highest level since the crisis of 1931. The Exchange Equalisation Account is for the first time to take cognisance of the dealings in transferable sterling at unofficial rates, and has begun to intervene in the markets in support of those rates. And legal and financial controls are to be reimposed upon hire purchase.

It is easy to see why stronger corrective measures were needed and also why they took this particular form—though that is not to say that it is the best form. The extent of the pressures that led to the warning increase in Bank rate by ½ per cent at end-January has since become much more apparent. In these few weeks, as *The Economist* pointed out in its opening article last week, it has been realised that the surplus on the external balance of payments, which looked so substantial in the first half of last year, has now disappeared. Yet Britain faces this year a further external strain from the worsening of the terms of trade and from

the lag of exports behind rising imports that will continue unless the voracious demands of the domestic economy can be curbed. It had been hoped at first that the warning signal of four weeks ago might have been sufficient to induce a little restraint. But it did nothing to relieve the pressure upon sterling, nor was there any sign either in stock markets or in the economy in general that the mood of over-confidence had been shaken in the slightest degree. The boom in equities and in consumption spending, aided by hire purchase, went merrily on. Moreover, the strains upon the gold reserves were being aggravated by the fact that the rate for transferable sterling had been forced sharply below the quotation in the official London market, so that "shunting" operations had begun to take a serious toll.

There seemed to many people to be only two ways by which the problem in the exchange market could be tackled—by plucking up courage and making non-resident sterling formally convertible, so that the differential rate disappeared, or by lame attempts to make the paradoxical system work by new controls upon the exchanges and upon the newly-freed commodity markets. To its credit, the Government seems to have rejected this second course, and to have found instead a rather ingenious compromise that lies much nearer to the first alternative than to the second. Ever since the widening of the market for transferable sterling and the reopening of commodity markets, virtually all non-resident sterling had become convertible in practice—but at a discount and in the unofficial market. Now the authorities, by deciding to intervene in support of the

transferable rate, are in effect reinforcing this convertibility. They are evidently aiming at keeping the discount within such narrow limits as will ensure that it does little if any damage. By this means they may hope to squeeze the speculators in this market and thereby bring it more readily under control.

But if the transferable market was to be thus supported, the authorities dared not run the risk that it would become a larger and more direct drain upon the gold and dollar reserves. The basic prescription required for achieving a due equilibrium in the exchange market was, and must always be, precisely the same as that required for keeping the domestic economy from putting excessive pressure upon the balance of payments. The indispensable requirement is a check to over-confidence and due restraint upon the level of domestic demand. That is the task of domestic monetary policy, and the authorities seem determined at last to use their monetary weapons forthrightly.

★

The weakness of the Bank rate move of end-January was not simply that it was by $\frac{1}{2}$ per cent only, but that it was not supported in the orthodox way by intervention by the Bank of England in the market. Not until last Saturday did the Bank make any decisive move in this direction. Then, and for the following three business days, it kept the money market on so taut a rein that it was obliged to seek seven-day loans at Bank rate—for steadily increasing amounts. These firmer tactics would have enforced a sharp rise in Treasury bill rates at yesterday's tender even in the absence of a further increase in Bank rate, and they might in the end have had some effects upon the psychology of the markets and the banks.

Especially in view of these preliminary tactics, Thursday's rise in Bank rate by a full 1 per cent came as a severe jolt to a market already bewildered and yet already impressed by the fact that the Bank was no longer viewing Bank rate in isolation, but was prepared to intervene in support of it. Its effects should therefore be the more salutary—for $4\frac{1}{2}$ per cent is a strong

rate by any standards and if it is to be backed up by "open market" action it will undoubtedly be a very potent force. The clearing banks have duly responded by raising their maximum deposit allowances and their minimum charge for short loans to the money market by a full 1 per cent, so that on seven-day deposits they are now allowing $2\frac{1}{2}$ per cent, and the minimum rate for short loans to the money market is $2\frac{3}{4}$ per cent—with higher rates to be charged for a portion of the basic money supply and for overnight loans as market conditions dictate. Charges for bank advances will become higher than they have been for many years, ranging from 5 per cent for a select band of exceptionally strong borrowers to beyond 6 per cent. On the security markets, Bank rate has fallen with heavy weight. The *Financial Times* indices of fixed interest and government securities fell by about three points on Thursday. The ordinary share index dropped like a plummet by seven points, from 184.0 to 177.0.

In the circumstances it is the more regrettable that the authorities should have taken a backward step by deciding to reimpose controls over hire purchase, neglecting the argument that excessive demands generated by hire purchase (there is no tenable evidence that they have become excessive in relation to spending as a whole) correct themselves through the mechanism of the market. Instead they have imposed new controls on hire purchase terms for cars, radio and television, furniture and a wide range of other consumer goods. These are of the familiar kind discarded last year, and impose a 15 per cent down-payment on all goods covered by the order, with repayment in two years, except for washing machines, cookers and water heaters which can run for four years. These restrictions are more lenient than the old ones, but they include furniture which was not under control last summer. Moreover, the Government propose to take permanent powers for these purposes, and meanwhile the Capital Issues Committee and the banks are to adopt "a more restrictive attitude" towards hire purchase finance. It is a pity that in this field the Government is not prepared to let economic forces do their work, but has imposed a new list of restraints of the old type.

GILT-EDGED NET PRICES

	Trough June 30, 1952	Peak Nov. 18, 1954	Jan. 26, 1955	Jan. 28, 1955	Feb. 23, 1955	Feb. 24, 1955
N.W.B.'s 2½% '54-56	95½	100½	100½	100½	99½	99
Sav. Bds. 3% '55-65	86½	99½	99½	99½	97½	95½
do. 3% '65-75	77½	95½	91½	91	89½	85½
Br. Elec. 3% '74-77	77½	95½	91	90½	88½	85½
Trans. 3% '78-88	73	90½	86½	86½	83½	80
Br. Gas 3% '90-95	72½	90½	86½	86½	83½	79½
War L'n. 3½%	72½	90½	86½	85½	83½	79½
Treasury 2½%	55½	68½	64½	64½	62½	59½
Consols 2½%	55½	68½	64½	64½	63½	59½
Fin. Times Fixed Int.	101.07	118.10	114.39	114.28	110.25	107.61
Fin. Times Govt.	90.41	106.34	102.21	102.02	99.70	96.47

EQUITY GROSS PRICES*

	Trough June 30, 1952	Jan. 26, 1955	Jan. 28, 1955	Peak Feb. 3, 1955	Feb. 23, 1955	Feb. 24, 1955
Imp. Tobacco (£1) ..	50/3½	45/-	58/-	61/6	61/-	60/-
ICI (£1) ..	21/6	45/-	44/9	44/9	40/3	39/6
Unilever ..	33/6	78/-	78/-	78/6	72/-	71/3
Courtaulds (£1) ..	16/10½	42/-	41/6	42/3	37/3	36/9
Turner & New. (£1) ..	39/9	111/3	112/6	114/6	101/3	98/1½
Vickers (£1) ..	20/4½	41/9	42/6	43/9	37/9	37/9
GUS (5/-) ..	4/3	60/-	59/6	60/9	54/-	48/9
Marks & Sp. (A.) 5/- ..	34/6	73/-	72/3	72/9	64/-	59/1½
Br. Petroleum (£1) ..	21/9	83/9	84/4½	85/-	72/6	70/6
P & O (£1) ..	22/3	70/6	70/6	72/6	63/-	60/-
Fin. Times Ordinary	105.5	192.8	194.2	197.5	184.0	177.0

* Adjusted for free scrip issues.

What Price Oil?

A GREAT deal of excitement has been worked up about the report that the Economic Commission for Europe has been preparing on the price of oil in Western Europe. There have been headlines about "suppression"; and, indeed, it seems to be true that one or two of the American oil companies that are concerned in the European market have put to the Secretary of the United Nations the kind of interlocutories that a report of this kind usually attracts. Perusal of the draft report does not suggest much ground for complaint and certainly no justification for seeking to gag a report that seems to be a workmanlike and not unsympathetic study of the problems and strains in oil pricing.

Some part of the ground of the ECE report had been covered more than two years before by a staff report of the Federal Trade Commission in Washington. That was frankly a pejorative report, intended as an indictment of what it described as "the International Petroleum Cartel," and it formed the ground work for criminal proceedings in Washington against the major international groups. But it did contain a chapter, of great complication but of rather lower temperature, on price determination in the international petroleum industry, which analysed in detail the use by the oil industry of basing-point systems for crude oil and refined petroleum products.

"The existing price structure," concluded this chapter, "is still highly profitable to the small number of major international oil companies that dominate world production. . . . American companies operating in the Middle East have made substantial net profits on their combined producing, refining and marketing operations . . . under a system of pricing that

(1) bases delivered prices throughout the world on the relatively high United States costs, notwithstanding the fact that this country had become a net importer of petroleum;

(2) uses schedules of uniform freight charges that may not have any real relationship to transportation costs actually incurred, especially by the major companies that own or control the bulk of the world's tanker facilities;

(3) is supported and maintained by effort on the part of the major international companies to adjust production to world demand. Joint ownership and private agreements in foreign countries and the conservation movement in the United States all facilitate these efforts."

None of these contentions necessarily damned the oil industry. The industry's critics fasten on several facts: high profits, though these are not necessarily a relevant test of wrong-doing; bigness and integrated operation from getting crude oil through the shipping, refining

and marketing of the final products, though these are inherent in the technology of the industry and the economic risks it shoulders; a certain care that the world should not be glutted with oil, though it is kept well provided. If this situation seems to some outsiders to be non-competitive, or to argue the existence of a cartel, or to exploit the consumer (who in Western Europe's markets does not fail to notice that when one of the major companies turns, they all turn), that is not exactly the picture as it presents itself to the companies themselves. They see themselves in a struggle for markets, partners perhaps in some operations in the Middle East, and almost bitter enemies in markets elsewhere. They see themselves, too, as carrying responsibilities towards their host governments in the Middle East, to whom a fifty per cent interest in "profits," however defined, bears the implication that "profits" are expected to rise.

This is the background to the study that ECE have been carrying out. No one has ever pretended that these are perfect competitive arrangements; there are few such arrangements in any of the industries serving Western Europe, and neither are they to be found everywhere in American industry. The oil industry would be relieved in many ways if some other pricing mechanism could be evolved that would spare them from the charge that the present system keeps the prices of Middle East oil higher than they should be in relation to the low cost at which it is produced. ECE's study is relevant largely because Western Europe has come to depend almost exclusively on imports of Middle East crude which it refines for itself. These countries imported 80½ million tons of crude in 1953, compared with 11 million tons in 1937; of those 11 million tons, less than 4½ million came from the Middle East, but by 1952, imports of Middle East crude into Western Europe had reached 65 million tons.

The essence of the argument, therefore, is whether prices have reflected such a major change in the structure of the industry and the sources of its supplies. If Europe is no longer tied physically to western hemisphere oil, where is the logic of maintaining a price mechanism that is bound to western hemisphere markets (which, within their limits, are genuine markets) rather than to the costs of getting, carrying and refining Middle East crude? Throughout its history, as the ECE report points out, the f.o.b. price of Middle East crude oil has been closely linked, though in a way which has changed with time, to that of crude oil in the United States. The doctrine has been that there is a homogeneous market for oil, and that a single structure of prices should conform to the conditions of demand and supply at any given time. But since transport costs are heavy, there will be a frontier or watershed of competition between two pro-

ducing centres, corresponding to the freight costs, and these freight differentials will determine the f.o.b. price (or "netback") that Middle East crude can fetch in individual markets. The given datum in this calculation is the delivered price of Texas Gulf crude; it is from that datum that Middle East prices are inferred, on the assumption of "a unified and normally competitive world market."

The result, as the ECE report makes clear, is that large and persistent disparities have come to exist between the costs and profit margins of the oil industries in the United States and in other crude oil producing centres. The report examines in some detail the trends of productivity and costs. Bahrain crude is said to have cost 10 cents a barrel in 1945, whereas average costs in the United States in 1941 were 76 cents a barrel. Or, taking Aramco's payments under its agreement with Saudi Arabia in 1952 at \$212 million, "net profits must have been in the neighbourhood of \$425 million, on a total production in that year of 300 million barrels. In other words, with crude oil selling at \$1.75 per barrel, a net profit in the neighbourhood of \$1.40 per barrel was being earned."

★

All this may be true, but ECE go on to recognise that, in conditions of effective competition, a small surplus of supplies would drive the price of oil to very low levels. "Crude oil is, in fact, an important example of the well-known theorem that industries enjoying increasing returns will, if composed of a large number of autonomous producers, operate at a loss." And hence the producers have been driven towards a pricing system and output programmes that are not determined exclusively by relative costs. In the United States, "conservation" and "pro-rating" have been developed, and the doctrine that imported oil should "supplement but not supplant" domestic oil is buttressed by the tariff of 10½ cents a barrel of crude, and much more on refined products. Hence the report's broad conclusion on the price of Middle East crude:

So long as the eastern hemisphere was dependent on the western for supplies of crude oil, consumers in the eastern hemisphere would expect to exercise little weight in determining the price which they paid, and this would depend on the price in the United States. . . . Now, the eastern hemisphere is self sufficient in crude oil and, indeed, is exporting to the United States. Given, moreover, the narrow limits assigned to this flow, it is clear that the continued dependence of Middle East prices on United States prices cannot be explained in terms of underlying conditions of supply and demand. . . . If this link were severed, the price charged on sales to European countries by the Middle East could be significantly lowered without adverse effects on the further development of its crude oil production.

Next, ECE turn their attention to the prices of refined products in Western Europe. They find that these prices tend to be equal to the price at which refined

products could be delivered from the Caribbean (except in the Eastern Mediterranean, which is linked to the Persian Gulf). There are no published ex-refinery prices, and there is always room for argument about the "right" cost of transport, but in bunker oil and gasoline, the ECE study finds, there has been a fair degree of correspondence with import parities. This means that prices depend on geography rather than domestic refinery costs, and also on a pattern of American refining practice (with its emphasis on gasoline) which is quite different from the European pattern (with its emphasis on fuel oils).

★

"It is evident," concludes the last section of the ECE report, "that the present structure of (refined) product prices in Western Europe is inherently weak because of the incentive which it gives to refiners to move towards a pattern of output sharply different from the pattern of demand." It is doubtful, perhaps, whether the oil industry in this country, faced with an extraordinary demand for fuel oil, would be conscious of any incentive other than the task and responsibility of meeting it. But be that as it may. ECE's conclusion is still a challenge to an industry that is trying to find right and respectable answers to its economic problems:

A more rational and tenable structure of product prices in Western Europe would need to be consistent with two objectives. One is to establish a pattern of relative prices for the different products which will make most attractive commercially their production in proportions appropriate to the pattern of demand in Western Europe. . . . The second is to ensure that the pricing practices adopted are such that efficient non-integrated refiners, who cannot subsidise refining out of profits made in crude oil production, transport or distribution, can compete on equal terms with the integrated companies.

A free opportunity in refining, and price arrangements that effectively represent the interests of consumers as well as producers—these are the conclusions. They are unexceptionable; the only question is whether, and how, they will make much difference. So much of a major oil group's operations must lie beyond any rational price calculus, for integration means that it must do most things for itself and can pre-determine, within a fairly wide range of decision, what its costs should be at each stage of its operations. "Alone and unaided," says the ECE report in its conclusion, "the oil industry may find it impossible to evolve a more rational price structure or pricing mechanism." The American anti-trust laws could easily get in the way of agreement between the companies, and without agreement the final results—in terms of depressed prices, dismay and anger in the Middle East, and delay to the progress and economic benefit that oil has conferred on Western Europe—could be deplorable. There is much that is not diabolical in the present price arrangements, and they are at least the Devil that everyone knows.

Business Notes

A Bombshell Not Unwelcome

THE market was, needless to say, taken completely by surprise. A Bank rate rise of ½ per cent had been if not foreseen at least provided against; the jobbers had price lists worked out for that contingency, but nothing had been prepared for a 1 per cent rise. Obviously, a heavy further reduction in gilt-edged prices was needed, and it took place. War Loan closed 4 points lower at 80½. Other gilt-edged stocks moved in proportion. A similar downward adjustment was made in industrials. Great Universal Stores "A," which opened at 51s. 3d. closed at 46s. Peninsular and Oriental started at 63s. and closed at 58s.; ICI opened at 41s. 3d. and closed at 39s. 9d. A few gold shares rose against the trend.

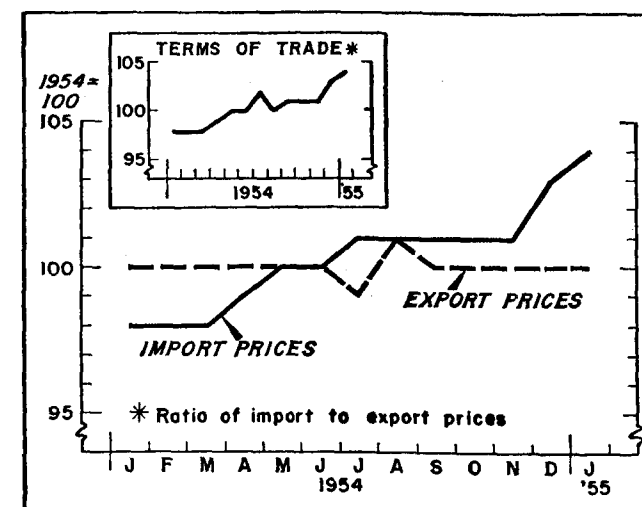
The markets closed with half the story—perhaps barely half—unfolded. The Chancellor had not then spoken, and dealers knew nothing either of the revival of the hire purchase controls or of the extension of the activities of the Exchange Equalisation Account. But City people know that their first reaction must be provisional. Since more had been done to tighten money policy than anyone expected, it was permissible to hope that more than the strict minimum had been done. Therefore Thursday's prices contained an element of bear closing. But in the gilt-edged market no one pretended that he had taken the measure of the new situation. The Government broker seemed unwilling to deal before Monday, which gives the dust time to settle. Prices closed uncertainly at about the lowest of the day.

New situation it certainly is, and there remain many parts of the picture still to be painted in. It seems certain that day-to-day money will be established at 2½ per cent, and that the bank deposit rate will be 2½ per cent. Three months' bills were nominally 3½ per cent after the announcement; and jobbers may have to pay at least 3½ per cent for loans against gilt-edged. Those rates may not be the last word, but even if they are approximately right, many other rates will have to fall into line. No one will suppose that the Public Works Loan Board can continue to hold its long-term lending rate at 3½. Can the building societies stay at 4½ per cent for mortgages and 2½ per cent net on shares? The Building Societies Association has issued a statement that no immediate change is expected, but it remains to be seen how far investors will continue to provide the wider funds. It now looks more than ever quixotic for the Halifax Building Society to stick to a 4 per cent lending rate. The short-dated gilt-edged market can perhaps now hope slowly to attract some of the money that has been going on deposit to hire purchase finance houses. But the immediate reaction of investors must obviously be to demand a higher return on the money. By the afternoon some institutions had already told their brokers to do so.

Trade on a Slippery Slope

THE provisional figures of overseas trade in January, which were summarised in *The Economist* of last week, confirmed that British trade has recently fallen back on to a familiar and slippery slope. The terms of trade are moving against this country, and imports are rising while exports are marking time. The details now available appear to add another touch of gloom. They show that the ratio of import to export prices deteriorated by a further point last month to 104 (1954=100), and that the visible trade deficit has grown most sharply with the dollar area. The increase in imports between October and January, compared with the same period a year ago, came entirely from the non-sterling—particularly the dollar—area. Thanks to larger arrivals of cereals, tobacco and raw materials, imports from the dollar area rose by 28 per cent to a monthly average of £63½ million, and the trade deficit with that area was nearly twice as high at £30 million a month, and nearly half the whole deficit of £63 million a month. Trade with the OEEC area moved from balance to a deficit of £7 million a month and the deficit with the rest of the non-sterling area, at £12 million a month, was a little higher than in October/January a year ago. The deficit with the sterling area rose too—by £3 million to £14 million a month.

Yet that picture of British trade conceals a few rays of



hope. The fall in exports to dollar and other non-sterling non-OEEC countries has been checked in the last four months; shipments to the dollar area in October/January, at £32.6 million a month, were higher than a year ago, and shipments to the other countries, at £23½ million a month, were about the same as a year ago. Exports to the OEEC countries continued to rise, and the monthly average of £61.2 million in October/January was £1½ million higher

than a year ago. The fall in exports to the sterling area, which at £111.4 million a month in October/January were £3 million a month lower than a year ago, may be attributable mainly to the dock strike. And it is worth remembering that while an adverse movement in the terms of trade places Britain's balance of payments under immediate strain, it bolsters the purchasing power of Britain's customers. Britain will not benefit by that if its prices become uncompetitive, however. The danger has been that the pressure of home demand will inflate British costs and suck resources of exports; it is this that explains Thursday's radical actions to correct the recent trend of trade and payments.

Clean Ticket for London Transport

LONDON has one of the best passenger transport systems in the world and it is served by a body of workers of all grades who have a fine tradition of loyalty and public service. It is a matter for serious regret and concern that the Transport and General Workers' Union, which represents a large proportion of the staff of London Transport, was unwilling to assist, either in writing or orally, the Chambers Committee which since July, 1953, has been conducting its inquiries into London Transport's efficiency. Any layman or London passenger would conclude that efficiency and economy are closely linked with attitudes and practices of labour. If it is a fine body of men that London Transport employ, it is a great pity that they were not as vocal on questions of efficiency as they are, with seasonal regularity, when their schedules change.

The report finds that London Transport is efficiently conducted, but that it would show a marked improvement in efficiency if the Committee's recommendations were followed. Some of these are external—staggering of working hours and the alleviation of traffic congestion—and it is from these, apparently, that the major advances are to be hoped for. Surprisingly little is necessary within London Transport itself, as it seems. There are some ambiguities in London Transport's policy about unremunerative services, but its decisions in practice are "reasonable." The fare system is basically right; any increase in the number of standing bus passengers in rush hours is "undesirable"; there might be an experiment in "standee" buses on certain special routes; there should be improvements in interchange points (Victoria is mentioned, but Euston and King's Cross are almost as hideous in their lack of convenience); maintenance costs are too high, though they are being improved.

The broad impression of the report is that London requires a large standardised system, run in a completely standardised way. It may be true, though the dangers that standardisation will inhibit technical and economic adventure are only too obvious. But the missing element throughout the report is the management's handling of staff. "These agreements (between London Transport and the unions) have a long history and we suggest that they should be re-examined in consultation with the trade unions with the object of eliminating or modifying those conditions which appear to militate against the efficient operation of the undertaking." It is not, one might guess, an inviting proposition to London Transport, whose attitude is more likely to favour leaving what is (whether well or ill) alone.

THE ECONOMIST, FEBRUARY 26, 1955 Size of the Budget

IT is now clear that the above-line expenditure that the Chancellor will have to provide for in his coming budget will be shown in the accounts at approximately the same amount as was originally estimated for the year now ending, but will in fact be about the same as the amount actually spent in 1954-55, or even a little more. Total "supply" expenditure by civil departments, including the requirements of the tax collecting departments, is estimated at £2,364 million for 1955-56, after excluding the £147.5 million of expenditure by the Ministry of Supply that is included in the defence budget. The corresponding estimate made at this time last year was £2,281 million, but the estimate then included for the Ministry of Food made no allowance for the effects of the 1954 review of farm prices, from which net savings of £27.3 million were later estimated. A proper comparison therefore shows an increase of £36.5 million in the estimates for the coming year. Defence expenditure, before taking credit for American aid, is estimated at £1,537 million, compared with £1,640 million twelve months ago, but this apparent saving is mainly, and perhaps fully, a reflection of the fact that in the current year defence spending has lagged heavily behind the estimates. After bringing in £43 million of estimated "counterpart" credits from American aid (compared with £85 million estimated for 1954-55), the net defence expenditure is estimated at £1,494 million compared with £1,555 million last year. Total "supply" expenditure as shown in the budget accounts will therefore be £3,858 million, compared with £3,882 million last year (or £3,855 million after the adjustment noted above).

ESTIMATED EXPENDITURE, 1954-56 Original Estimates (£ mn.)		
	1954-55	1955-56
Total Supply Services:—		
Admiralty	367.0	347.0
War Office	561.0	484.0
Air Ministry	537.0	540.4
Ministry of Supply	151.0	147.5
" " Defence	23.9	18.3
Gross Defence expenditure	1,639.9	1,537.2
Less Counterpart aid	85.4	43.0
Net defence expenditure	1,554.5	1,494.2
Civil expenditure	2,253.6*	2,315.3
Tax collection	46.9	49.0
Total Supply Expenditure.....	3,855.0	3,858.5
Consolidated Fund Services	667.0	667.0†
Total Ordinary Expenditure.....	4,522.0	4,525.5

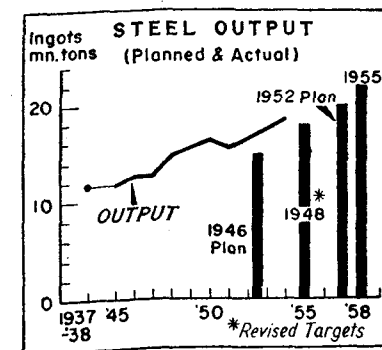
* Original estimates adjusted for effects of 1954 farm prices review.
† Hypothetical; official estimates not revealed until Budget day.

The estimates for the remainder of the "above-line" expenditure, that on Consolidated Fund Services, will not be known until budget day, but on the arbitrary assumption that it will be approximately the same as last year (though the steep increase in Bank rate will increase the cost of the debt service), the "above-line" budget total will be roughly £4,525 million, compared with £4,549 million first estimated last year but adjusted to £4,522 million in the budget accounts.

Steel Raises its Sights

WITHOUT making any radical changes to the plan prepared by its predecessor, the Iron and Steel Board has raised the sights of the steel industry from the revised target of 21 million tons of crude steel in 1957-8 to 22 million tons in 1958. Assuming almost no imports in 1958 and some supplies of old steel for re-processing, this would allow exports of crude steel to remain at about three million tons and home consumption to rise from 16½ million tons achieved last year to 19½ million tons. It is always difficult for the steel industry to guess its future business; its customers' own estimates of their markets can and do change fairly rapidly. The Board now expects steel consumption to rise by 4½ per cent a year between 1953 and 1958; which implies an annual growth of 5 per cent in the output of the metal-using industries. That forecast may be ambitious. Last year steel consumption rose by 3½ per cent; since the war it has grown by about 3½ per cent a year, and before 1939 it averaged 2½ per cent. But as all previous postwar assumptions have had to be revised upwards, the Board is probably wise to err on the side of optimism.

Capital investment at home, which now absorbs about 10 million tons of steel a year, is expected to rise by 5 per cent a year; the consumption of the metal goods industries supplying the home consumer to rise by nearly 10 per cent a year; and exports of metal goods to rise by 4 or 5 per cent, despite increasing competition in world markets. If still more steel is needed in 1958, the Board believes it should be possible to squeeze more out of the plants that will then be working, and the cautious assumption about imports also gives some flexibility. But pig-iron and scrap supplies may become exceedingly tight by then. Nearly all the extra ore needed for the planned increase of 35 per cent in blast furnace output will be imported. This will press heavily upon the extraction rate in Scandinavia, North and West Africa and Labrador, as well as upon shipping and port facilities. It will also require another three million tons of coke, after allowing for a further improvement in furnace efficiency, and the ovens now being built will have to use more lower-grade coking coal. Indeed, the availability of coke and de-sulphurised fuel oil after 1958—little increase is seen in the use of fuel oil up to then—will soon need serious attention.



Finding the Brass

SO far the steel industry has spent a little over £100 million on the present development programme. Future expenditure is not expected to be less than £60-70 million a year, so that with the schemes still to be approved, rather

more than £250 million will be spent in the next four years, making a total of over £350 million during the six years ending in 1958. Steel companies will be familiar faces in the new issue market, though the Realisation Agency is an additional source of finance for the companies it still owns and for some others in which it retains an obligation. Much of the future financial needs of the industry, however, must once more be provided by the Finance Corporation for Industry—as that body has always recognised. The details of development published by the board, showing which companies are increasing their capacity and by roughly how much, are required reading for present and potential investors in the industry.

DELIVERIES FROM HOME OUTPUT
(‘000 tons)

	1953 Actual	1954 Estimated	1958 Potential
Plate	2,448	2,458	2,700
Sheet	1,790	2,029	2,650
Tinplate	775	868	1,450
Heavy Sections and Rails	2,848	2,991	3,500
Light Rolled Products	4,449	4,545	5,350
Wire Rod	828	1,033	1,200
Tubes	1,102	1,104	1,500
Other	1,179	1,147	1,300
Gross Deliveries	15,419	16,175	19,650
Less Conversion to other finished steel	2,134	2,145	2,550
Net Deliveries	13,285	14,030	17,100

Very little of the new money will be spent upon melting shops, which received priority in the first postwar programme. Emphasis is now placed upon primary processes and on finishing plant. By 1958 it should be possible to roll the equivalent of 2½ million ingot tons, a million tons more than the mills expect to handle. This will give some flexibility between different steel products, but it may still be questioned whether finishing capacity for wide flat products is being increased enough. Improvements or additions at Ebbw Vale, Margam, Shotton, and the new tinplate plant at Velindre, will raise sheet capacity by 50 per cent by 1958, and that of tinplate by 85 per cent, but to achieve this the Board now intend to keep the high-cost sheet and tinplate handmills in South Wales operating at their present levels. A decision whether to erect another continuous strip mill may not therefore be very far off. But first the industry will want to discover the real capacity of its present mills; these are still eating up all the steel that is fed into them and their appetite is still unsatisfied.

COMMODITY REPORTS

Special and regular reports on the supply and demand position and on the price and market prospects for most commodities can be prepared for individual clients by our Commodities Department. Scope, length, frequency and cost are determined by clients' needs.

Further information from:

The Economist Intelligence Unit
22 Ryder Street, London, S.W.1.
WHitehall 1511, Extension 147.

A Giant Spreads Out

IMPERIAL TOBACCO £1 Ordinary stock units are nearly always good for the aged and the orphans. They are seldom of much interest to the young and active who like to see firework displays among their investments. The latest year ended October 31st, with its rise in profits and its one per cent increase to 21 per cent in the total dividend, was an exception. How should investors now view this unexpected stirring by the elderly giant whose annual turnover (including tobacco duty) exceeds £600 million at wholesale prices and £850 million at retail prices and whose share of the British cigarette and tobacco trade well exceeds three quarters? The full accounts and Sir Robert Sinclair's statement that accompanies them give some useful clues.

First the giant has been putting on some middle-age spread—spread into its neighbours' sitting space. All the company's brands came off allocation during last month; during the preceding year the company had been gradually approaching full satisfaction of its customers' requirements. In consequence Sir Robert is able to tell the shareholders that the increase in the parent company's turnover was slightly greater than the 2 per cent increase in trading profit. Since there is no reason for thinking that the tobacco trade's expansion was as a whole as good as that, it follows that Imperial Tobacco's share of the trade has certainly not shrunk and has probably gained a little. Secondly, though Sir Robert is a most cautious prophet, he is prepared to

On Oct. 31. (£'000)	Parent Company		Group	
	1953	1954	1953	1954
Net fixed assets.....	13,671	14,504	20,610	21,487
Investments	12,473	12,450	12,473	12,450
Stocks	117,429	125,946	123,027	131,255
Debtors	52,724	56,215	54,959	58,448
Cash	143	106	257	269
Bank overdrafts, etc.....	31,651	32,794	31,869	33,093
Loan Capital	40,000	45,928	40,000	45,928
Revenue Reserves	29,958	32,750	35,936	39,731
Ordinary capital.....	60,101	60,101	60,101	60,101

say that this year's trading results should not be less favourable than last. He bases that conclusion on the fact that the basis of the company's trade is being broadened and strengthened. He expects turnover for the current year to be higher, partly offsetting the rise in costs. He fears, however, price increases in some brands of pipe tobacco may be inevitable. This seems to suggest that the aggregate profit should be well maintained, though the profit per lb may be lower.

Many imponderables remain, not least of them the uncertainty about tobacco stocks. Stocks and debtors together (and debtors are only stocks held by the trade instead of by the manufacturer) are up by £11.7 million and Sir Robert implies that they have risen further since the end of the financial year. That increase in part reflects a better stock of leaf thanks to the more liberal buying policy allowed in the last American crop season. The extra buying was based on borrowed dollars; it is hoped that in the end

THE ECONOMIST, FEBRUARY 26, 1955

the tobacco may be paid for in sterling under the American Agricultural Trade development programme. If not, those dollars will have to come from this year's allocation. But as a whole the group seems to be gaining at least as much strength as its chairman publicly admits. The brands are popular and at last free from restriction; the subsidiaries representing the non-tobacco activities are gaining strength; among the trade investments much the most important is the holding of not less than a third of the capital of British American Tobacco Company, an investment that is now paying increasing dividends.

Verdict on the Swift

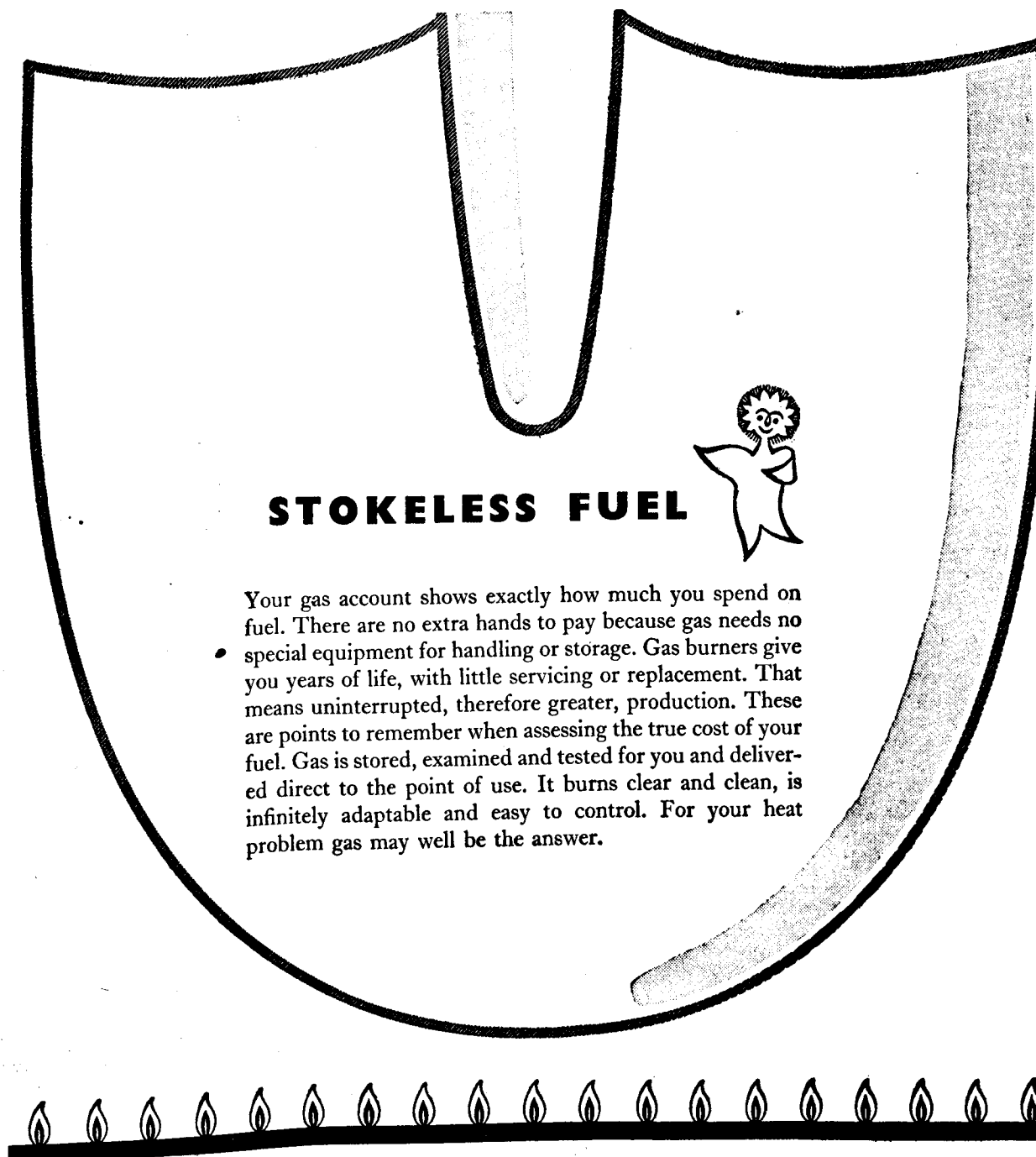
THERE are two disturbing features about this week's decision to write off the Supermarine Swift as a front-line fighter. The first is that it places the whole burden of the country's day defences on the Hawker Hunter, and it is never a satisfactory procedure to use only one type of aircraft for this purpose. The Swift and the Hunter should have complemented each other; the withdrawal of the Swifts leaves gaps in the air defence strategy. The existence of two roughly contemporary front-line fighters is an insurance also against one or other running into technical troubles during the evolution of later marks.

Too much time has now been lost to develop a new alternative, say the Folland Gnat, for in two years' time, when such a fighter would be coming into service, the process of replacing the cannon-armed fighter with one carrying missiles will already have begun. This does not mean that a missile-carrying Gnat is not possible, given some redesign. But there is a second point. The history of the Swift and the Hunter demonstrates how difficult it is to judge the capabilities of an aircraft during its early development. Up to 18 months ago, the Swift was considered far the better of the two aircraft. To-day, economy is bringing considerable pressure on the Chiefs of Staff to sponsor one aircraft only in each category; the hazards of an early choice are now plain—and the cost of a wrong decision. It may be necessary to plan for an "insurance" policy of development with one ambitious and one more conventional but less problematic design under construction at any one time.

Research into Speed

THE White Paper on aircraft production issued jointly by the Ministries of Supply and Defence last week, attributed many of the difficulties with British high-speed aircraft, the Swift among them, to lack of research. The big research plants planned during the war, wind tunnels where the equivalent of speeds of two and a half times that of sound could be reproduced on scale models, were so huge in area and staggering in cost that while building was allowed to start on them after the war, they were given no priority either for men or materials, of which they consume in large tonnages. In consequence, the major tunnel,

THE ECONOMIST, FEBRUARY 26, 1955



STOKELESS FUEL

Your gas account shows exactly how much you spend on fuel. There are no extra hands to pay because gas needs no special equipment for handling or storage. Gas burners give you years of life, with little servicing or replacement. That means uninterrupted, therefore greater, production. These are points to remember when assessing the true cost of your fuel. Gas is stored, examined and tested for you and delivered direct to the point of use. It burns clear and clean, is infinitely adaptable and easy to control. For your heat problem gas may well be the answer.

'Not knowing' can be costly.

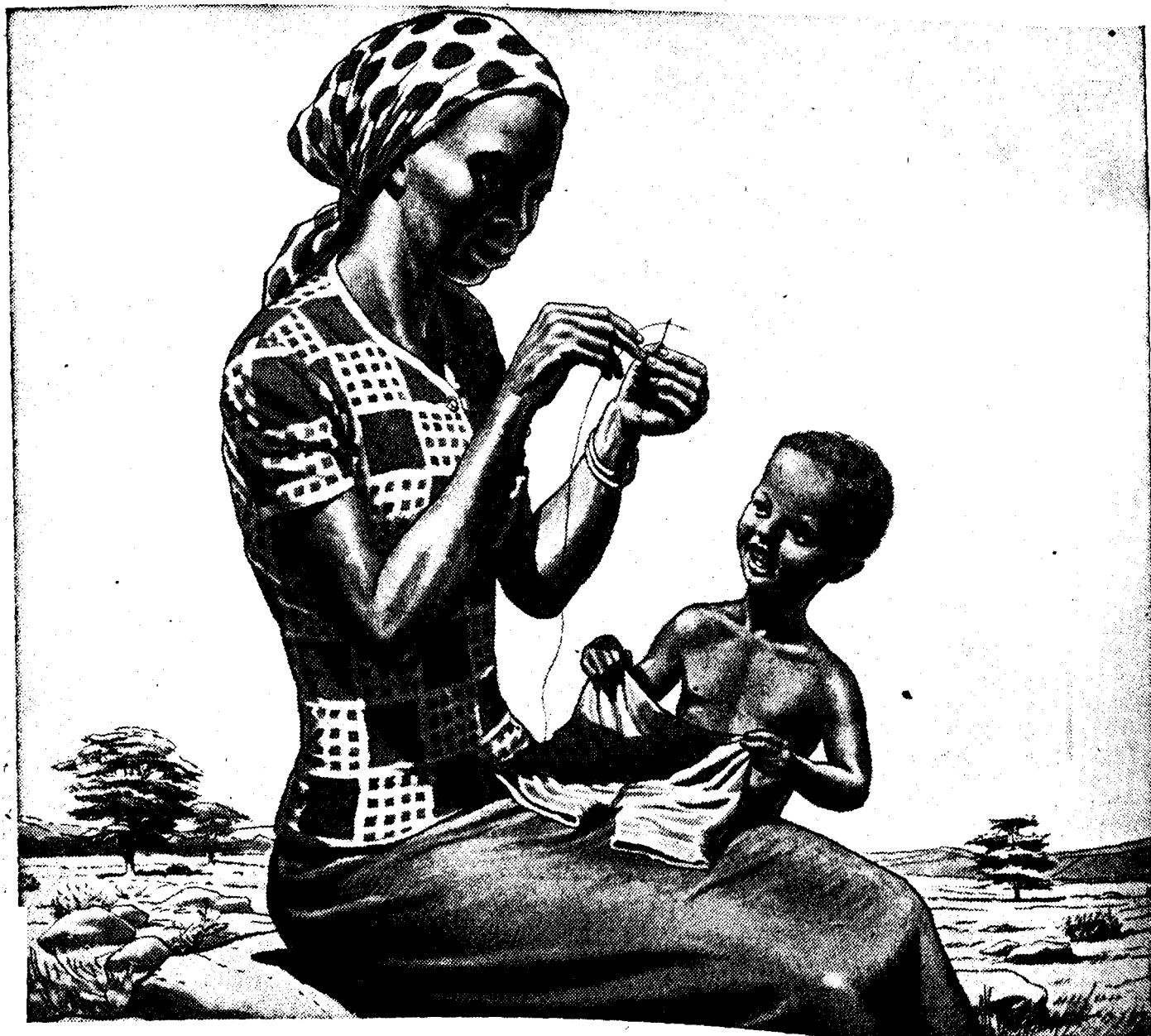
YOU can call upon the resources of the Gas Industry to solve your fuel problem by consulting your Area Gas Board. The Boards' Industrial Gas Engineers are ready to give you free advice. They, in turn, can call upon the resources of the whole Gas Industry through the Gas Council's Industrial Gas Development Committee. Get your secretary to fill in these details (or pin this advertisement to your letter heading) and send to your Area Gas Board or to the Gas Council, 1 Grosvenor Place, London, S.W.1

NAME

ADDRESS

WE NEED HEAT FOR.....

The Gas Industry makes the fullest use of the nation's coal.



Patch work

TORN TROUSERS are the same the whole world over. So are the needles that mend them. The needles, in all probability, were made in Britain. In 1954 about one thousand million assorted needles (weighing over 270 tons) went overseas. Along with them went nearly 1,100 tons of pins and over two and a quarter million gross of hair pins, slides, grips and curlers!

These export figures are remarkable: so are the figures for an enormous range of British steel products — from tins to tractors.

Wherever there is steel there is British steel.

British steel leads the world

THE BRITISH IRON AND STEEL FEDERATION

which has working area of 8 square feet (in which models of 6 foot span can be tested) and can reproduce conditions equivalent to speeds of 2,000 mph, will only be completed this year. The design of this tunnel has been modified and improved considerably during the past few years, but the delay in its building has meant that aircraft designers have had to learn what they can from the smaller wind tunnels at their own factories or at the Royal Aircraft Establishment at Farnborough.

Smaller tunnels are not necessarily slower in speed—some of those now working reach wind speeds higher than the big tunnel will do. But there are limits to how far a model can be scaled down and still give findings that will hold for the full-scale aircraft. As the wind speeds rise, a point is also reached when the small scale model cannot be made strong enough to resist them if it is still to retain its correct proportions. It is no longer possible to put wings on models being tested in small (1½ foot square) supersonic tunnels.

It has cost the Ministry of Supply about £5 million to complete the new 8 ft. tunnel, which stretches over a ¼-mile and consumes 80,000 horse power. In addition to this other lower-speed plants have to be built to complement its work; speeds as low as 200 mph to test take-off and landing behaviour of designs evolved in the high-speed tunnels are essential. The research that will be done in these plants, which are on a new research site near Bedford, cannot affect today's aircraft, but it will have a vital influence on those which are going on to the drawing boards now and may fly in four to eight years' time. It may be necessary to run the big tunnels on 24-hour shifts in order to fit in the work, and plans are already being drafted for tunnels that will give speeds of up to ten times that of sound. This represents the probable physical limit to which the present type can be built. For higher speeds, new and unconventional techniques must be evolved. The speed with which these plans are being pressed ahead suggest how heavily earlier delays must have cost the country.

Confusion on Speed Limits

THE speed limits imposed upon goods vehicles are anomalous and antiquated—and census returns show that over ninety per cent of the lorries on the road fail to observe them—but the regulations have not been made any simpler by the amendment inserted in the Road Traffic Bill last week by the House of Lords against the wishes of the government. This Bill, or part of it, is designed to remove the "anomaly" that has arisen from two recent Court decisions. The Courts found that a regulation introduced in 1950 to exempt utility or dual-purpose vehicles from the 30 mph speed limit (that applies to all goods vehicles with an unladen weight of less than 3 tons) when these utility vehicles were not being used for the transport of goods, could be interpreted to cover all commercial vehicles under 3 tons when they were travelling empty. Besides the speed limit, empty lorries were held to be free of all other "C" licence regulations, including the obligation to keep journey records and driving hours.

Before it was amended the Bill would have brought back the rules that applied before the 1950 regulation; that is

"C" licences and the statutory rules about records and speed limits would apply to all utility vehicles and goods vehicles under 3 tons in weight intended for the carriage of goods whether or not goods are actually being carried at any particular time. The amendment, however, permits utility vehicles to exceed the speed limit once more when goods are not being carried. A "C" licence will still be necessary but the licence rules will only apply when the vehicle is used as a goods vehicle. To avoid the difficulty that arose in the 1950 regulation the definition of a utility vehicle devised by the Customs authorities was inserted in the amendment. But this definition also does not appear to be precise enough; it would apparently be possible to make almost any van a dual purpose vehicle by adding two tip seats side by side behind the driver's seat. There are other difficulties. Police and traffic inspectors will be interested to hear how they are to differentiate between a rapidly moving vehicle that is carrying goods and one that is not. It also appears that, without a further amendment to the Bill, doctors, veterinary surgeons, and commercial travellers who carry their black bags or samples in utility vehicles will be subject to the speed limit whereas they would not if they used a private car. These difficulties can be ironed out at a later stage, for the bill has still to pass the Commons. But it seems unlikely that the government will remove or raise these speed limits; that would be the simplest way out.

Bigger Tea Auctions in Calcutta

IN the first seven years of Indian self-government the British investor in tea has not felt the heavy hand of nationalistic policies; pin-pricks there have been, but no more. Investors would be unrealistic to expect that good fortune to continue, and signs are now emerging of a change. Pressure from the left wing of the Congress Party may persuade the Indian government to shackle the managing agency system, and the proposed amendment of Article 31 of the Constitution would in several cases prevent a dispossessed property owner from challenging the state's terms of compensation in the courts. Another sign, less damaging to British tea interests, is the decision to restrict the quantity of tea consigned to the London auctions, as Ceylon already does. The committee appointed to examine that question has now submitted its report to the government. Three prominent British representatives served on that committee, and lest extremists raise the charge of "scuttle" it should be made clear that its terms of reference were not whether it was desirable that the bulk of India's tea should be auctioned locally, but how it could be done with the minimum dislocation of trade. At present roughly half of India's exportable crop of some 420 million lb is sold in Calcutta and Cochin and half in London.

The committee recommends that the proportion of the exportable crop sold locally should be raised to three-quarters within the next two years. Since the transfer of 100 million lb at once would be beyond the capacity of the Calcutta warehouses, the committee advises transfer in two stages—50 million lb at once and a further 50 million lb when new warehouses have been built. The question of

local auctions should be reviewed after two years, but it would be in India's interests to ship about one-quarter of the exportable crop to Mincing Lane. The committee evidently recognises the value of maintaining a spot market for Indian tea in Britain, the largest consuming country, where widespread competition will usually produce the best price for the grower. Moreover, the small British buyers, still an important element in the London market, would suffer if they had to rely on forward shipments from India. There seems little doubt that the Indian government will accept the report, though no one should expect that the present or succeeding governments will necessarily maintain an outlet in London. If the warehousing facilities in Calcutta are expanded sufficiently, the grower should receive a price comparable with that obtainable in London. In that event the tea investor would not suffer. The London broking houses would have to handle a larger volume of "second-hand" tea, and the business handled by the big Calcutta houses—several of which are associated with London firms—would increase. They will naturally fear, however, that an effort will eventually be made to steer more of the trade in Calcutta into Indian hands.

Egypt's Sterling

THE Egyptian government has made a formal request for a revision of the Anglo-Egyptian Sterling Releases Agreement of 1951 and in particular has asked for an acceleration of the releases from the blocked number 2 account. When the agreement was negotiated nearly four years ago the amount standing in that account was about £230 million. The agreement provided for the freeing of £150 million of this amount over a minimum period of ten years and a maximum of thirteen and a half years. A sum of £10 million was to be released in each year from 1951 to 1960 and an additional £5 million a year was to be released up to a maximum of £35 million when the balance in Egypt's number 1 account fell below £45 million. The balance in the number 1 account has been fairly consistently below that figure. In fact, therefore, the additional sum has been released on January 1st in each year and in most years the basic release of £10 million has also been made at the beginning of the calendar year. In the year 1951 a special additional release of £15 million was sanctioned.

In accordance with this schedule £90 million has been transferred from the number 2 to the number 1 account since the agreement was negotiated and the balance remaining in the number 2 account is now about £140 million. The 1951 agreement provided only for the release of £150 million out of the blocked balances of £230 million, leaving £80 million to be dealt with later. It may well be that a call on this residual may be needed to finance payments by Egypt for surplus stores, equipment and fixed assets in the Suez Canal base. If so, there can be little objection to a consequential revision of the 1951 agreement. If, however, it is a question of releasing more blocked sterling to the number 1 account, serious doubts will be entertained, for that would increase still further the already over-abundant supply of transferable sterling.

Rights the Right Way

LETTERS of rights are complicated documents. There are always shareholders who fail to understand their value, and who fail to consult their broker or bank manager and thus waste a valuable piece of their property, neither applying for the shares to which they are entitled nor selling the "rights" in the market. No "rights" issue is ever subscribed in full. Sometimes a fortunate underwriter obtains something he had not counted on; sometimes the other shareholders pick them up on their applications for surplus shares.

In happy contrast is the effort made recently by Consolidated Zinc Corporation to ensure that all its shareholders gained the benefits from the "rights" issue. The company offered 2,182,649 £1 ordinary shares at par in the ratio of one for three. When the offer closed on December 20th, the "rights" were worth about 15s. but about 40,000 shares had not been taken up. The first step that the company took was to announce that late applications would receive favourable consideration. A month later those shareholders who had still failed to apply received a letter pointing out to them the value of the "rights" and urging their acceptance. And where dividend mandates were held the help of bank managers was sought. Consolidated Zinc was able to leave the offer open because one of its subsidiaries acted as a depository for the unallotted shares. Any late applicant could thus receive the appropriate number of shares through a transfer without charge from this depository. These efforts to ensure fair treatment have not secured 100 per cent acceptance but they have borne fruit. Only about 0.3 per cent of the rights remain unclaimed.

Trouble About Top Qua'ity

IT has been illegal since the revised Merchandise Marks Act came into force last February to make claims about the quality of goods that were either false or misleading, but there has been widespread doubt about whether a clause of this kind could actually be enforced in the courts. The first prosecution against any trader for making wrong claims about the quality of goods on sale was not, in fact, brought until this month, when a Bournemouth trader was summoned by the Retail Trading Standards Association. The goods involved were flannelette sheets that were described as "top quality" and blankets described as "good quality wool." The sheets were demonstrably imperfect, they were stained and irregular, but they were wrapped in transparent paper so that they could not be examined. The blankets contained less than 30 per cent of wool and the rest, rayon.

To win its case the RTSA had the difficult task of showing that the descriptions used did not conform to definitions of quality as they were either (a) recognised, or (b) used, by the trade. On the face of it this was difficult to do, for who can give a precise description of "quality"? The RTSA considered that if advertisements for "top

FROM PAKISTAN

A New Airline...

KARACHI VIA CAIRO
UNDER 16 HRS

—Fastest Time Ever!

Business men! Here's a new, faster, more luxurious air service to the East—at no extra cost. By applying the latest advances in airline servicing and management technique to the most reliable commercial aircraft in the world, new Pakistan International Airlines bring to East-West air travel a trans-Atlantic standard of luxury aloft. Every Friday P.I.A.'s specially fitted Super-Constellations fly above the weather from London to Karachi via Cairo in just 15:50 hours flying time*—substantially less time than ever before. The return flight, leaving Karachi on Tuesday, takes only 17:50 hours in the air—still the fastest West. Moreover, P.I.A.'s domestic network serves both West and East Pakistan, India and Burma; its booking facilities cover all points East. P.I.A. flies faster—you fly more comfortably. For full details see your local Travel Agent.



FLY

PAKISTAN INTERNATIONAL
AIRLINES

CONTACT YOUR LOCAL TRAVEL AGENT
or P.I.A. 249 Brompton Road, S.W.3. Telephone: KNightsbridge 4371

SUPER-CONSTELLATIONS, specially fitted for P.I.A., bring a new standard of luxury to East-West air travel.

TOURIST AND FIRST CLASS FARES comply with normal competitive rates. It costs no more for P.I.A. speed and comfort.

P.I.A. BOOKING SERVICE can arrange your flight through P.I.A. international and domestic networks. It can use other airlines, to fly you to all points further East.

FOR NEW IDEAS* ON BUSINESS LIST-PRINTING



Stock, price and parts lists, mail-order and membership lists, inventories and internal telephone directories: how are they produced in your business? Is it a full time job for someone to

keep them up-to-date and accurate, to check proofs, to supervise printers and publication dates? Send for the Man from Remington Rand. He'll show you a way with business list production which is quicker, cheaper and more accurate altogether.

*THIS IS FLEXOPRINT Remington Rand's equipment for rapid, low-cost list-printing. Flexoprint turns your own typist into a compositor—does away with all typesetting charges. Flexoprint lists are maintained, amended, paged up in any format, and proof-read in your own office. They are always up-to-date, always ready for your printer or your own offset-litho department. Does Flexoprint sound like a solution to your listing problems? Let us prove that it is.

Send for the Man from

Remington Rand

COUPON: I would like to know more about Flexoprint.
Please * arrange for your representative to call by appointment ☐
* send me full informative literature ☐ (tick course of action required)

NAME.....

POSITION.....

ADDRESS.....



REMINGTON RAND LTD, 1-19 NEW OXFORD STREET, LONDON, WC1
Telephone: CHAncery 8888

Starch does surprising things

IN SUCH
SURPRISING
PLACES

Example:

STARCH IN PLASTER BOARD MANUFACTURE

Plaster board is an increasingly important material in modern building. It is made of crushed gypsum rock with a starch-based adhesive added to it. The process of production is continuous. Wet plaster is formed to the required thickness between two sheets of heavy paper, and sets into a rigid board in the course of a few minutes. As the moisture dries out, most of the starch adhesive is carried with it to the faces of the plaster 'core', where it helps to form a permanent bond between the core and the paper. The addition of the starch adhesive speeds production considerably. The Technical Liaison Department of

the Brown & Polson Group is usually asked to recommend the best starch adhesive for the purpose.

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.



CORN PRODUCTS COMPANY LIMITED

THE INDUSTRIAL DIVISION OF

Brown & Polson

WELLINGTON HOUSE, 125/130 STRAND, LONDON, W.C.



quality" merchandise were produced it could be shown that the trade "used" the phrase in the meaning of the Act. This was not put to test, for the defendant changed to a plea of guilty and was fined £50 with 50 guineas costs. The importance of the prosecution lies in proving that this ambiguous section of the Act is enforceable. An earlier prosecution by the Board of Trade has already shown that, contrary to expectations, it can effectively be enforced against "misleading" descriptions too. The Merchandise Marks Act has suffered in the past from lack of any appreciable volume of case law; the prosecutions that have been brought since the beginning of 1954 have done a good deal to remedy this and this latest case is a most important addition. It suggests that the new Act may be providing greater protection for shoppers, in a quiet way, than more ambitious schemes.

Price Maintenance Defended

FROM all over the country representatives of the motor trade travelled to London last Friday—at their own expense, they insisted—to defend before the press the price maintenance policy of the British Motor Trade Association. The meeting received a statement explaining in its opening paragraphs that the association "does not support and does not permit itself to be used in support of price rings." The whole of the rest of the document was devoted to explaining how this particular price maintenance system is worked. Comparatively few motor accessories are price maintained but they include items most widely bought by motorists, tyres are an example. The manufacturer undertakes that he is not himself a member of a price ring before

the association will agree to maintain the price of his products. The association—a registered trade union consisting half of traders and half of manufacturers—"acts as a fair trade umpire," in the words of the chairman, "simply implementing the policy put forward by the manufacturers, only protecting the goods that the manufacturers ask us to protect."

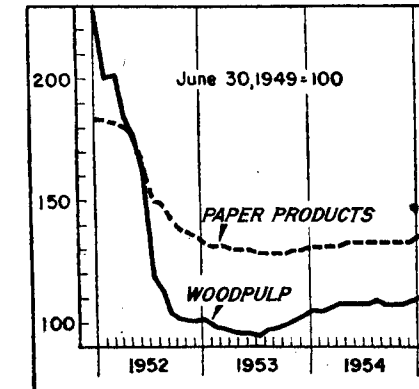
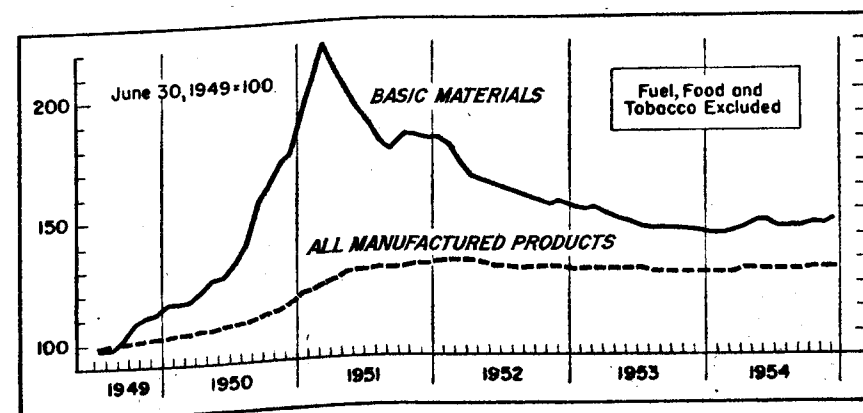
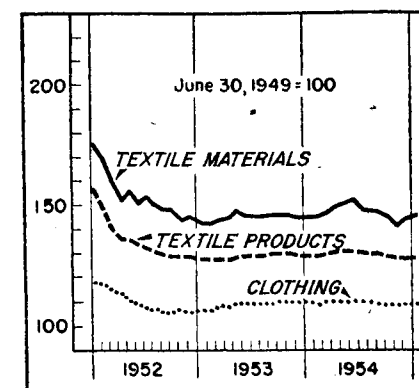
It claims that its methods are fair; its tribunals to discipline the price deviationists are modelled on courts of law and presided over by an independent chairman of legal distinction. They operate against those who overcharge as much as against those who cut and it is claimed that they have saved the public money. Their sanctions are the reprimand, the fine and finally the stop list. These courts discipline non-members as much as members. Indeed some of those who have been in recent trouble about price cutting on tyres are not properly garages at all, but tyre and battery shops. The BMTA evidently feels that it has nothing to apologise for. Indeed it has no thoughts of retreat but intends to go further. There is at present no price maintenance of second-hand vehicles. Before the war there was a secret list of maximum prices that a trader could pay for second-hand cars traded in against new ones. If he paid more he was considered to be cutting his commission. That price list, it was disclosed, "will come back when the trade asks for it."

The Association's case is specious and the attitude of mind that supports it is woolly. No one has suggested that these traders are evil men, but they are stifling free competition in their own trade and allowing themselves to be used as the pawns of some manufacturers, accepting with little question that there is no manufacturers' price agreement on the articles of which they maintain the prices. Their courts, sitting in private and using quasi legal pro-

Prices of Manufactures

A NEW index prepared by the Board of Trade shows for the first time the average movement in wholesale prices (excluding purchase tax) of British manufactured goods since 1949. Thousands of individual prices go into the making of this index, which covers all sides of manufacturing except food, fuel, tobacco and the aircraft industry. The prices are combined into a single index according to producers' sales in 1948. Manufactures reached their post-Korean price peak about twelve months later than raw materials. It was a much

lower peak, not only because wages moved less, but also because sharp changes in materials prices tend to be ironed out; the actual volume of materials bought at peak prices is usually small. Since then manufacturing prices have changed little, wage increases having mostly absorbed cuts in the prices of raw materials and higher productivity. These movements are the average: the two smaller charts illustrate that the price relationship for individual industries may be widely different.



cedures, inspire public mistrust, not confidence. The ultimate penalty—the right to put a competitor—even a non-member—out of business has no economic or moral justification.

Road Haulage Rates

MANY hauliers may not immediately take up the recommendation of the Road Haulage Association that haulage charges be increased by $7\frac{1}{2}$ per cent on March 1st. Rates will probably move upwards in time, but the sharp competition in the haulage business at present will make a haulier hesitate to raise his own charges before he is sure that his competitors will raise theirs. Some increase is inevitable. The last general increase in rates took place in 1952. Since then the basic weekly wage for haulage workers has risen by 25s. and vehicle prices and running costs have been slowly rising.

In the long distance field, where all hauliers with a licence can now operate legally, and the railways may soon be offering competitive charges, rates have been cut rather than increased. The nationalised fleet has lost some traffic, but appreciably less than the lorry capacity that has been sold. Unless British Road Services raise their rates—and there is no indication that they intend to—the long distance private haulier will be disinclined to lose business by raising his. BRS rates for parcels and smalls, which the private haulier is much less willing to carry, are to be raised, however. Labour handling costs are heavy on these small items. But BRS will be able to absorb the higher costs of general haulage, including this week's 10s. wage increase, in the large operating surplus that it is still making—last year this surplus was only slightly smaller than the £9 million made in 1953 despite the loss of nearly a third of its fleet.

Short Lead in Cars

BRITISH motor exports are still maintaining their lead in the world markets, but it is not so long a lead as it was. During 1954, 366,000 cars were shipped abroad from Britain. This is a big improvement on the previous year when the total was little more than 302,000 yet it seems to lack the momentum of Western German exports. Two years before, when Britain's car exports were nearly 310,000, Western Germany's were a bare 100,000. They increased remarkably little in 1953 but last year they shot up nearly 70 per cent and the total, 231,000, was getting uncomfortably close to Britain's sales. American exports also show a substantial increase; having been at or below the 150,000 mark for the two previous years, they reached 207,000 last year. French and Italian exports did not behave as buoyantly, although they too improved. In short, 1954 was one of the best years for car sales in all countries. If German exports are any guide, there seems to be some merit in producing a solid, workmanlike design. Frequent changes of style do not appear to be necessary provided that per-

formance is above reproach. There are some British examples of this too.

It is only fair to the British industry to point out that if a comparison is made of total vehicle exports, cars and commercial vehicles together, then the German performance is less impressive. Britain exported nearly half a million vehicles (492,816) last year; Germany, with 298,000 vehicles, was a long way behind. The total for the United States was 401,000; the American truck still being supreme in world markets for commercial vehicles. British manufacturers have put in a strong challenge to American dominance in this field, and there is some reason to believe that they have been able to eat into some exclusively American markets.

Rubber and the Stockpile

PRICES of natural rubber have not recovered from the sharp fall of last week; a slight rally was checked on Thursday—partly by the rise in Bank rate—and spot rubber closed in London at 27d. a lb, compared with 31d. early last week. Last week's break was touched off by the news that the American government was revising its system of rotating natural rubber in the strategic stock, and it was accentuated as tension in the Far East lessened. Had speculation not made the market so vulnerable, it might have taken the news from America in its stride. By itself, the new policy is hardly significant. It applies only to "up-grading"—the sale of rubber that no longer meets strategic specifications and its replacement by rubber of a higher grade. Formerly the maximum quantity that could be so rotated was 5,000 tons a month; the limit has been raised to 7,500 tons, and sales of rubber for delivery in the current and succeeding month can now be replaced within two months, instead of one.

To that extent American consumers can avoid going to the market by "borrowing" an extra 7,500 tons of rubber from the stockpile, and that explains—though it hardly justifies—the criticism of the new policy. The GSA has some 100,000 tons of low-grade rubber to replace with higher grades before the summer of 1956. Under the former arrangements the GSA had found it impossible to up-grade 5,000 tons a month, because buyers were unable to obtain rubber for delivery within the period allowed without paying a premium. Had the delivery period not been extended it would have been pointless to raise the maximum quantity to 7,500 tons a month. The new maximum will enable the GSA to prolong the "life" of the strategic stock, which will eventually be composed almost entirely of the four highest grades of natural rubber. In the short term that will benefit Malayan and other producers of those grades, but in the longer term it will slow down the rate of rotation.

Russia in the Sugar Market

THERE have been several occasions recently when Russian buyers have unexpectedly stepped into an ailing market, and given it a much-needed shot in the arm. Their pur-

chases have usually been small, but marginally important nevertheless. The Russian purchase of raw sugar from Cuba does not quite fit into that category. The quantity is not small, yet the patient has not recovered. The contract is for 200,000 tons for shipment between February and June, but 50,000 tons will not be taken up if shipping is not available. The price—3.05 cents a lb f.a.s.—is low compared with the current market price of 3.17 cents a lb, but few sellers will blame the Cuban Sugar Institute for accepting it for a bulk sale, and thereby breaking its rule that the 1955 crop would not be sold at less than 3.25 cents a lb, the minimum in the International Sugar Agreement.

Cuba's problem is simple: it has a surplus and its quota for sales to the "free" world market exceeds the likely demand. As Russia, also a member of the agreement, is normally an exporter, the sale of 200,000 tons meets an unforeseen requirement on the free market. That gain may, however, be diminished if part of the sugar is sent to mainland China, for China imports some sugar from Russia and Poland, and its requirements from the free market this year were estimated by the Sugar Council at 100,000 tons. Moreover Cuba will have to find new customers for more than 200,000 tons if the present surplus is to be relieved. But the market has been so long in the

doldrums, with prices well below the minimum, that it would be churlish to look this particular gift horse too closely in the mouth.

SHORTER NOTES

As a result of falling markets substantial proportions of recent share issues have been left with the underwriters. Of the Truman Hanbury Buxton issue of £1½ million 4 per cent debenture stock 1980/85 at £98, underwriters had to take up 79 per cent. Of the £2,000,000 4½ per cent unsecured loan stock 1970/75 of Electric and Musical Industries underwriters took up 89 per cent and of that company's 3,000,000 5½ per cent second preference shares at 20s. 6d., 84½ per cent. The chairman of Debenhams announced this week that the intended new issue had been postponed.

Iron and Steel Holding and Realisation Agency announces that N. Hingley and Sons has bought back the entire share capital of John Bagnall and Sons for £200,000. John Bagnall and Sons therefore returns to its former ownership at the same price as that at which it was nationalised.

Company Notes

ENGLISH ELECTRIC. Across the world English Electric Company carries the flag of British competition, supplying electronic measuring instruments to the Russians, undercutting American competitors by 17 per cent on their home ground for the Chief Joseph Dam contract (the decision still waits on Washington's word), and failing on a St Lawrence Seaway contract only because American firms have seen an issue of prestige and cut their own prices ruthlessly. The profit and dividend already announced suggest that the 52 weeks ended December 25th made a glorious year; the trading profit was up from £6.5 million to £7.3 million; the 12½ per cent dividend for the year compares with an equivalent of 9½ per cent a year ago. But glory is seldom without price. Prices are on the way down and this roaring trade in electrical goods has been won in roaring competition. Stocks and work in progress are up by less than £1 million, from £51.9 million to £52.8 million, debtors by £3.7 million, from £25 million to £28.7 million. These increases contain no element of price inflation. They are wholly a volume increase, for the trend of prices is downwards.

All credit is due to English Electric, for it has been able to meet fierce price-cutting coupled with currency incentives and special taxation aids granted to its competitors in Germany, Switzerland and Sweden and still to expand. On the side of fixed investment a pause in that expansion seems now to be developing;

contracts for capital expenditure are down from £3.5 million to £2.7 million. But it can be no more than a pause caused partly by the completion of the joint venture with the Ministry of Supply at Liverpool and partly by a continued shortage of skilled labour. One of the reasons, incidentally, for the offer to shareholders of Vulcan Foundry has been to get access to additional labour. Expansion is still evident in the group's overdrafts outside Canada. These overdrafts are up from £7.2 million to £9.1 million. The group has never minded using a proportion of bank money in its working capital, but when expansion takes another stride it may wish to fund some of that growing home overdraft. For that reason, and with no intention of making an immediate issue, it is proposed to raise the authorised capital to £25 million by creating a further 10 million £1 ordinary shares.

BRITISH-AMERICAN TOBACCO. The label "growth stock" must be tagged on the 10s. ordinary stock units of British-American Tobacco. Massive earnings, backed up by an impressive balance sheet, cover the dividend, and gradually that dividend is being raised. The number of discarded cigarette butts along a main street is one of the empirical tests of a country's standard of living, and British-American Tobacco, trading in almost every free

country of the world, cannot fail to benefit from any improvement in those standards. The profits available for distribution have still to climb over the wall of restrictions on currency transfers, but recently profit remittances seem to have been flowing back to the parent company rather faster.

The latest results, for the year to September 30th, confirm the impression, which has been current for some time, that the group fared well last year, notably in the United States. The preliminary statement shows that the consolidated profit before tax has expanded from £42,497,372 to £48,500,560. That figure is struck after transferring £598,410 to replacement reserves, representing the balance of the devaluation surplus on stocks of dollar leaf tobacco.

After providing £23,656,463, compared with £19,194,358, for tax and £2,821,829 (against £2,955,717) for minority interests, net profits have risen from £20,147,297 to £22,022,268. The inevitable and long-expected corollary is an increase in ordinary dividends. The total tax-free payments for the year amount to 1s. 6d. (or 15 per cent) on each 10s. stock unit. In 1952-53, after allowing for the 50 per cent free scrip issue, the dividend amounted to 12½ per cent on the present capital. In addition, the directors have put the first interim dividend for the current year at 6d. on each unit, compared with 5d. a year ago. This announcement coincided with the rally in equities in Throgmorton Street and the 10s. units immediately gained 3s. 3d. to 52s. 6d. At the current price of 51s. the yield is 5.3 per cent. The yield on "Bats" is certainly not too low for an international trading group whose market is still expanding and which is meeting the threats of economic

autarchy by switching away from the export of British-made cigarettes to local manufacture.

HOOVER. This company, as a manufacturer of durable consumer goods, finds earnings swept upwards on the flood tide of hire purchase business. The group net profit before tax for the year 1954 was £4,581,961, compared with £3,095,793, and after tax £2,350,208, against £1,321,294. The final ordinary dividend is raised from rs. 9d. per 5s. unit to 3s., and since the interim payment was unchanged at 6d. per unit, the total distribution for the year is 3s. 6d. (70 per cent) compared with 2s. 3d. (45 per cent) for 1953. On the highly geared rs. "A" shares the dividend is 6s. 0.57883125d. per share compared with 3s. 8.7132d. The total distribution remains a small part of the available profit.

MONSANTO CHEMICALS. The high level of activity in the chemical industry in general, and an encouraging half-yearly report in particular, prepared investors for excellent trading results from Monsanto Chemicals for the whole of last year. Since the publication of the company's half-yearly progress report in September the 5s. ordinary stock units—about two-thirds of which are owned by an American parent of the same name—have gained about 6s. They stood at 31s. 6d. on the eve of the publication of the full year's preliminary statement. That report, showing an increase of 16 per cent in net sales from £10,852,854 to the record figure of £12,634,616, is just what might have been expected from a group that has spent great sums on capital developments since the war. The market for its products was particularly

buoyant at home. Export sales accounted for 38 per cent of total sales, compared with 40 per cent in 1953.

Trading profits have risen even more sharply than sales—by over 24 per cent from £2,354,084 to £2,940,407. Net earnings have also risen, from £715,724 to £845,984, and the ordinary dividend has been pushed up from 20 to 22½ per cent. The 1952 recession brought the dividend down to 18½ per cent, but within two years it has been restored to its 1951 level. A higher dividend than 22½ per cent was expected and the 5s. units fell after its announcement to 29s., to yield only 3½ per cent. The group's current financial year is still young, but so far there has been a "reasonably good demand" for the group's products. But Mr Edward A. O'Neal adds his customary warning about keener competition.

HANDLEY PAGE. The total ordinary dividend paid by Handley Page, the aircraft manufacturers, for 1954 has been confined to the increase made last November in the interim payment. That interim was raised from 3½ to 5 per cent. The final has been left unchanged at 10 per cent, so that the full year's dividend is 15 per cent, compared with 13½ per cent paid in the three previous years. Along with the rest of the industrial market the 5s. ordinary stock units of Handley Page came off their peak this week. At the current price of 12s. they yield 6½ per cent.

The group's gross profits have risen—but only slightly, from £647,405 to £673,870. Taxation has fallen—from £403,831 to £382,846—and, hence, there has been a more than proportionate increase in net earnings, from £243,574 to £291,024.

THE ECONOMIST, FEBRUARY 26, 1955

LONDON STOCK EXCHANGE

Next Account begins: March 2nd
Next Contango Day: March 2nd
Next Settlement Day: March 8th

THIS was the week of the slump in the stock market. Within five days of trading the *Financial Times* ordinary share index fell from 192.1 to stand at 178.9 on the close on Tuesday. Prices rallied on Wednesday and the index climbed back to 184.0. Gilt-edged prices staged their rally before then. Having fallen sharply before the week-end, they rallied when some institutional support was given on Monday. Small buying orders kept the prices of the long and medium dated stocks reasonably firm on Tuesday and Wednesday but the "shorts" were marked down on the tight credit conditions in Lombard Street. But when dealings began on Thursday, the prices of the long and undated stocks once again declined and then on the further increase in Bank rate they slumped.

Selling of industrial equities was heavy both before and just after the week-end. It came from individual investors and not from the institutions and the decline in prices was accentuated by the difficulties in which some speculators found themselves once the market had begun its slide. The weakest sectors of the market were those dealing with stores, radio, electrical equipment and paper issues. But no sector was completely immune from the collapse. Prices rallied on Wednesday and were again marked up on Thursday morning. But after the change in Bank rate prices tumbled down. By far the biggest falls were recorded in the low-yielding stocks that have been bought for capital appreciation. These stocks which had taken the hardest knocks responded most quickly in the rally. Elsewhere, buying of steel shares was renewed on the industry's plans for expanding capacity.

Oil shares followed the pattern established elsewhere in the equity market, also staging a rally on Wednesday before slumping again on Thursday. Rubber shares were weak at first in the fall in the price of the commodity, but then recovered when that price rallied. Tea shares were dull. Kaffirs were dull in the face of a dribble of selling orders, but this section was not involved in Thursday's collapse.

FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½ Cons.	Ord.
Feb. 16...	192.1	111.36	4.03	4.45
" 17...	190.4	111.02	4.05	4.51
" 18...	186.1	110.37	4.06	4.62
" 21...	182.2	110.47	3.98	4.72
" 22...	178.9	110.22	3.98	4.80
" 23...	184.0	110.25	3.96	4.67
1955, High.	197.5	115.97		
" (Feb. 3)	178.9	110.22		
" Low.	178.9	110.22		
" (Feb. 22)	184.0	118.10		
1954, High.	131.1	111.78		
" Low.	131.1	111.78		
" (Jan. 1)				
" (Jan. 5)				
1955, High.	197.5	115.97		
" (Feb. 3)	178.9	110.22		
" Low.	178.9	110.22		
" (Feb. 22)	184.0	118.10		
1954, High.	131.1	111.78		
" Low.	131.1	111.78		
" (Jan. 1)				
" (Jan. 5)				

* July 1, 1935=100. † 1928=100.

THE ECONOMIST, FEBRUARY 26, 1955

LONDON ACTIVE SECURITIES

Prices, 1955 Jan. 1 to Feb. 23		BRITISH FUNDS AND GUARANTEED STOCKS	Price, Feb. 16, 1955	Price, Feb. 23, 1955	Net Yield, Feb. 23, 1955 %	Gross Yield, Feb. 23, 1955 %	Prices, 1955 Jan. 1 to Feb. 23		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Feb. 16, 1955	Price, Feb. 23, 1955	Yield, Feb. 23, 1955 %	
High	Low				s. d.	s. d.	High	Low						
97½	96½	Exchequer 2% 1960	97½	96½	1 18 4	2 16 10	42/9	35/9	15 c	17½	STEEL & ENGINEERING	42/-	37/6	4 13 4
99½	96½	Exchequer 2½% '63-64	97½	96½	1 16 5	3 0 3	13/10	10/-	15 c	3½	B.S.A. (1)	13/6	12/3	6 0 10
104½	100½	Exchequer 3% 1960	101½	100½	1 10 6	2 17 4	28/10	27/3	...	...	Colvilles (1)	27/6	28/-	...
102½	100½	Exchequer 3½% '62-63	99½	98½	1 12 5	3 0 1	27/11	23/-	...	...	Dorman Long (1)	26/-	24/9	6 9 4
100½	98½	Serial Funding 2½% 1957	99½	98½	1 11 7	2 14 2	74/3	64/6	10 b	5 a	Guest Keen N'fold (1)	73/3	66/3	4 10 7
100½	98½	Serial Funding 3% 1955	100½	98½	1 0 7	2 18 1	50/3	42/-	...	12½	Stewarts & Lloyds (1)	49/-	44/4	5 12 8
100½	99½	War Bonds 2½% '54-56	99½	99½	1 14 11	2 18 0	31/7	28/1	3 a	6½	Summers (John) (1)	30/9	28/6	6 6 4
100½	99½	Funding 2½% '52-57	100½	99½	1 9 9	2 16 8	32/6	28/9	4 a	6 b	United Steel (1)	32/3	29/4	6 16 3
100½	99½	War Loan 3% '55-59	100½	99½	1 11 4	3 0 7	43/10	36/-	15 c	2½	Vickers (1)	43/3	37/9	3 19 6
100½	97½	Savings Bonds 3% '55-65	98½	98½	1 17 4	3 4 9	30/4	26/3	15 c	4 a	Bradford Dyes (1)	28/6	26/6	7 10 11
100½	97½	Funding 2½% '56-61	98½	98½	1 15 9	3 0 0	33/4	27/3	12 b	3 a	Brit. Celanese (1)	30/6	28/-	6 8 7
97	92	Funding 3% '59-69	93½	93½	2 5 8	3 14 10	29/6	24/1	10 b	2½	Coats (J. & P.) (1)	26/-	25/6	5 17 8
98½	93½	Funding 3½% '66-68	94½	94½	2 3 1	3 11 3	43/6	36/6	4½	4 a	Courtaulds (1)	39/6	37/3	4 5 11
95½	90½	Funding 3½% 1999-2004	91½	91½	2 4 7	3 18 7	43/6	36/6	10 a	7½	Lanes, Cotton (1)	30/6	29/-	8 12 5
103½	101½	Funding 4% '60-90	102½	101½	2 0 3	3 18 6	32/6	28/7	15 b	2½	Patons & Baldwins (1)	31/-	30/-	6 13 4
96½	89½	Savings Bonds 3% '60-70	91½	91½	2 6 7	3 15 0	36/0	29/6	6½	3½	Bristol Aeroplane 10/-	20/6	19/-	5 5 3
95½	90	Savings Bonds 2½% '64-67	91½	91½	2 5 1	3 9 8	20/10	17/10	4 a	8½	British Motor 5/-	11/9	10/9	5 16 4
105½	100½	Victory 4% '20-76	101½	101½	2 1 0	3 16 7	12/9	10/6	7½	5 a	De Havilland (1)	26/9	24/3	6 3 9
94½	87½	Savings Bonds 3% '65-75	94½	94½	2 6 9	4 5 1	27/3	21/10	12 c	7½	Ford Motor (1)	88/9	79/4	3 0 6
97½	92½	Consols 4% aft. Feb. '57	94½	94½	2 5 8	4 2 11	90/6	77/3	3 a	30 a	Hawker Siddeley (1)	54/9	48/-	4 7 6
89½	83	Conv. 3½% aft. April '61	98½	98½	2 1 4	3 13 1	57/6	46/3	25 c	5 a	Leyland Motors (1)	126/3	122/6	4 18 0
103	97½	Conv. 3½% 1969	98½	97½	1 16 11	2 15 9	131/-	100/6	12½	12 c	Rolls Royce (1)	86/3	77/6	3 0 3
99½	97½	Conv. 2% 1958-59	98½	97½	2 3 11	3 19 8	88/6	73/9	12 c	10 a	Standard Motor 5/-	7/6	7/3	8 5 6
66½	61	Treas. 2½% aft. April '75	62½	62½	2 4 10	4 2 1	8/-	7/-	22½	10 a	Boots Pure Drug 5/-	28/9	25/9	4 7 4
78½	71½	Treas. 3% aft. April '66	94½	94½	2 5 0	3 18 3	32/6	25/-	7½	20 b	Debenhams 10/-	43/9	39/4	6 19 8
98½	92½	Treas. 3½% '77-80	94½	94½	2 4 10	3 17 8	45/3	38/6	45 b	15 a	Gt. Universal 5/-	59/3	54/-	3 9 6
99½	92½	Treas. 3½% '79-81	83½	82½	2 5 10	3 16 4	45/3	38/6	17½	5 a	Lyons (J.) 'A' (1)	112/6	103/9	4 6 9
88½	82½	Redemption 3% '86-96	83½	84½	2 5 9	4 3 6	62/6	48/-	45 b	15 a	Marks & Spen. 'A' 5/-	67/6	64/-	2 18 7
88½	82	War L'n 3½% aft. Dec. '52	83½	84½	2 3 7	3 19 11	67/4	101/6	20 a	36½	Woolworth 5/-	60/6	60/3	4 3 0
66½	60½	Consols 2½%	62½	63½	2 6 9	3 15 3	76/-	59/9	17½	5 a	British Petroleum (1)	81/3	72/6	2 9 0
94½	89½	Br. Elec. 3% '68-73	91½	89½	2 6 5	3 15 5	51/9	58/-	12 b	6 a	Burmah (1)	122/6	108/9	3 4 4
93½	87½	Br. Elec. 3½% '74-79	104½	103½	2 2 0	3 19 2	88/9	71/3	10½	5½	Royal Dutch 100 fl.	453	452	2 7 10
109½	102½	Br. Elec. 4½% '76-79	95	94½	2 4 8	3 17 11	138/-	105/-	5½	5½	Shell Reg. (1)	123/1	118/1	3 16 11
98½	93½	Br. Elec. 3½% '78-83	84	84½	2 7 0	3 17 6	138/-	105/-	15 b	15 b	Trinidad L'hols 5/-	32/6	29/-	6 5 5
88½	82½	Br. Trans. 3% '68-73	91½	89½	2 6 9	3 15 3	31	25/9	16 c	5 a	Cunard (1)	34/6	31/6	6 0 8
94½	89½	Br. Trans. 3½% '72-77	101½	101½	2 3 0	3 19 8	132/-	111/3	12 c	12 a	Furness Withy (1)	53/6	50/6	4 15 1
105½	100½	Br. Trans. 4% '72-77	84½	84	2 5 7	3 16 7	35/1	27/9	16 b	3 a	P. & O. Def. (1)	69/-	63/-	3 9 10
88½	81½	Br. Gas 3% '90-95	98½	97½	2 2 2	3 14 1	8/-	37/3	16 c	4 a	Assoc. Elect. (1)	72/6	68/1	4 2 3
102½	96½	Br. Gas 3½% '69-71	98½	97½	2 2 2	3 14 1	8/-	76/-	16 b	5 a	Assoc. Port. Cem. (1)	102/6	95/-	4 4 3
105½	101½	Br. Gas 4% '69-72	102½	101½	2 1 9	3 17 8	8/-	76/-	16 b	5 a	Assoc. Port. Cem. (1)	102/6	95/-	4 4 3

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

Prices, 1954		Prices, 1955 Jan. 1 to Feb. 23		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Feb. 16, 1955	Price, Feb. 23, 1955	Yield, Feb. 23, 1955
High	Low	High	Low					
97½	90½	94½	90½	Aust. 3½% '65-69	93	92½	3 19 0	61/9
101½	97½	101½	97½	Ceylon 4% '73-75	99½	98½	4 2 3	61/9
106½	98½	103½	99½	N. Zealand 4% '76-78	101½	100½	3 19 3	45/4
79½	71½	75½	68½	L.C.C. 3% aft. 1920	70	70	4 5 1	63/3
99½	95	99½	96½	Liverpool 3% '54-64	96½	95½	3 11 9	120½
87½	80½	84	78½	M. W. B. 3% '34-2003	79½	78½	4 0 3	69/8
104½	100	102	100	Agric. Mort. 5% '59-89	100	100	5 0 0	34/9
109½	71½	102½	91	German 7%	95½	95½	...	86/3
168½	102	164	149	German 5%	153½	152½	...	85/9
170½	132½	164	160	Japan 5% 1907	163½	163½	...	114/9
198½	167	194½	190½	Japan 5% Conv. 1930	191	191½	...	82/-

Prices, 1955 Jan. 1 to Feb. 23		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Feb. 16, 1955	Price, Feb. 23, 1955	Yield, Feb. 23, 1955
High	Low							
BANKS & DISCOUNT								
58/6	48/9	5 a	7 b	Barclays (1)	57/6	53/6	4 s. d.	9 9
76 7/4	66/-	7 a	8 b	Lloyds 'A' (5, 1 pd.)	68/6	66/6	4	10 3
89/3	83/3	8 a	10 b	Midland (1), fully pd.	85/6	85/-	4	4 8
87/-	80/6	8 1/2	9 1/2 b	N. Prov. 'B' (5, 1 pd.)	84/-	82/6	4	7 3
96/10 1/2	88/9	8 a	8 b	Westmstr 'B' (4, 1 pd.)	90/-	89/-	4	9 11
69/-	57/-	7 1/2 a	8 1/2 b	Alexanders (1)	57/6	55/6	4	10 1 1/2
58/6	51/9	5 a	7 b	Nat. Disc. 'B' (1)	55/6	52/-	4	12 4
60/-	53/-	5 a	7 1/2 b	Union Disc. (1)	59/-	56/-	4	9 3
48/10 1/2	41/6	4 a	4 b	Barc. (D.C.O.) (1)	46/6	42/6	3	15 4
51/9	44/-	7 b	7 1/2 b	Chart. Bk. of India (1)	49/6	45/-	6	8 11
INSURANCE								
17 1/4	14 1/2	50 a	85 b	Leg. & Gen. (1), 5/- pd.	15 1/2	15	2	5 0
23 1/2	21	40 a+b	20 1/2 a	Pearl (1), fully pd.	21 1/2	22	4	19 2
46 1/2	41 1/2	105 a+c	112 1/2 a+c	Prudential 'A' (1)	44 1/2	42	4	16 6
BREWERS, ETC.								
141/-	132/-	10 a	33 b	Bass (1)	139/4 1/2	135/-	6	7 5
29/0 1/2	23/4 1/2	25 a	10 a	Distillers 4/-	26/6	23/9	4	4 3
49/6	40/3	8 a	15 b	Guinness 10/-	47/6	40/7 1/2	5	13 3
		15 1/2 a	7 a	Whitbread 'A' Ord. (1)	91/3	82/6	5	9 6

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	Feb. 5th	Western Europe :	Feb. 5th
Production and Consumption	Feb. 12th	Production and Trade.....	Feb. 12th
Manpower.....	Feb. 19th	British Commonwealth	Feb. 12th
External Trade.....	This week	Western Europe :	Feb. 12th
Financial Statistics.....	This week	Prices and Money Supply	Feb. 19th
Industrial Profits.....	Jan. 15th	United States	This week
World Trade.....	Jan. 15th		

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

		Monthly averages			1953		1954				1955
Unit		1952	1953	1954	Nov.	Dec.	Jan.	Oct.	Nov.	Dec.	Jan.
VALUE											
Imports :											
Total	£ million	289.8	278.6	281.6	272.2	281.6	282.1	228.2	333.8	313.5	332.3
Food, drink and tobacco	"	100.5	109.6	110.9	107.7	109.4	114.1	88.9	147.8	130.1	136.1
Basic materials	"	95.4	87.8	85.4	79.9	88.7	87.2	64.9	88.8	89.7	93.8
Mineral fuels and lubricants	"	28.2	26.1	27.4	26.4	23.8	26.3	27.6	29.1	27.4	30.7
Manufactures	"	64.0	53.6	56.7	55.4	54.7	52.8	45.7	67.3	65.2	70.3
Exports of UK produce :											
Total	"	215.3	215.2	222.8	239.9	224.6	225.8	214.9	196.5	255.7	248.6
Manufactures	"	178.5	174.9	180.9	194.2	179.9	184.5	172.4	152.3	208.2	203.8
Re-exports	"	12.0	8.8	8.4	8.9	7.6	8.1	9.2	5.5	8.6	10.3
Balance of trade (exports less imports)	"	- 62.4	- 54.6	- 50.3	- 23.3	- 49.4	- 48.2	- 4.1	- 131.7	- 49.3	- 73.4
VOLUME											
Imports	1950=100	103	112	...	112	115	117	93	132	...	...
Exports	"	95	98	104	110	102	103	101	93	121	...
BY AREA											
Imports :											
Dollar area—total	£ million	60.1	52.9	51.8	51.5	51.1	42.7	53.1	64.6	71.3	66.1
USA	"	26.2	21.1	23.7	21.7	23.4	21.2	28.0	33.2	33.0	36.5
Canada	"	26.7	25.3	22.7	25.6	21.8	16.1	20.9	27.0	33.2	25.8
Non-sterling OEEC countries	"	71.3	64.1	67.9	63.7	65.5	64.2	63.2	79.2	65.0	78.4
Sterling area	"	119.7	125.3	125.7	123.8	124.2	142.3	84.1	148.5	130.1	148.3
Exports :											
Dollar area—total	"	31.4	33.7	31.3	34.9	31.7	31.7	35.4	32.5	35.7	31.0
USA	"	15.1	14.3	13.3	12.0	13.5	12.7	13.9	12.4	16.3	14.6
Canada	"	11.0	13.4	11.3	14.4	10.7	10.9	10.5	12.2	11.8	9.3
Non-sterling OEEC countries	"	58.4	62.5	64.8	67.7	58.9	63.7	60.4	63.2	69.9	70.7
Sterling area	"	107.0	105.8	112.1	121.5	116.8	113.1	107.1	87.9	128.1	128.4
Balance of trade (exports less imports) :											
Dollar area	"	- 28.6	- 19.2	- 20.5	- 16.6	- 19.4	- 11.0	- 17.7	- 32.1	- 35.6	- 35.1
Non-sterling OEEC countries	"	- 12.9	- 1.7	- 3.1	+ 4.0	- 6.6	- 0.5	- 2.8	- 16.0	+ 4.9	- 7.7
Sterling area	"	- 12.7	- 19.5	- 13.6	- 2.3	- 7.4	- 29.2	+ 23.0	- 60.6	- 2.0	- 19.9
TRADE IN SELECTED COMMODITIES											
Imports :											
Wheat	'000 tons	325.3	335.0	289.1	275.1	336.8	238.4	358.3	377.4	371.1	438.3
Meat	"	45.5	63.1	56.4	66.3	54.8	56.7	31.0	85.6	48.2	74.0
Sugar, unrefined	"	164.6	247.4	201.5	251.0	277.6	337.2	137.4	153.0	137.8	133.0
Raw cotton (1)	"	21.8	27.5	30.8	25.7	36.4	27.3	19.1	26.3	33.4	25.4
Raw wool, sheep's and lambs' (1)	mn. lb.	51.9	63.2	51.9	55.9	57.3	70.4	29.5	58.3	48.4	69.3
Rubber, natural and synthetic (1)	'000 tons	16.7	18.4	20.7	15.6	18.5	23.3	12.0	28.3	26.5	26.8
Softwood	'000 stds.	85.2	119.1	122.2	91.7	93.0	80.8	116.2	138.2	127.3	124.1
Woodpulp	'000 tons	119.8	133.7	159.9	149.0	183.8	151.0	144.1	160.6	195.6	207.9
Crude petroleum	mn. galls.	494	556	600	608	604	603	604	596	605	614
Exports of UK produce :											
Coal, including bunkers	'000 tons	1,254	1,400	1,351	1,587	1,525	1,361	1,492	1,418	1,140	1,261
Woven piece-goods—cotton	mn. sq. yds.	59	59	53	65	61	58	50	35	58	60
Wool	'000 sq. yds.	8,143	8,710	8,205	8,845	8,600	9,145	8,559	7,338	9,847	9,638
Passenger cars and chassis	number	25,824	25,181	30,507	21,618	24,288	26,408	27,392	24,051	32,523	36,229
Commercial vehicles and chassis	"	10,636	9,196	10,521	10,205	9,853	11,233	9,306	7,414	13,971	13,968
Agricultural tractors	"	8,746	7,807	8,979	7,308	7,063	8,471	9,154	6,993	8,774	8,915
Machinery—electrical	£'000	4,805	5,023	4,916	5,300	5,230	5,249	4,516	3,483	5,738	6,330
Other	"	30,346	28,762	30,412	30,770	30,599	32,901	27,072	23,696	35,561	35,852
Chemicals, elements and compounds	"	3,085	4,180	4,816	4,502	4,466	4,492	5,171	3,738	5,280	4,695

(1) Retained imports. (2) Revised figures.

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 1954 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	46.15
1953	110.1	97.0	114.4	112.8	104.8	117.7	117	102	115	193.3	71.69	71.91
1954	110.3	95.6	114.8	112.6	104.3	119.1	...	...	...	229.8	71.65	71.65
1954, September	110.0	93.6	114.7	112.4	104.3	119.5	121	100	121	240.4	71.86	71.93
October	109.7	93.1	114.5	111.8	104.6	119.5	120	100	120	243.6	72.22	72.44
November	110.0	93.2	114.6	111.1	104.6	119.5	...	...	...	254.4	73.57	73.42
December	109.5	89.9	114.3	110.4	104.3	119.7	...	...	...	267.7	74.30	74.60
1955, January	110.2	92.9	...	...	...	...	...	...	...	270.6	73.97	...

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
1953	364.9	134	153	132	189	118	107	147	2,938	63,815	62,213	2.5
1954	357.2	125	138	108	175	115	100	148	3,098	64,468	61,238	5.0
1954, September	355.5	124	136	105	161	115	98	150	3,157	65,243	62,144	4.8
October	362.0	126	138	111	164	117	102	150	3,105	64,882	62,141	4.2
November	...	128	142	118	181	118	104	151	3,192	64,624	61,731	4.5
December	...	130	145	120	195	118	102	154	3,262	63,526	60,688	4.5
1955, January	...	131	146	123	201	119	103	...	3,352	63,497	60,150	5.3

TRADE

	Personal consumption Annual rates	All business *		Total retail *		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manufactures	Total	Finished goods	Imports	Exports
	\$ billion; seasonally adjusted	\$ 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
1953	230.1	48.84	81.07	14.23	22.66	898	217	224	1,304	911	158	262
1954	234.0	47.31	77.52	14.22	22.17	...	...	...	...	...	...	...
1954, August	234.8	46.72	78.16	14.15	22.45	826	207	195	1,446	762	140	235
September	...	46.99	77.79	14.21	22.43	776	198	195	1,401	728	133	226
October	...	46.22	77.54	14.07	22.00	761	181	187	1,252	731	...	...
November	...	47.99	77.65	14.36	22.13	834	...	...	1,230	...	...	...
December	...	49.57	77.52	15.12	22.17	...	...	...	...	...	...	...
1955, January	...	...	...	14.94	...	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics ^a		Budget expenditure ^d		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		
	72.9	46.6	4.3	7.22	4.50	23.4	17.2	9.0	- 3.9	0.023	...	3.01
1939	286.1	204.4	12.2	29.54	22.19	78.1	67.6	74.3	- 9.4	1.931	2.93	3.20
1953	286.5	202.3	11.9	30.13	22.47	85.7	71.2	67.8	- 3.1	0.953	2.53	2.90
1954	285.4	202.1	11.4	28.74	21.90	83.0	66.5	6.7	- 2.8	0.892	2.48	2.87
1954, August	286.6	202.0	11.8	28.86	21.94	83.3	67.3	5.0	- 0.1	1.007	2.51	2.89
September	286.3	202.7	10.4	28.98	21.95	86.3	67.8	4.9	- 2.2	0.987	2.52	2.87
" October	289.3	204.7	11.2	29.21	22.01	86.3	69.5	3.8	+ 0.4	0.948	2.55	2.89
" November	291.1	204.0	11.3	30.13	22.47	85.7	71.2	6.3	- 2.5	1.174	2.57	2.90
December	...	...	...	...	...	...	...	...	...	1.257	2.65	2.93
1955, January												

Financial Statistics

EXCHEQUER RETURNS

For the week ended February 19th there was an "above-line" deficit (after allowing for Sinking Funds) of £7,659,000 compared with a surplus of £97,172,000 in the previous week and a deficit of £37,898,000 in the corresponding period of last year. This brought the cumulative account to a surplus of £459,047,000 (compared with a surplus of £172,962,000). Net expenditure "below-line" last week reached £20,592,000, bringing the total cumulative surplus to £53,514,000 (compared with a deficit of £187,056,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to Feb. 20, 1954	April 1, 1954 to Feb. 19, 1955	Week ended Feb. 19, 1954	Week ended Feb. 19, 1955
Ord. Revenue					
Income Tax	1800,000	1481,274	1572,884	58,489	65,982
Sur-tax	132,000	109,300	109,900	5,100	5,100
Death Duties	164,375	145,300	165,400	3,400	4,000
Stamps	55,000	49,500	67,970	700	3,900
Profits Tax & E.P.T.	172,000	170,400	155,100	1,000	2,300
Excess Profits Levy	60,000	58,750	70,650	1,700	800
Special Contribution and other	1,000	1,220	1,180	150	50
Inland Revenue					
Total Inland Rev.	2384,375	2015,744	2143,084	70,539	82,132
Customs	1062,500	939,651	990,903	18,565	19,557
Excise	719,000	680,600	718,223	15,070	22,370
Total Customs and Excise	1781,500	1620,251	1709,126	33,635	41,927
Motor Duties	77,000	72,165	77,856	...	...
PO (Net Receipt)	21,000	9,600	16,050	2,400	3,750
Broadcast Licences	24,000	35,018	18,600	...	...
Sundry Loans	245,000	105,550	170,896	1,882	185
Miscellaneous	4532,875	3871,877	4158,527	108456	128081
Total	4532,875	3871,877	4158,527	108456	128081
Ord. Expenditure					
Debt Interest	570,000	533,965	517,849	52,779	52,244
Payments to N. Ireland Exchequer	51,000	42,061	42,111	...	...
Other Cons. Fund	10,000	8,808	8,443	43	35
Supply Services	3859,739	3084,565	3101,021	93,102	82,900
Total	4490,739	3669,399	3669,424	145924	135180
Sinking Funds	36,000	29,516	30,056	430	560
"Above-line" Surplus or Deficit	172,962	459,047	37,898	7,659	7,659
"Below-line" Net Expenditure	360,018	405,533	9,184	20,592	20,592
Total Surplus or Deficit	187,056	53,514	47,082	28,251	28,251
Net Receipts from:					
Tax Reserve Certificates	32,844	26,391	6,278	11,859	...
Savings Certificates	15,500	42,450	50	2,400	...
Defence Bonds	34,650	18,806	252	224	...

* Since end September the capital expenditure of the Post Office has been charged directly on the Exchequer (instead of being financed from the Savings Funds) and is consequently included in "below-line" expenditure and the total deficit. As at February 19th this item stood at £36,400,000.

FLOATING DEBT

(£ million)

Date	Treasury Bills	Ways and Means Advances	Total Floating Debt
	Tender	Public Depts. Bank of England	
1954			
Feb. 20	3,040.0	1,331.9	293.5
Nov. 13	3,470.0	1,452.1	273.0
" 20	3,480.0	1,548.1	291.8
" 27	3,480.0	1,571.7	271.2
1955			
Dec. 4	3,470.0	1,613.4	254.6
" 11	3,450.0	1,672.7	256.4
" 18	3,440.0	1,727.1	262.2
" 31	3,420.0	1,825.5	263.4
1955			
Jan. 8	3,400.0	1,771.4	264.7
" 15	3,350.0	1,719.2	260.4
" 22	3,310.0	1,662.7	262.3
" 29	3,270.0	1,642.2	245.2
Feb. 5	3,240.0	1,575.9	236.8
" 12	3,190.0	1,557.1	251.8
" 19	3,160.0	1,574.1	286.4

THE MONEY MARKET

BANK rate was raised from 3½ to 4½ per cent on Thursday. The consequential adjustments of money rates were uniformly of 1 per cent also, maintaining the new rate margins created after the increase in Bank rate from 3 to 3½ per cent four weeks before. The banks' deposit rate thus now stands at 2½ per cent and their basic rate for loans to the discount houses, against all classes of collateral, at 2½ per cent. Discount houses quoted rates of 3½ per cent on fine bank bills after the Bank rate change, but no dealings were reported.

The market had been prepared for the increase in Bank rate by the tactics of the authorities in the short loan market. It was "in the Bank" on Saturday last and through the first three days of this week. On Wednesday most houses were affected, despite large official purchases made indirectly through the banks; the size of the total week's borrowing at the Bank is reflected in the increase of £44.3 million in discounts and advances shown in the Bank return.

The market had maintained its bid unchanged at £99 8s. 5d. per cent at the Treasury bill tender on Friday last, following the easy credit conditions of preceding days. The average rate came out at 2½ per cent.

Sterling, which had already staged a slight recovery on Tuesday and Wednesday, rose by more than ½ per cent on the news of the increased Bank rate, to \$2.78½-2.78¼—the best rate since early January.

London Money Rates on Feb. 24

Bank rate (from 3½%, 24/2/55)	%	Discount rates	%
Bank bills: 60 days	4½	Bank bills: 60 days	3½
Deposit rates (max)		3 months	3½
Banks	2½	4 months	3½
Discount houses	2½	6 months	3½
Money Day-to-day	2½	Fine trade bills:	
Short periods	2½-3½	3 months	4
Treas. bills 2 months	—	4 months	4½
3 months	—	6 months	4½-5½

*Call money

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	February 23	February 17	February 18	February 19	February 21	February 22	February 23
United States \$	2-78-2-82	2-78-2-82	2-78-2-78	2-78-2-78	2-78-2-78	2-78-2-78	2-78-2-78	2-78-2-78
Canadian \$	2-72-2-72	2-72-2-72	2-73-2-73	2-73-2-73	2-72-2-73	2-73-2-73	2-73-2-73	2-73-2-73
French Fr.	972-65-987-35	975-975	975-975	974-975	974-974	974-974	974-974	974-974
Swiss Fr.	12-15-12-33	12-24-12-24	12-24-12-25	12-24-12-25	12-24-12-25	12-24-12-25	12-24-12-25	12-24-12-24
Belgian Fr.	138-95	139-20	139-25	139-25	139-25	139-25	139-25	139-22
Dutch Gld.	141-05	139-25	139-30	139-30	139-30	139-30	139-30	139-27
W. Ger. D.Mk.	11-67-11-84	11-76-11-76	11-76-11-76	11-76-11-76	11-76-11-76	11-76-11-76	11-76-11-76	11-76-11-76
Portuguese Esc.	79-90-81-10	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00
Swedish Kr.	14-37-14-59	14-51-14-51	14-51-14-52	14-51-14-52	14-51-14-51	14-51-14-51	14-51-14-51	14-51-14-51
Danish Kr.	19-19-19-48	19-37-19-38	19-37-19-38	19-37-19-38	19-37-19-37	19-37-19-37	19-37-19-37	19-37-19-37
Norwegian Kr.	19-85-20-15	20-01-20-01	20-01-20-01	20-01-20-01	20-01-20-01	20-01-20-01	20-01-20-01	20-01-20-01
One Month Forward Rates								
United States \$	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm
Canadian \$	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm
French Fr.	1-3 dis	1-3 dis	1-3 dis	1-3 dis	1-3 dis	1-3 dis	1-3 dis	1-3 dis
Swiss Fr.	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm
Belgian Fr.	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm
Dutch Gld.	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm
W. Ger. D.Mk.	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm
Swedish Kr.	1-25 dis	1-25 dis	1-25 dis	1-25 dis	1-25 dis	1-25 dis	1-25 dis	1-25 dis
Danish Kr.	Par-35 dis	Par-35 dis	Par-35 dis	Par-35 dis	Par-35 dis	Par-35 dis	Par-35 dis	Par-35 dis
Norwegian Kr.	Par-25 dis	Par-25 dis	Par-25 dis	Par-25 dis	Par-25 dis	Par-25 dis	Par-25 dis	Par-25 dis
Gold Price at Fixing								
Price (s. d. per fine oz.)	251/11	251/11	...	251/11	251/10½	251/9½	...	...

BANK OF ENGLAND RETURNS

(£ million)

	1954	1955
	Feb. 24	Feb. 16 Feb. 23
Issue Department:		
Notes in circulation	1,547.9	1,656.4
Notes in banking dept.	27.5	69.0
Govt. debt and securities	1,571.8	1,721.2
Other securities	0.7	0.8
Gold coin and bullion	2.9	3.4
Banking Department:		
Deposits:		
Public accounts	10.9	13.7
Treasury special account	4.7	4.7
Bankers	284.0	282.9
Others	65.9	63.4
Total	365.5	364.7
Securities:		
Government	323.3	288.7
Discounts and advances	14.0	8.1
Other	16.8	14.9
Total	354.1	311.7
Banking department reserve	29.9	71.3
"Proportion"	8.1	19.5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,775 million to £1,725 million on January 20, 1955.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment	Allotted at Max. Rate*
	Offered	Applied For	Allotted		
1954					
Feb. 19	240.0	398.9	240.0	41	3-56
Nov. 19	260.0	424.9	260.0	32	5-80
" 26	250.0	431.7	250.0	32	6-84
Dec. 3	250.0	411.2	250.0	33	6-12
" 10	260.0	425.4	260.0	34	8-97
" 17	270.0	396.2	270.0	35	10-51
" 24	270.0	382.4	270.0	36	11-56
" 31	260.0	375.5	260.0	37	3-82
1955					
Jan. 7	230.0	375.5	230.0	38	4-29
" 14	230.0	344.1	230.0	38	11-97
" 21	220.0	351.1	220.0	40	3-46
" 28	210.0	376.8	210.0	46	7-33
Feb. 4	220.0	387.4	220.0	46	3-17
" 11	230.0	363.0	230.0	46	3-57
" 18	250.0	366.9	250.0	46	3-97

* On Feb. 18th tenders for 91 day bills at £99 8s. 5d. 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 £260 million.

Whither Bound?

To-day trade winds lead to Canada. There are rich opportunities in this expanding market for business men armed with accurate data on Canadian economic trends. The Bank of Montreal, experienced in Canadian affairs since 1817, is at the service of all who seek to know modern Canada.



BANK OF MONTREAL

47 THREADNEEDLE STREET, LONDON, E.C.2.

HEAD OFFICE: MONTREAL

626 Branches across Canada

Assets exceed \$2,500,000,000

Incorporated in Canada in 1817 with Limited Liability

Keep in touch with Japan through



THE FUJI BANK LTD.

(Incorporated in Japan)

ESTABLISHED 1880

Paid-up Capital - - Yen 2,700,000,000

Head Office:
1-CHOME, OTEMACHI, CHIYODA-KU,
TOKYO

London Branch:
SALISBURY HOUSE, FINSBURY CIRCUS,
LONDON, E.C.2

P.O. Box No. 547.

Tel. No.: NAT. 0601-4.

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.

SAFETY-FIRST INVESTMENT

2½%
per annum

Income Tax paid by the Society

Equal to £4.10.10 per cent to investors
subject to income tax at the standard rate

The current rate of interest on share accounts is 2½%, and on ordinary deposit accounts 2%, with income tax paid by the Society in each case. Sums up to a total holding of £5,000 are accepted for investment in Abbey National. For further particulars apply for a copy of the Society's Investment Booklet.

Total Assets £213,461,000

ABBAY NATIONAL
BUILDING SOCIETY

HEAD OFFICE:
ABBAY HOUSE, BAKER STREET, LONDON, N.W.1
For address of Local Office see Telephone Directory



COMPANY MEETINGS

THE ROYAL BANK OF SCOTLAND

GRATIFYING POSITION OF FINANCIAL STRENGTH

TOTAL ASSETS EXCEED £181 MILLION

COUNTRY'S ECONOMIC PROGRESS—NO CAUSE FOR COMPLACENCY

THE DUKE OF BUCCLEUCH'S REVIEW

The annual general court of proprietors of The Royal Bank of Scotland was held on February 22nd in Edinburgh. His Grace The Duke of Buccleuch and Queensberry, KT, PC, GCVO, LLD, governor of the bank, presiding.

His Grace said:

Once again I have to refer to changes which have taken place and are about to take place in the court of directors.

Last May Mr Charles Augustus Carlow informed the chairman of his decision to retire, on medical grounds, from the ordinary court of which he had been a member since October, 1941. To our great regret, Mr Carlow died on August 13, 1954. He is missed as much by his colleagues at the bank as he will be by a host of friends and colleagues elsewhere, and particularly in his native county of Fife.

On the other hand, I am pleased to report the appointment, as an ordinary director of the bank, of Mr Donald Hamish Cameron of Lochiel, TD, DL, ACA, and I am sure you will welcome this appointment as much as we do on the court of directors. In accordance with our charters he retires at this meeting but is eligible for re-election.

Mr Kenneth Murray, who has given most valuable service to the bank as chairman of directors for almost ten years, and has been a member of the ordinary court since 1935, has asked to be relieved of the duties of chairman. To the regret of all his colleagues, Mr Murray will be retiring from the chair on April 1st, although I am glad to say he has agreed to continue as an ordinary director. Mr Murray will be succeeded by the deputy chairman, Mr David Fortune Landale, who, prior to his appointment as a member of the ordinary court in 1952, had considerable business and banking experience in the Far East.

I shall be referring later to important managerial changes, but I would mention at this stage that we are also losing, as from April 1st, the services of one of our general managers, Mr W. A. Watt, who attained the age of sixty-five this month and will have completed almost fifty years with the bank. I need not say how much Mr Watt's great experience will be missed, and I feel sure you will join with me in expressing our best wishes to him in his well-earned retirement.

I assume it will be your pleasure that the annual report of the bank and the accompanying accounts of our group, which have been circulated, shall be taken as read but, in compliance with statutory requirements, the auditors' report falls to be read at this meeting, and I now call upon the secretary to do so, after which it will be available for inspection by any proprietor.

DEPOSITS AND OTHER LIABILITIES

This year we are presenting to you, in addition to our own balance sheet and profit

and loss account, a consolidated balance sheet and a consolidated profit and loss account of our group. To make this possible, we have had to alter the date of our balance from the second Saturday of October to December 31st, and, therefore, on this occasion our accounts cover a period of approximately fourteen and two-third months. The figures given for comparative purposes are not those of exactly a year previous, but the figures appearing in the balance sheet of October 10, 1953, submitted to you at this time last year. The first point of interest to which I wish to direct your attention is that the balance sheet which you now have in front of you reflects the capital changes approved by you at the general court on September 28th last, when I gave you full details of the transactions involved and the reasons for them. The issued capital stock of the bank now amounts to £5,950,000, with a reserve fund of £5,050,000. When we add to this the balance of the profit and loss account carried forward, the capital resources of the bank are brought up to a total of £11,171,566, showing a position of strength which must be very gratifying both to you and to our customers.

Our deposits have increased by almost £7 million since October, 1953, and now amount to just over £147 million, a new record for us.

Our notes in circulation at December 31, 1954, were up by more than £1,200,000 over the October, 1953, circulation, and, although part of this increase can be accounted for by the extra demands for currency which are always experienced at Christmas, the general level of our note circulation has continued to rise throughout the period.

Our acceptances and other obligations outstanding at December 31st amounted to slightly more than £9,300,000, an increase of over £2 million as compared with the figure at October 10, 1953.

LIQUID ASSETS AND INVESTMENTS

Our total assets at just over £181 million show an increase of £10½ million over the October, 1953, figure and are the highest in the history of the bank. As usual, a strong liquid position is shown. Our holding of British Government Treasury Bills amounts to approximately the same figure as at October, 1953, but I am sure you will be pleased to see an increase of almost £2 million in our holding of commercial bills. This reflects additional facilities given to our customers to finance the movement of goods to and from this country, a substantial part being to the jute trade which, now that government control of the industry has terminated, has reverted to the prewar practice of making its own arrangements for obtaining its supplies of raw jute. Other evidence of the extent to which we have played our part in assisting industry and agriculture

during the year is shown by an increase of approximately £4,700,000 in our advances. This represents an increase of roughly 10 per cent on the October, 1953, figure.

The market value of our quoted investments at the prices ruling at December 31st exceeded the value of £63 million at which these investments stand in our balance sheet.

PROFIT AND LOSS ACCOUNT

This year the profit and loss account, as I have already mentioned, covers a period of approximately fourteen and two-third months, but, in order to give a clear guide as to our trading results over the period, we have given details in our announcements through the Press of the equivalent figures for a twelve-month period. The actual net profit for the period from October, 1953, to December 31, 1954, amounted to £733,735, which is equivalent to £600,329 for a period of twelve months. This represents an increase of just over 13 per cent, but you will appreciate that part of this increase includes the increased dividends received during the period from our subsidiary companies. Full provision has been made for all bad and doubtful debts and other contingencies and the net figure mentioned has been arrived at after making allocations on the usual scale to the property maintenance reserve fund and contributions to the staff pension fund and widows' fund.

Interim dividends were paid at midsummer and at Christmas. The midsummer dividend was at the rate of 9 per cent on £4,250,000 of capital stock and the Christmas dividend at the rate of 7½ per cent on the capital stock as increased by the £1,700,000 of new stock issued in September last. It is now recommended that a final dividend of 3½ per cent be paid on March 15th next, which will make the total distribution for the period from October 10, 1953, to December 31, 1954, approximate to an annual rate of 14 per cent on the present amount of the capital stock of the bank. It is proposed this year to carry forward the unallocated balance of profit amounting to £171,566.

GROUP ACCOUNTS

As you are aware, this is the first occasion on which we have published consolidated accounts of the group. I do not intend to dwell at length on the figures appearing in the consolidated balance sheet, but I would direct your attention to the fact that the combined resources of the group amount to over £414 million, with total deposits of £359 million and advances of nearly £115 million.

The total net profit of the group as shown in the consolidated profit and loss account is £961,833, which includes the trading profit of our bank for fourteen and two-third



For many years The Mercantile Bank of India has been intimately associated with the principal trading centres of the East and will be pleased to supply to all interested exporters and merchants on-the-spot information relative to the state of markets, agency representation, financial and currency exchange problems.

THE MERCANTILE BANK OF INDIA LIMITED

Head Office: 15 GRACECHURCH ST., LONDON, E.C.3

INDIA · PAKISTAN · BURMA · CEYLON · MALAYA · SINGAPORE
HONG KONG · CHINA · MAURITIUS · THAILAND · JAPAN



BAYERISCHE VEREINSBANK

Every description of Domestic and Foreign Banking Business transacted

Munich Office: 14, Kardinal-Faulhaber-Strasse

Cable Address: "Vereinsbank" Phone: 28401. Telex No. 052/3321

Nuremberg Office: 21, Lorenzerplatz

Cable Address: "Bayverein" Phone: 27741. Telex No. 06/2217

Augsburg Office: 37, Maximilianstrasse

Cable Address: "Vereinsbank" Phone: 4681/84. Telex No. 053/820

77 Branches

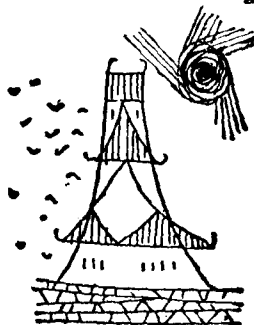
Correspondents throughout the World

CAN THE INDUSTRIAL DEVELOPMENT BANK HELP YOU IN CANADA?

Businessmen who are considering establishing or expanding a manufacturing or processing business in Canada and have a project that meets practical requirements for success, but have not been able to finance it by standard methods, might find it worthwhile to know more about Industrial Development Bank (a subsidiary of Bank of Canada) and its wide experience with unusual problems. Industrial Development Bank's credit officers and technical specialists examine proposals before the Bank provides financing. If a term loan is granted, it may make for a more efficient and profitable operation. On the other hand, it may uncover factors which make regular commercial financing feasible. For further information we suggest you communicate with:

INDUSTRIAL DEVELOPMENT BANK
Office of the General Manager
901 Victoria Sq., MONTREAL, CANADA.

If It's About Japan
SANWA BANK
(Authorized Foreign Exchange Bank)



Chairman of the Board & President: TADAO WATANABE
Capital: ¥2,500,000,000
Head Office: IMABASHI, OSAKA
Tokyo Office: MARUNOUCHI, TOKYO
SAN FRANCISCO BRANCH:
465 CALIFORNIA STREET, SAN FRANCISCO

A complete network of 186 nationwide branches and worldwide correspondents

months and the net profits of our subsidiaries for the calendar year. I am sure that you will all view with satisfaction the progress which the group has made during the past year. The three banks fit into a nation-wide pattern providing a banking service of the highest quality throughout most areas of the United Kingdom. During 1954 new branches of Williams Deacon's Bank, Limited, were opened at Newbury, Newcastle-on-Tyne and Bournemouth. Arrangements are being made for the opening, in the early months of next year, of a branch of the Royal Bank in Mincing Lane, London, and we hope to follow this by establishing later in the same year a new branch in the busy area of Knightsbridge.

COUNTRY'S ECONOMIC POSITION

So much for our own affairs. Since I addressed you in March, 1954, it must be a source of satisfaction to us all that the improvement in the country's economic position, to which I then referred, has continued and gathered strength in the year which has since passed. The high level of our export trade, with the related rise in imports, and the considerable increase in our gold and dollar reserves, are matters which entitle us to feel a certain measure of satisfaction. But that must not be accompanied by any feeling of complacency. Ever-increasing efforts are required to maintain, let alone increase, our share of world trade and to keep our prices competitive in world markets. The further increase in productivity recorded during the year is satisfactory, but it cannot be too often emphasised that it is only by greater and more efficient production that real wages can be raised. A mere increase of money wages, followed inevitably by a rise in prices, can only result in a further fall in the purchasing power of the pound and, if pursued, in our pricing ourselves out of world markets. It should also be borne in mind that boom conditions, if continuing too long or carried too far, may result in demand outstripping production—a tendency which, no doubt, the recent rise in Bank rate was intended to curb.

NEED FOR TAXATION REDUCTION

Two important elements in considering the question of productivity are incentives and the improvement of our manufacturing position by large-scale increase in capital investment, particularly in the form of new plant and machinery. The best contribution towards both these objectives would be a reduction in the burden of taxation which, at present high levels, bears so heavily upon industry and all engaged in it, be they salary or wage earners. It is to be hoped that the Chancellor, in considering his next Budget, will be able to afford some relief both to the individual and to industry. A reduction in taxation and the correspondingly increased amount left in the hands of the taxpayer might, so far as it is used for spending, be more than offset by the stimulus to increased production and, so far as saved, add to the investment potential.

In this latter respect it is satisfactory to note the greatly improved figures for National Savings during the year, and we may hope that the present campaign for new savers will add many to those who are already in the movement.

The year which has passed has also seen the end of many controls which had long vexed the community, both producer and consumer alike, and this has, in the main, been achieved with benefit to all rather than the dire consequences which some people had forecast.

Great Britain would not seem to have made

much real progress towards convertibility during the year, but it is still an objective which we must keep well in view, cautious though our approach to it should be. The difficulty for us, and indeed for most of the world, is the probable unbalance of trade with the United States which might ensue, although, in this connection, it was interesting to read a few weeks ago that the President had again raised the question of reducing certain tariff rates on goods entering America.

SCOTTISH INDUSTRY AND COMMERCE

Turning now to Scottish affairs, I think we may pride ourselves on having had a good year. The level of employment continues to be satisfactory, although there are a few less fortunate "pockets" which are exceptions to the general rule. Let us hope that, in these cases, the affected industries will be revived or new ones attracted to the areas concerned. The Scottish Council (Development and Industry) continues its meritorious work, and the great success of its Exhibition in Glasgow last September reflects much credit on all those concerned in the conception and carrying through of the undertaking, the results of which must surely redound to the benefit of Scottish industry through the years.

Shipbuilding and the heavy industries have maintained a high level of output, British shipyards having achieved a record in tonnage of merchant ships completed during the year ended September, 1954. On the other hand, the state of order books for new shipbuilding continues to be a source of some anxiety.

Scotch whisky exports have again reached a new record, and this industry, and our Scottish woollen industry, have once more earned the nation's thanks for their outstanding contributions to the dollar position. Many of our Scottish industries, such as the Esparto Paper Trade, have also been operating at a high level of production during the year.

AGRICULTURE

The one industry for which 1954 has proved a year of exceptional difficulty is that which provides the life-blood of the country. I refer, of course, to agriculture, which in the past year, in addition to changes in Government policy and ever-increasing overheads, has had to compete with weather conditions which have made the gathering of the fruits of the industry extremely difficult.

All these added together have strained the farming economy, in some cases very severely, and it may well be that farmers need more than usual assistance just now. I am sure that any credit-worthy and efficient farmer will find he has both the sympathy and support of his banker in these difficult times. The same may be said of the owner of agricultural land and the owner-occupier, both of whom have to provide the fixed equipment, housing and amenities necessary to encourage a diminishing rural population to remain on the land.

MANAGEMENT AND STAFF

I have already referred to the loss the bank is suffering by the retirement of Mr Watt in a few weeks' time. His wisdom and experience will be missed by board and staff alike, and I feel sure this annual court would wish to place on record their appreciation of Mr Watt's long and distinguished services to the bank. On Mr Watt's retirement Mr Ballantyne becomes sole general manager, and we look forward with confidence to his occupation of that high office. We have

already appointed two assistant general managers, one of whom, Mr Ian B. White, will be resident in London, and the other, Mr John D. C. Dick, in Edinburgh.

Mr White has served the bank for thirty-six years, mainly spent in Bishopsgate office, where he became manager of our foreign department in 1936 and joint London manager in 1947. Our considerable foreign relations have been and will continue to be his special, but not exclusive, field of activity.

Mr Dick has now twenty-seven years' service, and has given valuable service to the bank as chief accountant since 1951.

In offering these three officers of the bank our best wishes for the future, may I also place on record the directors' appreciation not only of their services in the past but of the services of all the officials and staff, on both sides of the border, who continue to show undiminished zeal and efficiency in the interests of the bank. I should particularly like to express our appreciation for the manner in which the whole staff responded to the change in the date of our balance, involving as it did late work during a holiday season in Scotland. We are indeed grateful to them all.

APPROVAL OF ACCOUNTS

I now beg to propose that the report, containing a statement of the accounts and balance sheets, be approved and that a dividend of 3½ per cent, under deduction of income tax, be declared in conformity therewith.

The report was approved, and the governor, deputy governor, extraordinary directors and the retiring ordinary directors were re-elected.

SECOND BRITISH ASSETS TRUST LIMITED

CHAIRMAN'S REVIEW

The seventy-sixth annual general meeting of Second British Assets Trust Limited will be held on March 17th at 9, Charlotte Square, Edinburgh.

The following is the statement by the chairman, Mr Alastair C. Blair, CVO, WS, which has been circulated with the report and accounts for the year ended December 31, 1954:

Our income has continued to rise during the year and in spite of the fact that we have incurred profits tax for the first time the net income available for the ordinary capital has risen from £96,055 to £106,122. Income is still rising, but we look for this trend easing off as industrial companies come to face increasing costs, more competition and the need for money to keep equipment up to date. We are recommending the division of a rather higher proportion of our total net income than in the past when we still had profits tax ahead of us. We feel that when revenue is buoyant stockholders are entitled to benefit, but they will recognise that this may mean when there is a fall in income a reduction of dividend will come sooner.

The valuation at December 31st was the record figure of £6,322,716, an appreciation of 99.59 per cent over the book value, which is very satisfactory. During the year favourable opportunities were taken to invest in ordinary shares part of the funds which had previously been invested in Government Securities.

The directors have decided in future to publish quarterly income figures and also quarterly valuations as they think these will be of interest to stockholders.



THE ROYAL BANK OF SCOTLAND

GLYN, MILLS & CO. WILLIAMS DEACON'S BANK LTD.

CONSOLIDATED STATEMENT OF ACCOUNTS, 31st DECEMBER, 1954

1953 £		£	£
4,250,000	CAPITAL AND RESERVES—		
4,877,216	Capital, Authorised and Issued	5,950,000	
286,076	Reserve Fund	5,050,000	
	Balance of Profit and Loss Account	485,740	
9,413,292			11,485,740
353,842,022	CURRENT LIABILITIES AND OTHER ACCOUNTS—		
12,091,939	Current, Deposit and Other Accounts, including Provisions and Reserves for Contingencies	359,242,235	
222,062	Notes in Circulation	13,327,820	
	Proposed Final Dividend, less Income Tax, payable 15th March, 1955	106,356	
21,431,878			372,676,411
	ACCEPTANCES, CONFIRMED CREDITS AND OTHER OBLIGATIONS ON ACCOUNT OF CUSTOMERS		30,191,668
	KENNETH MURRAY, } DAVID F. LANDALE, } Directors. ELGIN, W. A. WATT, } W. R. BALLANTYNE, } Cashiers and General Managers.		
£397,001,193			£414,353,819

1953 £		£
36,320,077	CURRENT ASSETS—	
20,326,478	Coin, Bank Notes and Balances with the Bank of England	36,375,075
40,387,446	Balances with and Cheques in course of collection on, Other Banks in the British Isles	26,851,486
	Money at Call and Short Notice	35,465,896
35,350,000	Bills Discounted	
1,278,832	British Treasury Bills	27,375,000
	Other Bills	3,531,333
		30,906,333
	Investments—	
	(a) Quoted—	
	at or under market value:	
	Securities of or guaranteed by the British Government	133,067,288
	Dominion and Colonial Government Securities, Corporation Stocks and other Securities	1,826,323
	(b) Unquoted—	
	at cost, less reserve	552,250
137,980,171		135,445,861
3,179,939	Advances to Customers and Other Accounts, less provision for doubtful debts...	114,948,181
579,520		379,992,832
96,118,059	TRADE INVESTMENTS—	
371,520,522	at cost, less reserve	691,122
689,607	FIXED ASSETS—	
3,359,186	Bank Premises and Other Properties, at cost, less amounts written off	3,478,197
21,431,878	LIABILITIES OF CUSTOMERS FOR ACCEPTANCES, CONFIRMED CREDITS AND OTHER OBLIGATIONS	30,191,668
£397,001,193		£414,353,819

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the period from 10th October, 1953 to 31st December, 1954

1953 (Year) £		£	£
198,687	Interim Dividend of 9 per cent, less Income Tax, on £4,250,000 Capital Stock, paid Midsummer 1954	210,375	
222,062	Second Interim Dividend of 7½ per cent, less Income Tax, on £5,950,000 Capital Stock, paid Christmas 1954	245,438	
	Proposed Final Dividend of 3½ per cent, less Income Tax, on £5,950,000 Capital Stock payable 15th March, 1955	106,356	
			562,169
160,507	Special Contribution to a Pension Fund		150,000
125,000	Additional Transfer to Reserve for Contingencies		50,000
286,076	Transfers to Published Reserves		485,740
£992,332	Balance, carried forward to 1955		£1,247,909
1953 (Year) £			
245,948	Balance brought forward		£
	Profit for the period after providing for taxation and making transfers to Reserves for Contingencies out of which Accounts provisions have been made for all bad and doubtful debts, fluctuations in the value of Investments and other Contingencies		286,076
746,384			961,833
£992,332			£1,247,909

THE IMPERIAL TOBACCO COMPANY (OF GREAT BRITAIN AND IRELAND), LIMITED

ANNUAL REPORT AND ACCOUNTS

SIR ROBERT SINCLAIR'S REVIEW

The fifty-third annual general meeting of The Imperial Tobacco Company (of Great Britain and Ireland), Limited, will be held on March 22nd at Bristol.

The following is the statement by the chairman, Sir Robert Sinclair, KCB, KBE, which has been circulated to stockholders with the report and accounts for the year ended October 31, 1954:

The directors' report records the retirement of Mr G. A. Falk, and the appointment of Mr K. G. Y. Browne. Mr. Falk joined the company more than 50 years ago. He was appointed assistant solicitor in 1907, and secretary in 1911, and he became a member of the executive committee of the board in 1927. He retired from active work in October, 1945, and since then his great experience and knowledge of our business and his judgment have continued to be of very great value to the board, of which he was a member for over 30 years. The company has had no more loyal officer, no abler administrator or wiser counsellor, than Mr Falk. His qualities of mind and character gained for him the enduring admiration and affection of us all; and there are many in the company today who, like myself, have good cause to remember his kindness and his inspiring example. He carries with him in his retirement our warmest regard and best wishes.

Mr Browne has served the company's African organisation for 32 years. He joined our staff in Nyasaland in 1923, and, having been in turn manager of the Southern Rhodesia and Nyasaland branches, he became deputy general manager in 1949 and general manager in 1951. His election to the board is like a tribute to his ability and a recognition of the growth in the importance to the company of our leaf buying and handling organisation in the Federation of Rhodesia and Nyasaland.

SUMMARY OF THE YEAR'S RESULTS

The main features of the parent company's accounts are, I think, these: a slight increase in trading profit; a much-needed addition to our leaf stocks; an appreciable increase in dividends from trade investments; a strengthening of our financial position by the steps taken during the year for the funding of £20 million of short term borrowings and by further substantial transfers to reserve towards providing for replacement costs; and an increase in the ordinary dividend of 1 per cent—an increase which goes half-way to restoring the cut made a few years ago. There has also been an increase in turnover which is reflected in the increases in duty paid stocks and debtors.

The accounts for the group show that the subsidiary companies have had a satisfactory year's trading. Their profits, and the additions they have made to their reserves for capital needs, are included in the consolidated accounts, which show a further reinforcement of the group's position.

That is a review in very general terms of the year's results. You will, no doubt, expect me to comment in some detail on the more important items in the accounts.

THE ECONOMIST, FEBRUARY 26, 1955

TRADING PROFIT

To make a true comparison of this year's trading profit with that of last year, we must exclude the sum of £325,000 which represents a charge borne by the parent company last year but now considered more appropriately chargeable to some of the subsidiaries. This does not affect the total profit of the group. The effective increase in trading profit of the parent company is £415,000, or approximately 2 per cent. This percentage is slightly less than the percentage increase in our turnover, the reason being that rises in costs of leaf tobacco and in manufacturing wages and in salaries have exceeded the advantages we have had from improved efficiency. I will deal with the leaf supply position under stock-in-trade, but in connection with our trading results it is relevant to mention that the increase in turnover was only made possible by a greater availability of leaf tobacco which enabled us to increase the summer supplies to our customers and also to increase slightly the quotas of the brands which were in short supply. As you will have seen from the Press, the leaf supply position has improved to the point that a few weeks ago we were able to remove quotas entirely; and it is a great satisfaction to us to feel that we are at last free from the necessity of rationing supplies of our brands. I made some reference to the problems of rationing last year, but I would like to take this opportunity of saying how greatly we have appreciated the understanding attitude—and in most cases, I think, the sympathetic attitude—of our customers who were for so long unable to obtain all the goods they could sell and consequently had something of a rationing problem themselves. Our branches tried to be scrupulously fair in their rationing schemes, and I believe that our customers in general felt that they were given a square deal; but such restrictions cannot be popular, and we are glad to be quit of them.

STOCK-IN-TRADE

The value of the parent company's stock-in-trade shows an increase of £8,516,000. More than half of this is accounted for by an increase in value of our stocks of unmanufactured tobacco. This is due mainly to an increase in the quantity of leaf tobacco held, and, to a slight extent, to a higher average cost per lb. I am glad to be able to report that our purchases in North America and Rhodesia last year were more satisfactory, both in quantity and quality, than they have been for some years and we were able to buy more of the grades we need—which, of course, is one of the factors that involved an increase in the average cost per lb of our stocks.

Southern Rhodesia produced the largest and best crop in its history—a total of 120 million lb, of which nearly 60 per cent was bought for the United Kingdom. The quantity was up to expectations, and although there was still a larger amount of very low quality tobacco in the crop than we like to see, the quality of the rest showed a distinct improvement and reflected, I think, the value of the work of the research board and the care and attention which an increasing number of growers are giving to growing and curing problems. Tobacco is a delicate plant, very susceptible to variations of

climate, and nothing growers can do can fully insure against bad weather conditions, but there is no doubt that, with improved techniques, still better yields and better quality are possible. Unfortunately, the growing conditions in Southern Rhodesia recently have not been good, and the 1955 crop may turn out to be smaller than had been planned.

We were able to buy last year from the United States and Canada a quantity in excess of a year's using. I hope that the extra quantity purchased in the United States will be paid for ultimately in sterling, but to the extent that any part of these additional purchases has to be paid for in dollars we have to regard it, as at present advised, as a purchase on account of 1955. Our financial year ends in the middle of the buying season in the United States of America, and up to October 31st last we had been able to purchase about half the additional amount to which I have referred. The balance will, therefore, be taken into our stock in the current year.

The tobacco-growing districts of North America which produce flue-cured tobacco are more widely spread and cover a wider range of latitude than Southern Rhodesia. Therefore, they are not as a whole so vulnerable to local weather variations, and their total production (including Canada, which produces rather more than Southern Rhodesia) is more than ten times the Rhodesian crop. But even in North America, as we know from past experience, adverse weather conditions can drastically curtail the crop in any one year. We cannot afford, therefore, to lose any opportunity to raise our stocks to a level which will enable us to buy relatively sparingly from the less good crops and heavily from those that suit our needs.

I have referred on more than one occasion to the considerable increase in price of leaf tobacco since prewar days. It is, of course, natural for manufacturers to complain about the prices they have to pay for the materials they use; but it is as well to be realistic. While we certainly hope that improved methods and better yields will lead to some reduction in costs in the newer producing areas, in view of world conditions and the particular circumstances to which I have referred I do not myself think that, in the foreseeable future at any rate, we would be wise to count on a marked fall in the price of leaf tobacco generally.

CAPITAL AND RESERVES

I will now refer to our capital and reserve position, largely affected as it is by stocks and duty. A year ago we transferred to reserves in the parent company £2,796,000 out of the year's profits. With £464,000 provided from subsidiary companies the total addition to the group's reserves out of the year's profits amounted to £3,260,000. We were also able to add to our general reserves £733,000 previously provided but no longer needed for excess profits tax and £502,000 set free from income tax appropriations by reason of the reduction in the standard rate. This year we propose to transfer to reserves £2,750,000 from the parent company's profits, and £703,000 from subsidiary companies' profits—a total of £3,453,000 out of profits—together with £217,000 being the

THE ECONOMIST, FEBRUARY 26, 1955

surplus on realisation of certain fixed assets of a subsidiary company. In addition, out of the parent company's profits we have written off the expenses of issue of the 4 per cent unsecured loan stock 1975-80, and provided in full (£300,000) for the discount on that loan stock. The balance of profit to be carried forward is slightly greater than last year.

I have said more than once in recent years that unless we could be assured of a long period of lower prices, we should aim to transfer to reserves considerable sums each year to assist in meeting the replacement cost liability and our considerable needs of finance. This year we have certainly succeeded in so doing, but we have not, I think, done any more than is prudent in present circumstances. The increase in our leaf stocks is from one point of view highly satisfactory, but it is expensive; and our expenditure on manufacturing capacity, including modernisation and replacement of plant and machinery, must tend for a time to rise. Moreover, although one must admit that on the whole the general price level has been held remarkably well in conditions that might easily have become at least semi-inflationary, there is no sign of a reduction. There can, I think, be any invariable standard for the determination of the proportion of profits which a business should set aside in any one year towards meeting capital requirements maturing over a long period in the course of which many relevant circumstances may alter. Each industry and each company has its own problems. In the case of the tobacco industry, the financing of the duty at the present very high rates is a major problem, but I have never conceived it necessary—nor, I think, has anyone else—to provide the whole of that finance out of profits. Indeed, to provide any large part of it over a relatively short period would require substantial increases in price to the public, and it has been our consistent aim to keep prices, enormously inflated as they are by the duty element, as low as is reasonably possible. Moreover, we cannot expect to provide from profits the very large amount that may be required in any one year for an addition to leaf stocks; an addition that is small in terms of months' using is very large in value because of the size of our turnover. Circumstances, in fact, were such that our short term borrowings were rising during last year to a very high level, and, as you all know, we took advantage of favourable market conditions to fund £20 million by the issue of the 1975-80 4 per cent loan stock. We also arranged, subject to the permission of the Capital Issues Committee, for the replacement of £10 million 3 per cent Notes expiring next April by £15 million of a similar type of security with a life of 10 years, carrying interest at 3½ per cent per annum at a price of 99½. By these two transactions we will have effected a reduction of £25 million in our short term borrowings.

TAXATION

Comment on the transfers to reserve leads naturally to consideration of the effects of taxation. There can, I think, be no doubt that in practice taxation enters into costs and that the present level of taxation is higher than British industry can bear if it is to be truly competitive in world markets. The Government's declared policy of steady movement towards liberalisation of trade and payments—a policy which in theory must clearly be of particular advantage to this country as well as generally beneficial—could be frustrated and made to seem positively harmful if costs and prices cannot be kept down. It is to be hoped that increased revenue from the improvement in trade and productivity which has taken place in recent years may make possible some alleviation in tax burden. (I am here, of course,

speaking of the burden of direct taxation on industry—I will refer to the tobacco duty later.) Additions to reserves such as those to which I referred above have to be made out of taxed profits. They are mainly—in our case entirely—made as provision for capital purposes, and in so far as they are needed for a higher replacement cost of existing plant the tax upon them is in effect a tax on capital. I know only too well that there is no simple cure for this because a change in basis of tax has great complications, but there is no doubt that a reduction in the standard rate of income tax would be a material help in alleviating this particular burden on industry.

While on the subject of taxation, I would like to support most strongly the arguments that have been advanced recently from a number of quarters for alterations in the taxing of earned incomes so that there can be left, out of the higher earnings, some tangible reward for greater effort or skill or knowledge. I believe most people, whatever their circumstances, would agree with the fairness of this if the facts were properly understood. It certainly is a fact, under present conditions, that those who have the responsibility of controlling or directing an industrial concern constantly feel themselves frustrated in efforts to find ways of fairly rewarding special service on the part of the key men on whom so much of the success of the undertaking depends. This special service may take the form of the successful carrying of much greater responsibility or the development of a new and valuable technique—in short a service which adds materially to the prosperity of the undertaking. Under existing taxation it is impossible to give adequate financial recognition of special service on the part of anyone whose ability and industry have already carried him into the high income brackets. It would be absurd to say that loyalty or effort has thereby been sensibly reduced—the technological and managerial standards of British industry are as high as they have ever been—but the inescapable result of present taxation in this respect is injustice and the denial of material incentive.

GIFT TO EMPLOYEES

For many years this company has shown a practical sympathy with the ideals of profit-sharing about which some general public interest is being shown. We have tried very simply, by means of the gift, to give to all employees some financial reward over and above their ordinary earnings when the company's circumstances permit. This year the rate of the gift will be 13 per cent—the same rate as it was for the two preceding years—and as it is paid on actual earnings, and since salaries and wages have increased during each of these years, the amount which the great majority of employees will receive will again be slightly greater. This gift is made by way of special recognition of continuing loyal and efficient service. I believe that it has helped materially to strengthen the good relations which exist among all ranks in the company's service.

NET PROFIT AND DIVIDEND

The net profit for the parent company available for distribution after providing for taxation and all charges and for the appropriations to reserve to which I have already referred amounts to £7,452,000. It is proposed to pay a final dividend of 12½ per cent less income tax on the ordinary stock, which, with the interim dividend and the preference dividends, will take about £7,410,000 leaving £42,000 to be carried forward.

Included in the profit for the year before charging United Kingdom taxation is an amount of £3,612,000 from trade invest-

ments. This represents an increase of £652,000 in the income from that source as compared with the previous year, and that increase is mainly due to our holding in the British-American Tobacco Company which, as I have explained before handles *inter alia* the export trade in our brands. It is a fact, though I am not adducing this as an argument, that the increase on this score approximates very closely to the cost before tax of the increase of 1 per cent in the dividend. This increase goes half-way towards restoring cuts which circumstances forced upon us a few years ago. I would add only two things—firstly, that I am sorry that the increase cannot be more, but, from what I have said, you will appreciate there are good reasons for that, and secondly, that I do not think this increase would have been proposed if there had not been evidence that, for a time at least, the basis of our trade was being broadened and strengthened. I hope, therefore, you will consider the results of the year's operations as satisfactory.

THE OUTLOOK

In the present state of the trade it is even harder than usual to prophesy, but the phrase I have just used—"for a time at least"—requires some elaboration. Events during the past year and since its close have been seen to confirm the strength of our main brands in popular favour. On the information so far available, I would confidently expect our turnover in the current year to exceed that of last year. With still further improvements in efficiency we may succeed in offsetting some of the increases in cost that have already occurred. We may not, however, be able to avoid some small increases in prices of pipe tobaccos which are at a level where it is difficult for manufacturers—I am thinking, of course, particularly of those branches of ours whose business is mainly in the pipe tobacco trade—to make a profit. And, in many cases, this applies to distributors of pipe tobaccos as well. Cigars, too, are a special case where suitable leaf is in very short supply, and has risen in price enormously. On the bulk of our trade, however, I hope we may avoid any increases in price—we shall certainly do our best—and I think it is worthy of note that over the whole range of our pipe tobaccos and cigarettes the retail price to the public (excluding duty) has increased since 1939 by appreciably less than has the price of most other things. Taking everything into account, trading results this year should not so far as I can see be less favourable than last.

The more distant picture is, of course, clouded by the duty question. The Treasury and the Board of Customs and Excise are in no doubt of the views we hold as to the vital need in the interests both of the national revenue and of this industry for a start to be made soon in the process of reducing the rate of duty to a less penal level. There may be some who would say that a year in which the revenue from this duty is showing such buoyancy is a strange time to argue for a reduction. To that I would reply: firstly, that the apparent buoyancy is chiefly due to a long delayed availability of leaf tobacco in quantities sufficient to enable manufacturers to meet public demand (and partly, of course, to increased stocks in distributors' hands), and secondly, that some of the extra revenue from this "buoyancy" might wisely be regarded as a reserve towards meeting the first cost of a duty reduction that would help to strengthen the basis of future revenue. The demand itself has not grown, and great as, in my judgment, are the positive benefits which smoking can confer on mankind, the price of starting to smoke is made to look unduly high by the present rate of duty. In recent years, Canada has provided an admirable example of the ill-effect of an excessively high rate of duty and the benefits of a reduc-

tion. Coming nearer home, a comparison with Southern Ireland points the moral. There, since 1938, consumption per head has increased by 45 per cent, while the duty has gone up by 248 per cent. In the United Kingdom over the same period consumption per head has increased by 15 per cent, while duty has gone up by 512 per cent.

I recognise, of course, that such facts and arguments must be familiar to the powers that be, and, indeed, you would be entitled to be surprised if the industry had not taken steps to see that all concerned were fully informed of our strongly held views. Yet, if I am adequately and conscientiously to deal in this statement with the prospects of the company, I must re-emphasise the point and hope that what I say may not fall on deaf ears.

THE BAJOE KIDOEL RUBBER & PRODUCE COMPANY, LIMITED

SIR ERIC MILLER'S SPEECH

The forty-third annual general meeting of The Bajoe Kidoel Rubber & Produce Company, Limited, was held on February 23rd in London.

Sir Eric Miller, the chairman, in the course of his speech, said: The coffee crop at 1,009,648 kg was a postwar record. The rubber crop, however, fell short of the all-time record of the previous year by some 490,000 lb, mainly because of very dry weather. Export duties on rubber were lower and were suspended altogether towards the end of the year; yet production costs were higher and the world price, which in October, 1953, touched the low point of 16 pence per lb, averaged some 6½d. per lb less than during our previous year. On the other hand, our bumper crop of coffee met with a good market at rather higher prices.

The trading profit of our subsidiaries at Rp. 5,180,202 was only fractionally lower than for 1952-53.

Although no remittance of profits has been received from Indonesia for 1953-54, we recommend payment of a dividend of 10 per cent less income tax, which will absorb £13,693, leaving a credit balance on profit and loss account of £41,915, against £60,842 brought in. It is particularly cruel that in paying stockholders this modest dividend we have to provide £5,000 to cover the profits tax distribution charge demanded on it by the British Exchequer.

CONDITIONS IN INDONESIA

In East Java indiscipline is still rife, and a serious manifestation of it is the widespread and systematic theft of coffee berries from the bushes—we lost several tons of coffee in this way. Our valuable Celebes estates had a reasonably good year, although guerrillas still operate spasmodically in disregard of a military force on Balombissie. These estates were intermittently cut off from the outside world and ambushes were only one of the hazards the staff had to contend with.

Crops for the first ten months of the current year compared with the like period of the previous year are:

	East Java	Celebes
Rubber (lb)	1,614,091	1,299,812
953-54 (lb)	1,712,640	1,129,723
coffee (kg)	340,068	189,430
953-54 (kg)	717,000	256,615
apok (kg)	19,946	...
953-54 (kg)	...	26,800

There are six weeks of the current year still to go, but present indications are that our rupiah profits will substantially exceed those recorded in the accounts now before you.

The report and accounts were adopted and a dividend of 10 per cent, less tax, was approved.

CHELtenham AND GLOUCESTER BUILDING SOCIETY

ANNUAL GENERAL MEETING

CHAIRMAN'S SPEECH

The annual general meeting of the Cheltenham and Gloucester Building Society was held at the society's head office, Clarence Street, Cheltenham, on February 16, 1955.

Mr Leslie W. Bayley, CC, FAI, the president and chairman, presided, and in the course of his speech, said:

Throughout the year 1954 trade generally throughout the country was remarkably buoyant, and employment was maintained at a very high level, with the result that more people were able to save more money. Then, so far as housing is concerned, restrictions were removed, private building was getting into its swing, and the output of houses built for sale was 50 per cent greater than in the previous year.

In these circumstances it is not surprising that building societies in general have had a remarkably successful year, and this society in particular has done a record amount of business in all departments. For the first time in our history the amount of new money invested by shareholders and depositors has exceeded £5 million, and after allowing for withdrawals and interest the total remaining invested at the end of the year had increased by over £2½ million. The amount advanced on mortgage also exceeded £5 million for the first time in our history.

To deal with people for a moment, as opposed to money, our society now has 54,971 shareholders and depositors, and 26,925 borrowing members, giving a total of 81,896 separate accounts.

I would like to stress the point, however, that when a building society chairman announces a record year, as I am doing today, it does not mean that record profits have been made. A building society is not a trading concern, and is not out to make profits, and has in fact no reason for doing so. All we try to do is to hold the balance evenly between investors and borrowers, and after paying taxes and running expenses to put a modest sum to reserve. When a society announces a record year, therefore, it simply means that the society has been able to be of service to a greater number of people.

The accounts show that of the total of 5,438 new mortgages, no less than 5,015 were for advances not exceeding £2,000. You might be interested to know that 580 of our advances for a total of over £900,000 were in respect of newly built houses, this being an increase of some 50 per cent over last year's figure. Over 1,000 advances for a total of rather more than three-quarters of a million pounds were made to tenants who purchased the houses they were occupying, and this was more than double the 1953 figure.

During the year the Minister of Housing announced the guarantee scheme arranged between the representatives of the Ministry, the Local Authorities, and the Building Societies Association, under which building societies are enabled to advance 90 per cent of the value of houses costing not more than

£2,500, or 95 per cent of the value of modern houses costing not more than £2,000. Most building societies and many local authorities have agreed to operate the arrangement, but I must confess I have been disappointed at the attitude of some local authorities who prefer to advance the money themselves because they say they get a profit of ½ per cent. This ½ per cent is the difference between the rate the council pays the Public Works Loan Board and the rate at which it lends the money out on mortgage.

From an analysis of our management expenses, and after deleting items which would not apply to a local authority, and after deducting the proportion applicable to the investment side of our business, I find that it costs us 6s. 6d. per cent to administer our mortgages. I therefore doubt very much whether local authorities will make any profit out of their ½ per cent margin, and in fact it may not prove enough.

There is, however, a more important factor, and that is the risk of loss. The maximum advance which we consider it prudent to make on a newly built house without collateral security is 85 per cent, and our maximum term of years for repayment in such cases is 25. Many local authorities, however, are advancing 90 per cent on a 30-year term, and the risk is therefore appreciably greater. Such authorities are saddling themselves with the whole of the risk, whereas they need only take one-third of it by co-operating with building societies and the Government under the guarantee scheme. I hope I may look forward, however, during 1955 to increasing co-operation between building societies and local authorities in promoting house purchase under the guarantee scheme, because I feel confident this will be in the best interests of both.

In spite of the greatly increased mortgage business, we have been able to add to our holding in trustee securities during the year, and have maintained our liquid funds at just over 13 per cent of our assets. The market value of our quoted securities shows a surplus of £10,000 over book value.

After making full provision for increased income tax, and for profits tax and depreciation, we are able to transfer £75,000 to reserve (£70,000 last year), and our total reserves and unappropriated profit now amount to £1,546,000, representing 6.3 per cent on our assets. Total assets have now reached the record figure of £24,462,000.

The report and accounts were adopted.

The retiring directors were re-elected.

LLOYDS BANK LIMITED

ANNUAL GENERAL MEETING

CAPITAL PROPOSAL ADOPTED

The annual general meeting of Lloyds Bank Limited was held on February 18th at the head office, 71 Lombard Street, London, E.C.

The Right Honourable Sir Oliver Franks, GCMG, KCB, CBE, the chairman, presided.

With the concurrence of the members present the report and accounts and the statement by the chairman, all of which had been previously circulated, were taken as read.

The report and accounts were adopted and the other ordinary business transacted. A resolution approving the capitalisation of £3,593,239 from general reserve to pay up 5s. per share of the uncalled liability on the issued "A" shares was passed unanimously.

Votes of thanks were passed to the chairman and directors and to the staff.

JOHN SUMMERS AND SONS LIMITED

ACCOUNTS SHOW SUBSTANTIAL IMPROVEMENT

FUNDAMENTAL POSTWAR DEVELOPMENTS

PHENOMENAL INCREASE IN DEMAND

MR RICHARD F. SUMMERS ON FUTURE PLANS

The annual general meeting of John Summers and Sons Limited will be held on March 17th at St. Ermin's Hotel, Caxton Street, London, S.W.

The following is the statement by the chairman, Mr Richard F. Summers, circulated with the report and accounts for the fifty-two weeks ended October 2, 1954:

It affords me very great pleasure to be able once more to address members of the public as shareholders of John Summers and Sons Limited. The last occasion upon which I did this was in 1951; you will remember that on February 15th of that year all the shares in the company were taken over by the State. May I say how gratifying it is to know that a considerable number of our old shareholders have again taken an interest in the company, and how much I appreciate the confidence which they have once more placed in it. I am also very pleased that The United Steel Companies Limited once more have a holding in our company.

You will recollect that they took up 750,000 shares at the time the company was offered to the public. Our association with them goes back to 1939, and has been of considerable benefit to both companies. Also may I extend a very hearty welcome to the large number of new shareholders who for the first time have taken an interest in our affairs.

PREWAR DEVELOPMENTS

This business, which was founded by my grandfather just over one hundred years ago, has had a long history of expansion and progress. Many changes have taken place during the past century. Undoubtedly the most fundamental one was the decision taken in 1937 to abandon the old method of rolling sheets on hand mills and to change over to the continuous rolling method.

In 1938 we began the installation of hot and cold mills and a great deal of new finishing equipment. This change-over, which was fortunately virtually completed when war broke out, has ensured the maintenance by the company of a leading position in the sheet industry of this country.

MODERN DEVELOPMENT

The postwar development has also been of a fundamental character, consisting in the most part of the installation of two batteries of 88 coke ovens each, and two 27 ft. hearth blast furnaces. Prior to this we had to draw our supplies of pig iron from our subsidiary company, Shelton Iron, Steel and Coal Company, Limited, and other outside sources. This development was the logical consequence of the decision taken before the war, when we realised that in order to obtain the maximum tonnage from the hot and cold continuous strip mills we should have to increase our steel making capacity very substantially.

As our two melting shops were both many

years old, it was thought prudent to abandon them altogether, and put in an entirely new shop of the latest design. This also formed a part of our postwar development schemes. As a result of all this, when the installation of the plant is completed—which we hope will be some time in 1956—we feel confident that we shall reach our revised target figure of 1,250,000 tons of ingots.

Whilst we have naturally devoted a great deal of time and thought to the fundamental changes, we have not been unmindful of other possible developments. This company was the pioneer of a process which has been improved and expanded during the last few years of electrically deposited coatings on steel sheets. The new material has found a ready market, and has opened up new possibilities for the use of our product—in fact it has been so successful that we are now well on with plans for increasing our already sizeable production. We have also increased our capacity for continuous galvanising, in which I think I may also say we were the pioneers in this country, and now have three units in production.

Towards the end of 1955 we expect to have carried out modifications to the continuous cold mill, which will result in a substantial increase in its capacity. We hope that by then the second blast furnace will be in operation, and that the last few months of the year will show an increase in our tonnage. Unfortunately progress on this furnace has been severely handicapped by the strike of steel erectors employed by our main contractors. This is a matter over which we have no control, but it will undoubtedly delay the completion of the blast furnace by some months, and of course this will upsurge the other developments which are dependent upon the furnace coming into production.

INCREASE IN DEMAND

Since the war there has been a phenomenal increase in the demand for our products, and for a long time we have not been able entirely to satisfy our customers. Many of you, no doubt, will have read from time to time in the Press statements in connection with the expansion which is to take place in the motor industry. Not only the motor industry has plans for expansion; many other of our important and valued customers have also made it clear that their requirements are likely to rise. The higher standard of living brings with it a higher demand for household appliances and labour saving equipment, and the expansion of the oil and drum industries must also be borne in mind. All these markets are very large consumers of sheet steel.

In addition we are naturally under pressure from our many customers in the export market with whom we have had associations extending over a great number of years. Owing to the high home demand, steel sheets are still subject to export licences controlled by the Government. It has always been the

tradition of the steel industry to export a fairly large proportion of its products. This applies especially to our section of the trade, and I think it would be a mistake further to reduce the export quota of sheets, which is far below both the present demand and the amount we were exporting before the war.

INCREASE OF STEEL PRODUCTION

It must be remembered that in a basic industry such as steel the raising of production by a substantial amount entails the expenditure of vast sums of money, and the lapse of several years before the plan can be put into operation. Much has been said as to what should be the output of steel in this country, and widely varying totals have been mentioned, but the great progress in production that has been made since the war should not be overlooked. In 1946 the output was 12,700,000 tons; in 1954 it was 18,520,000 tons, and with the present plans in contemplation it is expected that by 1958 it may reach 22 million tons or thereabouts.

The whole question of the shortage of steel sheets is being earnestly considered by the industry, and an endeavour is being made to forecast on a realistic basis the likely requirements in the next few years. So far as we in this company are concerned we have, as I have already said, for many years occupied a very important place in the steel sheet industry, and I think it can be said that hitherto we have not failed to recognise our responsibilities as members of that industry.

CAPITAL COST OF PLANT

It has always been our desire to endeavour to meet to the best of our ability the demands of our customers, both from the point of view of quantity and quality. We had this very much in mind when we embarked upon the installation of the continuous strip mills in 1937. Subsequent events have proved how wise our policy was, for had we delayed the postwar supply position would have been very adversely affected. Furthermore, from the company's point of view it was a very fortunate decision, for the cost of these mills in 1938 and 1939 was only a fraction of what it would be today.

In spite of the high cost of postwar development schemes, as a result of our pre-war decisions the total cost of the complete Shotton works will be low by modern standards; it has been estimated, and stated in the Press, that the cost of a fully integrated plant of a similar character would today be in the region of £100 per annual ingot ton of steel produced. We had in mind the apparently ever increasing cost of plant when we decided to create the fixed assets replacement reserve referred to in the directors' report, to which sums will be allocated to augment the depreciation based on the actual or historical cost of our plant which is provided in the profit and loss account.

POSSIBLE FUTURE DEVELOPMENTS

When our present plans are complete our production of steel will be considerably more than doubled, but it may well be that investigations will show that further expansion of steel sheet production in this country is necessary. If this is the case I would hope and expect that as in the past your company will play its proper part. You may rest assured that we are fully alive to the position and are keeping in touch with the appropriate official bodies.

In the meantime detailed investigations are being undertaken regarding the possibility of still further expanding the production in our Shotton works beyond the present target of 1,250,000 ingot tons per annum. I am sure you will appreciate that it is too early at this stage for me to make any definite statement on this very important point. However, whatever may be the outcome I feel that we can look forward to the future with confidence.

FINANCIAL RESULTS

You will have noticed that the results for 1954 show a very substantial increase over those of the preceding year. This is mainly due to the fact that that year was one in which the new equipment was being brought progressively into production. It is inevitable when bringing such large units of plant into operation that there should be initial difficulties, more especially when, as in our case, it is necessary to train men in new processes of which they have had no previous experience.

Many of these men had been displaced, owing to the fact that our greatly increased steel output was to be made in eight large modern furnaces instead of the seventeen small old ones, and naturally we wished to find employment for them. We are now deriving the benefit of the economies of all this new plant, and we can therefore, I think, look forward to somewhat better results for the current year, although of course we shall not reach our maximum earning capacity until we have completed the whole of the developments now in hand. This, as I have previously said, we hope will be some time in 1956.

SHELTON IRON, STEEL AND COAL COMPANY, LIMITED

So far I have dealt entirely with the Shotton works, but I would not like to omit a reference to our main subsidiary, Shelton Iron, Steel and Coal Company, Limited, who have had a most successful year, and who have maintained their operations in a most efficient manner. I should also like to emphasise that to our ultimate ingot output of 1,250,000 tons must be added the production from Shelton, which last year was about 240,000 tons. This would give the group a total steel output of nearly 1,500,000 tons.

EMPLOYEES

With all the additional plant which has been installed at Shotton we have of course had to increase the number of our staff very considerably, and many of them have had to learn new methods and new techniques. I should like to take this opportunity of expressing our thanks and appreciation to all our employees for the services which they have given during the year, and the contribution which they have made to the rising prosperity of the company.

CONCLUSION.—I hope that when I address you next year I shall be in a position to report further progress, and to inform you that we are operating at a substantially higher level of production.

R. A. LISTER AND COMPANY, LIMITED
SIR PERCY LISTER'S STATEMENT

The annual general meeting of R. A. Lister and Company Limited was held on February 21st at Dursley. The following are extracts from the speech made by the chairman, Sir Percy Lister, who presided.

Turnover and profits before taxation have established yet another record, an accomplishment which is the more gratifying when it is realised that sterling shortages, licensing and quota controls still seriously interfere with the normal flow of trade in many markets.

During the past year, on the recommendation of your board, the members authorised the issue of 1,040,000 ordinary shares by capitalisation out of reserves, increasing the issued ordinary capital to £3,640,000 and thus bringing the capital of the company more into line with the capital employed in it.

In accordance with statements on our dividend policy made to the members when presenting the accounts at the last two annual meetings, your board have much pleasure in recommending that the final dividend for the year under review be 7½ per cent, representing a small increase over the final dividend paid on the smaller capital last year.

The increasing demand in the domestic market for the range of products of the group is encouraging and the ever-widening range of clients gives a valued measure of stability to your business in this market.

OVERSEAS ACTIVITIES

Your company's widespread export connections and goodwill have produced record demands for the products of the group, a trend which, I am happy to say, currently continues, and the steady expansion of your group's activities overseas should stand us in good stead if and when less favourable world trading conditions pertain.

Recently your company has placed on the market their first small air-cooled diesel engine, the result of many years of careful design, research and prolonged tests under laboratory and user conditions. The demand for this engine, for land and marine purposes in a wide field of applications, is most encouraging, and already this demand is considerably in excess of the current productive capacity which is being expanded as rapidly as circumstances will permit.

The improved financial and economic position of the country is reflected in the industrial expansion and the increased purchasing power, for which all credit should be given to the Chancellor of the Exchequer and his colleagues who so courageously, disregarding political repercussions, "cut our coat according to the cloth," and the currently improved trading conditions are a direct result—a fact which should not be forgotten by the beneficiaries, irrespective of their occupation.

With the improved financial conditions it is hoped that the taxpayers, who have contributed so much, should now receive a tangible measure of relief. Such relief must provide a greater incentive for productive effort and reduce the tendency for the type of skill and experience we so badly need being tempted to emigrate to countries where taxation is less "penal and frustrating."

In conclusion on your behalf, as well as on behalf of your board, I should like once more to extend to the directors, staff and employees in the service of the Lister group of companies, associated companies and branches in all parts of the world, our sincere thanks, for it is through their loyal co-operation and effort that the increased volume of turnover has been accomplished.

The report was adopted.

SOUTH ESSEX WATERWORKS
A SATISFACTORY YEAR

The annual general meeting of the South Essex Waterworks Company was held on February 18th in London, Mr G. Francis Stringer, OBE, chairman, presiding.

The following are extracts from his statement circulated with the report and accounts for the year 1954:

An increase of £46,712 in gross revenue is shown. A very appreciable additional demand for domestic, industrial and building purposes has occurred during the year and the above mentioned increase in gross revenue has enabled the company to meet further increases in the cost of coal, wages and other materials without recourse to an addition to water rates and charges. The erection and occupation of 5,965 dwelling houses during the year within the area of supply of your company has exceeded all postwar figures.

After the payment of dividends as recommended and the appropriation of £65,000 to contingency fund the carry forward is increased by £4,346 to £115,507.

Since the war, the population supplied by your company has increased by 170,000, while the demand for trade and industry has advanced by 70 per cent. Your board much regret that it has been necessary to prohibit until further notice within the limits of supply of the company, the use of any water supplied by them and drawn through a hosepipe or similar apparatus for the purpose of watering private gardens or washing private motor cars.

The report and accounts were adopted.

THE ATLAS STONE COMPANY

TURNOVER WELL MAINTAINED

The twenty-fourth ordinary general meeting of The Atlas Stone Company Limited was held on February 23rd in London, Mr Bernard Davis (chairman and managing director) presiding.

The following is an extract from his circulated statement:

Our trading profit for the year amounted to £73,097 and compares with £50,734 for the previous year. The profit this year, added to the amount of £64,201 brought forward, gives a total of £137,298. After charging depreciation, taxation and all other outgoings, there remains a net available balance of £82,172, out of which your directors recommend that a dividend of 10 per cent, less tax, should be paid, leaving £72,089 to be carried forward.

The result of the company's trading this year is satisfactory in spite of the fact that there has been a decline in the demand for certain precast concrete products which has resulted in keener competition than previously. Every effort has been made to maintain our turnover in this department in the face of reduced margins, and in this we have been successful.

On the paving and kerb side of our business, sales have exceeded those of last year. With regard to our asbestos cement products, I am also glad to report that our sales have been well maintained.

There has been a reduction in the volume of our export trade owing to keener competition from overseas, but we have in spite of this maintained a useful trade in many countries.

The report was adopted.

CO-OPERATIVE PERMANENT BUILDING SOCIETY
ALL-ROUND BUSINESS EXTENSION

35-YEAR REPAYMENT SCHEME INTRODUCED

MR HARRY L. SCORE REVIEWS EXCELLENT RESULTS

The seventy-first annual general meeting of the Co-operative Permanent Building Society was held on February 19th in London.

The president, Mr Harry L. Score, addressing the meeting, said:

Ladies and gentlemen,—I think I can claim that 1954 will long remain a notable and memorable year in the Society's history. I have not only to report an all round extension of the Society's business, including record mortgage advances of over £24 million and another large increase in membership, but, of course, we have attained total assets of £100 million. It is a source of much pride to the directors and the staff, and we have been gratified to receive the congratulations of many of our members and business connections.

ACCOUNTS FOR 1954

Our total share balances have increased during the year by some £16 million, and our deposit balances by some £3 million, and I can assure you that these increases represent a considerable achievement on the part of the organisation. It is only by the attraction of these increased funds that the society has been able to meet the heavy and sustained demand for mortgage advances which has flowed from the increasing number of houses being built for sale to owner-occupiers. In 1954 the loan applications actually approved exceeded £29 million, representing more than 22,000 separate advances. It may interest you to have the following analysis of that total lending:

Private dwelling houses:	£	£
New construction ...	11,003,000	
Existing houses ...	16,633,000	27,636,000
Shops with living accommodation ...		486,000
Farms and small holdings ...		164,000
Houses and flats purchased for investment ...		361,000
Offices, commercial and industrial securities ...		419,000
		<u>£29,066,000</u>

MORTGAGE ASSETS

At the end of the year the total amount outstanding on mortgage was £88,500,000, and I am very happy to report that the 110,000 accounts which made up this total were in excellent condition. The number of properties held in possession at December 31st was 33, compared with 42 12 months previously. When one considers that 75,000 of our accounts carry a debt of less than £1,000, and that the average debt on all our mortgage accounts is only £811, it will be realised what a wonderful security these assets represent for our investing members.

LIQUID POSITION

The society ended the year in a strong liquid position, having no less than

£16,400,000 in securities and cash. As you will see from the investments account, a surplus of £217,000 was realised during the year, and notwithstanding this the investments held at the end of the year had a market value substantially in excess of the book value.

PROFIT AND LOSS ACCOUNT

The total revenue for the year amounted to £4,315,000, £746,000 was absorbed by management expenses, £223,000 by deposit interest, and £1,098,000 by income tax and profits tax. After paying interest to shareholders, £250,000 has been credited to general reserve, £65,000 to investment reserve, and £109,000 to mortgage reserve account, leaving a balance to be carried forward of £189,000. The reserve funds have thus been considerably increased, and with the balance carried forward these amount to the substantial sum of £3,819,000.

STAFF AND AGENTS

These results should, I think, make us all proud of our efficient and still rapidly developing organisation. The volume of business transacted has meant that our staff at head office and at the branches have worked at full pressure throughout the year. I should like to pay the warmest tribute to their enthusiasm, and to the splendid work they have done. Few organisations enjoy the services of such a loyal and able team.

IMPROVED MORTGAGE TERMS

Last year I made reference to the need for low deposits and long repayment terms to encourage young people to embark upon home-ownership. The Government Guarantee Scheme, which was then under discussion, was brought into operation during 1954 and was welcomed by this Society and by building societies generally as an approach to the problem of low deposits. It provided for 95 per cent advances on properties costing not more than £2,000, but did not provide for a repayment term of more than 25 years. The scheme has been adopted by a majority of local authorities, and it will interest you to know, I am sure, that up to the end of January, 1955, the Society had agreed loans under the scheme amounting to £1,081,000.

To meet the needs of those who can find the 5 per cent deposit, but who want a lower repayment than is obtainable under the local authority scheme, the Society has recently introduced its own scheme, under which loans will be granted for a period of 35 years. Let me assure you that your board does not consider that the society is incurring any undue risks by making this extension. Some ten years ago we adopted and pioneered the thirty-year repayment term, a term of years which is widely used by local authorities under the Small Dwellings Acquisition Act, but considered by some building societies to be rather venturesome. I can only tell you that our experience of the thirty-year term since 1944—a period which includes several years of falling prices—has convinced us that

to extend the term a further five years involves very little hazard.

The other thing I would say about our new scheme is that it has been extremely well received, and I am sure that it is going to enable many families to buy their homes on terms which will ensure that the monthly payment to the society does not unduly strain the family budget. Jobs are plentiful and earnings are good. Nevertheless, young couples have many things to contend with—the cost of furnishing, legal costs, and stamp duties (and this latter is a point where the Chancellor could surely grant some relief)—and they do not want to be too heavily committed. Again, building costs are rising, not falling. They are about 3½ times what they were in 1939, and some four times what they were in the middle 1930s. This means that the house which could be bought at £500 in 1934 would cost something approaching £2,000 today. Is this not a good reason for an extended repayment term? We are trying to make house-purchase not a burden and a drain on the household income, but a venture which can be undertaken comfortably and with confidence as a further step towards independence. Tomorrow's prosperous families are those which are saving and buying their houses today.

INTEREST RATES

Building society interest rates occasioned much lively controversy during 1954. The primary factor was, of course, the reduction in Bank rate from 3½ per cent to 3 per cent in May, 1954—a factor which has disappeared from the scene within the last few weeks by the Bank of England's reversion to the 3½ per cent rate. I am not one of those who would argue that Bank rate and building society rates have no relation whatever. In so far as there must be some relationship between short and long term money rates, there must be occasions when Bank rate is a signal to building societies, and such it was in 1952 when it was raised to 4 per cent. But the relationship between building society rates and Bank rate can never be a close one.

A most important consideration we must always bear in mind is the rate which we must pay for funds, especially at a time when the demands on the Society's resources are running at high levels. If we were to reduce the rates paid to our investing members we should probably fail to attract adequate sums to fulfil our primary task of financing house-buyers. It is not always realised how essential the building society part in house finance has become. There is the day to day turnover in existing houses, which, as you will see from the figures I gave earlier, absorb even today practically two-thirds of our annual lending. On top of that, the number of houses built for sale is still rising, and should comfortably exceed 100,000 units in 1955. There are still greater opportunities awaiting building societies in financing private house-building in new towns and expanded towns, and in the rebuilding of the inner cores of our existing industrial towns. Building societies may also have the opportunity of participating in forms of redevelopment other than single family houses, and for my own part I see before us an expanding future of active and useful work.

The report and accounts were adopted.

HER MAJESTY'S OVERSEA CIVIL SERVICE

Statistician (BCD 63/7/93) in the Department of Agriculture, Kenya, to advise on the design of field and other experiments conducted by the Department including sampling, investigations and surveys, and to assist in the statistical analysis of results.

The appointment will be on two years' probation for permanent and pensionable employment. Salary in scale £816 to £1,629 (including pensionable allowance) plus a temporary variable non-pensionable allowance at present 10 per cent of salary (maximum £162 per annum). Government quarters provided when available at a moderate rental. Free passages for officer, wife and family up to cost of three adult passages. Income tax at local rates which are much lower than in United Kingdom. Generous home leave.

Qualifications required are a good degree in Mathematics or Statistics with some post-graduate training in statistics, and preferably a diploma in statistics; some experience of, or training in, statistics methods as applied to agricultural field experiments is essential. The required post-graduate training would if necessary be provided for by means of a Colonial Agricultural Probationship. Applications will therefore be accepted from persons who hope to obtain a degree this year.

Intending applicants, who should be between 21 and 40 years old should write to the Director of Recruitment (Her Majesty's Overseas Civil Service), Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1, stating briefly personal particulars and qualifications and quoting above reference.

THE STEEL COMPANY OF WALES, LIMITED

(STEEL DIVISION)
PORT TALBOT
INVITES

applications from suitably qualified young men, who have completed their National Service, for a number of posts in their Operational Research Department.

The Company operates the largest and most modern integrated Steel Plant in Europe and is still expanding. The plant is laid out on the South Wales seaboard in spacious and pleasant surroundings with ideal working conditions. Good residential areas are reasonably close to the Works.

The Operational Research Department engages in the investigation of a wide range of stimulating problems concerned with all aspects of the efficiency and development of a complex plant; there is ample scope for originality of approach and initiative.

An attractive pension scheme is in operation.

Removal expenses will be paid for a married man to a maximum of 5 per cent of annual salary.

Vacancies are available for:

(a) One PHYSICIST with a good honours degree and preferably some industrial experience. Starting salary in the range of £709-£900.

(b) One STATISTICIAN with an honours degree in Mathematics and a few years' experience. Salary in keeping with experience and qualifications.

(c) Three or Four GRADUATES in either Science or Engineering who seek to apply their training to industrial problems. Starting salary in the range of £550-£650.

Those wishing to apply should write for official Application Form to the:

Personnel Superintendent,
The Steel Company of Wales Limited,
P.O. Box No. 3,
PORT TALBOT, Glam.

MARKETING OFFICER required by NIGERIAN FEDERAL GOVERNMENT for Marketing and Exports Department for one tour of 15-24 months in first instance. Salary scale (including expatriation pay) either £750, rising to £1,480 a year with prospect of permanency, or £807, rising to £1,631, a year on temporary basis with gratuity of £100-£150 a year. Outfit allowance £30-£60. Free passages for Officer and wife. Assistance towards the cost of children's passages or up to £150 annually for maintenance in U.K. Liberal leave on full salary. Candidates, preferably under 45, must have had a sound general education with a University degree, preferably in Commerce or Economics, and must possess administrative ability. Write to the Crown Agents, 4 Millbank London, S.W.1 State age, name in block letters, full qualifications and experience, and quote M1B/34641/EN.

CHIEF ACCOUNTANT. A large British-owned manufacturing concern operating in Portugal requires the services of a Chief Accountant, not more than 45 years of age, who has held a similarly responsible position in the United Kingdom. This post calls for first-class knowledge and experience of all aspects of accounting, costing and financial control as well as for business acumen and the ability to control the whole of the work of the accounts department. A very substantial salary, virtually free of tax, is offered, with an initial contract for three years, the post thereafter becoming permanent, pensionable and holding exceptional prospects. Applications in confidence, to be addressed to Box FE/94, c/o 95 Bishopsgate, E.C.2.

PRODUCT AND CONSUMER RESEARCH ANALYST required by Export Market Analysis Department of Ford Motor Company, Ltd. Dagenham, Essex. Lively interest in motor vehicles and their overseas possibilities essential. Education to at least matriculation required, economics or engineering studies a strong advantage. A young, forward looking man is required. Good salary. Non-contributory pension. Reply to Salaried Personnel Department, quoting reference PCR/4.

ASSISTANT required for Publications Section of International Oil Company. Duties include editing of texts, styling, choice of illustrative material, and contact with typographers, blockmakers and writers. Subject matter ranges from technical to cultural and the highest standards of production are maintained. Applicants, who must have had previous experience of such work, should be between 24 and 32 years of age. Salary according to age, experience and qualifications. Pension Fund rights. Please apply to Box 847.

GRADUATE in Economics, "first" or good "second" degree (preferably with Statistics) required for research work in Department of Economics, International Wool Secretariat, starting salary £500-£600 according to qualifications, with superannuation benefits. Apply in writing, giving full details of qualifications and experience, to the Secretary, International Wool Secretariat, Dorland House, 18-20 Regent Street, London, S.W.1, marking cover: "EC Confidential."

YOUNG American woman, graduate of Geneva University, French and some German, now studying for D.Phil. (Oxon), desires part-time work in London: research, editing, coaching.—Mrs. Meynell, 16 Great James Street, London, W.C.1.

THE ECONOMIST, FEBRUARY 26, 1955

NATIONAL BANK OF INDIA

Notice is hereby given that the Transfer Books of the Bank will be closed from March 9th to March 22nd, both days inclusive.

By Order of the Board,
N. W. CHISHOLM, General Manager,
February 22, 1955.

MIDDLESEX COUNTY COUNCIL
EDUCATION COMMITTEE

ACTON TECHNICAL COLLEGE

HIGH STREET, ACTON, W.3

Applications are invited for the post of ASSISTANT LECTURER (Grade B) in the Department of Management and Production Engineering. Applicants should be prepared to work closely with the production engineering staff in developing with industry collaborative teaching demonstrating the interdependence of the technical and social factors affecting manufacture.

Desirable qualifications include a degree in one of the subjects of Social Science and some experience of industry, consultancy or existing social research team. There will be an opportunity of working with an Salary in accordance with the Burnham (Technical) Report, 1954.

Application forms (stamped addressed foolscap envelope) from the Principal to whom completed forms should be returned within fourteen days of the appearance of this advertisement.

C. E. GURR, Secretary to the Education Committee.

UNIVERSITY OF QUEENSLAND

AUSTRALIA

Applications are invited for a LECTURESHIP IN HISTORY (either Grade I or Grade II).

The salary ranges are:
Grade I £A1,275-£A1,450
Grade II £A1,100-£A1,250

Applicants should possess an Honours degree in History. 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 March 31, 1955.

THE TRAINING OF TECHNICAL TEACHERS

Applications are invited from men and women of approximately 25 years of age and over, for admission to a one-year course of training as full-time Teachers of General Commercial and Professional Subjects, and/or Office Arts (Shorthand, Typewriting and other Secretarial work), in technical colleges and similar institutions.

Applicants who wish to teach general commercial and professional subjects should have a University Degree, or professional qualification, or a Higher National Certificate in Commerce.

Applicants who wish to teach Office Arts should possess higher certificates of some recognised examining body in shorthand and typewriting, and should show evidence of a good general education.

In all cases applicants will be expected to show evidence of good business and other clerical experience.

The courses will begin in September, 1955. Recognised students will pay no fees, and they will be eligible for maintenance grants for the period of the course.

Further particulars and application forms may be obtained from the following Colleges on receipt of a stamped addressed foolscap envelope:

Bolton.—The Principal (S/1/4), Bolton Training College, Manchester Road, Bolton.

Huddersfield.—The Director (S/1/4), Huddersfield Training College, Queen Street South, Huddersfield, Yorks.

London.—The Principal (S/1/4), Garnett College, 83, New Kent Road, London, S.E.1.

QUALIFIED ACCOUNTANTS

A number of qualified Accountants—C.A., S.A.A., A.C.C.A.—are required for a rapidly expanding group of companies in the high-technology and electrical industry. Age 25-40. Salary range £600-£1,300, according to age and experience. Previous knowledge of budgetary control and standard costing preferable but not essential.

Successful applicants will be required to undertake an intensive course of training in factories in various parts of Great Britain for giving age and full details of qualifications, professional and industrial experience and salary required to Box 849.

A COMPANY of the highest standing converting flexible packaging materials invites applications from executives with thorough commercial experience in this field. The appointment will be that of Sales Manager in the first instance, but applicants should be of ability not less than 40-50 years of age. The salary would be £3,000 p.a. with contributory pension benefits.

Applications can be considered only from executives of the highest integrity and of proved management ability and record. Applications should be sent in the first place to Kennedy, Ponsonby and Pridemore, Solicitors, 117A, Chancery Lane, London, E.C.2.

Applicants who fear they may be replying to an advertisement forwarded to (name of their employers), in which case the application will be destroyed unopened.

MARKET RESEARCH.—Gillette Industries Limited are interested in receiving applications for appointments in their expanding Market Research Department. There is a vacancy for a senior man and also a vacancy for a younger man, preferably already with some experience, for training. All applications will be treated as strictly confidential and should be addressed to the Market Research Manager, Gillette Industries Limited, Isleworth, Middlesex.

A LARGE industrial organisation requires the services of a young, attractive Divisional, CHARTERED ACCOUNTANT in the Administration and Finance Department. The special qualities required are first-class personal service in H.M. Forces. This is an excellent opportunity for a young man with a considered determination to make a career in industry. Replies should state age and fullest details of Service experience. Box 846.

INDUSTRIAL DEVELOPMENT IN INDONESIA, by A. M. Neuman. Available from Students' Bookshops Ltd., Cambridge. The Book House Ltd., Whitehall, London, S.W.1. Price 4s. 6d.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of ASSISTANT LECTURER IN ECONOMICS in the Faculty of Economic and Social Studies. Salary on a scale £450 to £550 per annum. (Salary scales at present under review.) Membership of the F.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than March 19, 1955, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of READER or SENIOR LECTURER IN SOCIOLOGY in the Department of Social Anthropology. Salary scales at present: Reader £1,250 x £50-£1,600 per annum, Senior Lecturer £1,150 x £50-£1,500 per annum, but are under review. Membership of F.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than March 14, 1955, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of LECTURER IN ACCOUNTING in the Faculty of Economic and Social Studies. Salary on a scale £500 x £1,100 per annum; initial salary according to qualifications and experience (salary scales are at present under review). Membership of F.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than March 22, 1955, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

COLLEGE OF TECHNOLOGY, BIRMINGHAM

DEPARTMENT OF INDUSTRIAL ADMINISTRATION
Applications are invited for the new appointment of LECTURER in the Economic and Distribution Aspects of Industrial Administration.

Candidates should have an Honours Degree in Economics with experience in industry and/or the marketing of industrial products. The appointment will be in the grade of Lecturer. Salary £965 x £25-£1,065 in accordance with the Burnham (Further Education) scale for men.

Further information and a form of application which must be returned not later than 14 days after publication of this advertisement, may be obtained from the Registrar, College of Technology, Suffolk Street, Birmingham, 1.

K. R. FILLING, Clerk to the Governing Body.

COMMERCIAL MANAGER

Genatossan Limited, a member of the Fison Group, require a Commercial Manager. This is an important position carrying a high salary and a seat on the Board.

The Company's products comprise mainly milk derivatives and pharmaceutical proprietaries.

The Commercial Manager's duties include responsibility for (a) purchasing for the Company and all its subsidiaries, (b) home and export marketing, covering pricing, packaging, merchandising, advertising and new product development, (c) general commercial policy, e.g. relations with Government Departments and agreements with British and foreign companies. The Commercial Manager is not responsible for sales, which are handled by another Director already in post. Conditions and widows' pensions schemes, and include contributory retirement and widows' pensions schemes. Age limits about 35 to 45. Applications to Managing Director, Genatossan Limited, Loughborough, Leics.

FARMER AND STOCK-BREEDER has editorial vacancy for a young economist with agricultural background and ability to interpret facts and figures clearly. Pension scheme. Good prospects. Must be prepared to live in or near London.—Farmer and Stock-breeder, Dorset House, Stamford Street, London, S.E.1.

THE B.Sc. ECON. DEGREE of London University is open to all without University residence. It is a valuable qualification for ambitious men and women engaged in accountancy, secretarialship, banking, finance, commerce, public services. Wolsey Hall (est. 1894) provides postal tuition of a high order for the three (in some cases two) examinations, at reasonable fees. More than 1,000 Wolsey Hall students have passed London B.Sc. Econ. (Final) exams, since 1925. Prospectus from C. D. Parker, M.A., LL.D., Director of Studies, Dept. P17 WOLSEY HALL, OXFORD.

INVESTMENT ANALYST required by Ford Motor Company Limited, Dagenham, to work in London. Practical experience in limited, day-in, day-out, merchant banking and actuarial matters would be advantageous. Salary level commensurate with qualifications and experience. Age 30 to 35.—Reply to Salaried Personnel Department quoting reference C1A.

SENIOR EXECUTIVE, 36, ten years' managerial experience International manufacturing company; present salary £5,000 plus; seeks position offering wider scope home or abroad.—Box 831.

WILLIAM MALLINSON & SONS, LTD. require a General Manager to take full responsibility of a very large modern Plywood factory in the West Country. Applicants must be experienced production engineers conversant with the latest methods of controlling a mass production factory and with Management problems generally. Some knowledge of wood helpful but not essential. Eligible for Contributory Pension Scheme. Salary commensurate with qualifications and experience. Write with full particulars to the Secretary, 130/150 Hackney Road, London, E.2.

DEATH DUTIES can be drastically reduced if you plan and act now.—Write, in confidence, to Robert A. Thomson, 11 Duke Street, St. James's, S.W.1.

ITALY.—Experienced British businessman, resident Rome, prepared develop promising agencies. Initial negotiations U.K.—Box 835.

The Economist: Annual Air Subscription Rates

Anglo-Egyptian Sudan: £5.10s.
Australia: £8.5s. (sterling)
Canada: \$21.50 or £7.14s.
East Africa: £5.5s.
Egypt: £5.5s.

Europe (except Poland): £4.15s.
Gibraltar, Malta: £3.15s.
Hongkong: £7
India & Ceylon: £6
Iran: £6
Iraq: £6

Israel: £6
Japan: £9
Malaya: £6.15s.
New Zealand: £9 (sterling)
Nigeria, Gold Coast: £5.5s.

Pakistan: £6
Rhodesia (N. & S.): £5.10s.
S. America and W. Indies: £7.15s.
Union of S. Africa: £5.10s.
U.S.A.: \$21.50 or £7.14s.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Irund 2d. Overseas 2½d.—Saturday, February 26, 1955.

UNIVERSITY OF LONDON

A course of two lectures on "Characteristics of the Middle Classes" will be given by Professor P. de Bie (Louvain) at 6 p.m. on March 7 and 8 at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2.

ADMISSION FREE, WITHOUT TICKET.

JAMES HENDERSON, Academic Registrar.

UNIVERSITY OF BIRMINGHAM

INSTITUTE FOR ENGINEERING PRODUCTION
EXECUTIVE COURSES ON PRODUCTIVITY STUDIES
A number of short practical courses on the principles and methods of increasing productivity are now available for production directors, works managers and senior production engineers on the following subjects:—

1955
February 28th-March 11th: "Work Study applied to secure Process and Product Improvement"

March 14th-March 25th: "The Use of Operational Research in Increasing Productivity"

March 28th-April 7th: "The Application of Work Study"

April 18th-29th: "Production Planning and Control"

May 2nd-13th: "Work Study applied to secure Process and Product Improvement"

May 16th-27th: "The Use of Operational Research in Increasing Productivity"

June 6th-17th: SUMMER COURSE, on "Work Study with particular reference to Industrial Training Methods"

June 20th-July 1st: SUMMER COURSE, on "The Application of Work Study"

These courses may be attended singly or in sequence, and residential facilities are available for 25 members on each course. Further information is available from:—

The Institute for Engineering Production,
"Southfield," 16 Norfolk Road, Edgbaston, Birmingham, 15.
Tel. No.: EDG. 0390.

THE UNIVERSITY OF SHEFFIELD

Applications are invited for a post of LECTURER in ACCOUNTANCY to begin duties as soon as possible. Initial salary at a point on the scale £650 x £50-£1,350, depending on qualifications and experience, with F.S.S.U. provision and family allowance. Applicants should be graduates, preferably in commerce, economics or law, in addition to being qualified professionally. Applications (three copies), including the names and addresses of three referees, should reach the Registrar (from whom further particulars may be obtained) by March 26, 1955.

THE POLYTECHNIC, 309 REGENT STREET, W.1
SCHOOL OF COMMERCE

Applications are invited from teachers who wish to be placed on the evening or part-time panels for next session and particularly from those offering subjects for the Inland Accountants, Bankers, C.I.S., I.C.W.A., Export, I.S.M.A., and Incorporated Statisticians examinations. Forms of application may be obtained from the Head of the School of Commerce.

Shareholders are informed that pursuant to resolutions of the Company in General Meeting and of the Board of Directors passed on February 18, 1955, £3,593,239 out of the General Reserve was capitalised and appropriated to the holders on that date of the 14,372,956 issued "A" shares of £5 each and applied on their behalf in paying up a further 5s. per share on the "A" shares then held by them respectively.

February 21, 1955. JOHN E. WAY, Secretary.

BUSINESS EXECUTIVE WANTED

Experienced Executive Administrator required by large Trade Finance Company (specialising in hire purchase) extending abroad with view to Management. Possible Directorship to the right applicant. Strict confidence observed.—Write Box 840.

TRAINING OFFICER (age 30-35) required by well-known Group of Companies. Applicants must be experienced in the introduction and implementation of training schemes at all levels, but in the first instance will be required to plan and install a scheme for management trainees, both technical and non-technical. Write, giving details of education, training and experience, together with salary required, to Box 844.

DOUGLAS GLASS
OF MEN
4 Black Lion Lane W.6. RIV 7522

PAST African firm of Chartered Accountants have vacancy for experienced Chartered Accountant. Tours of 2 or 3 years, paid U.K. leave after each tour, return passages paid for man and wife. Commencing salary £1,800 per annum with prospects of partnership. Write Box S.194, c/o Streets, 110 Old Broad Street, E.C.2.

M.A. (Cantab.), barrister, early thirties, several years' executive experience with British and American companies, seeks change; full scope wanted for initiative and industry; willing to travel.—Box 848.

EXPERT POSTAL TUITION
For Examinations—B.Sc. Econ., LL.B. and other external London University Degrees; Law Society; Bar; Accountancy; Banking; Secretarial; Civil Service; Commercial; General Certificate of Education, etc. Also many non-examination courses in business subjects.—Write today for free prospectus and/or advice, mentioning examination (if any) or subjects in which interested, to the Secretary (G 9/2).

METROPOLITAN COLLEGE, ST. ALBANS
or call at 30 Queen Victoria Street, London, E.C.4.

THE BREADALBANE
HYDRO-ELECTRIC SCHEME
Comrie, Perthshire, Scotland

British & European
ROCK-TUNNELLING RECORD

During the week ending 19th December 1954,
The Mitchell Construction Company drove 428 feet on one heading
on a 10 feet 6 inches bed-width tunnel on one of the
Breadalbane contracts which Mitchell's are executing for the
North of Scotland Hydro-Electric Board.
This was part of a total of 1,300 feet driven on all headings
in the same week. No special arrangements were
made in connection with the record and the same
planning and resources which made it possible are
devoted to all contracts entrusted to us.

MITCHELL

THE MITCHELL CONSTRUCTION COMPANY
Civil Engineering Contractors

WHARF WORKS, PETERBOROUGH • 7 GOWER ST., LONDON, W.C1



The Economist

FOUNDED 1843

ONE SHILLING

Nipped in the Bud?
Keeping Europe Going
Bull in a Picture Shop
Japan—Nationalist and Neutralist
Backdoor Convertibility
War on the Terms of Trade
Steel Three-fifths Unscrambled

AMERICAN SURVEY: Fifty Little Mayors
THE WORLD OVERSEAS: Taking Counsel in Bangkok
BOOKS: In the Washington Jungle

Annual Postal Subscriptions: by ordinary mail £3; by air see page 859

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

VOLUME CLXXIV • NUMBER 5819

HOW YOU CAN HAVE VISIBLE RECORDS PLUS MULTIPLE ENTRIES for Ledgers, Wages, Stocks, Hire Purchase

Nobody questions the tremendous value of visible records, especially nowadays. For the rising cost of clerical labour has made any saving in cost (or increase in output) vitally important.

Take the basic factors of any visible record . . . First, you can SEE any one record instantly—without searching. That means instant reference and quicker entry.

Next, the edge of a visible record flashes to your eyes the facts you want to know—without check-up. You see who owes you money—what stocks are short—what credit limits are . . .

In short, visible records are not ONLY far more efficient. They save money as well as time. But now for an even greater step forward . . .

SAVE 66⅔% CLERICAL LABOUR

Now you can use visible records in such a way as to have three entries with one writing. Take, as an example, sales and purchase ledgers. Now, there is no need to find the account, type the statement, enter into the journal . . . and delay statements until the end of the month. For now you can have the statement WITH the ledger account WITH the Day Book sheet and enter all three with ONE WRITING. That means—surely?—66⅔% less margin of error, of checking and of posting figures.

The same economies can apply to Wages, Stocks, Hire Purchase, etc.

Just jot 'Multicopying Visible Records' on your letter heading and full details will be sent you by return.

Shannon Systems

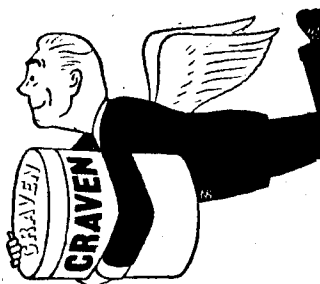
VISIBLY BETTER RECORDS

The Shannon Ltd.,
849 Shannon Corner, New Malden, Surrey

THE ECONOMIST, MARCH



The discerning diner
expects (and rightly deserves)
an Irish Linen table-napkin



The witchery of

No Craven man burdened by care or trouble ever sought in vain for comfort from his pipe of Craven Mixture. Craven gives pleasure which no one but those who know its spell can ever know—the deep, luxurious witchery of the very soul of Tobacco.

Try CRAVEN

As the first pipeful casts its bewitching spell you'll agree with Sir James Barrow who said in 'My Lady Nicotine' that Craven "is a tobacco to live for". Every Craven man knows how right he was.

Craven

Craven Mixture 4/7 oz. Craven Empire de luxe Mixture 4/7 oz.

THE ECONOMIST, MARCH 5, 1955



A nice clean start, Mr. Percival?

Washing up the tea things at home is a very small headache compared with the huge task of washing millions of milk bottles—a problem that faces the milk industry every day. Calgon and other Albright & Wilson phosphates are being used more and more throughout many branches of the food industry to make washing solutions work more efficiently, and to ensure that bottles, jars, tins and equipment are left scrupulously clean and sterile.



Chemicals for Industry

ALBRIGHT & WILSON

ALBRIGHT & WILSON LTD • 49 PARK LANE • LONDON • W.1 • TELEPHONE: GROSVENOR 1311

Sounds, Shillings and Pence

IF SMELLS were the biggest curse of the nineteenth century, most certainly noises have taken their place as the greatest nuisance of the twentieth. In industry, noise nuisance is the unseen enemy employers have to face, contributing to inaccuracy, lack of concentration, careless mistakes and unwitting distraction from the job in hand.

Whilst the employees' need for adequate light, temperature and ventilation usually receive sufficient attention, is it not strange that so little regard is paid to the requirements of the ear? Heavy factory machinery is not the only source of noise in industry. The problem is becoming acute in offices where typewriters, adding and duplicating machines, and teleprinters are also making their own noisy contributions to unpleasant working conditions.

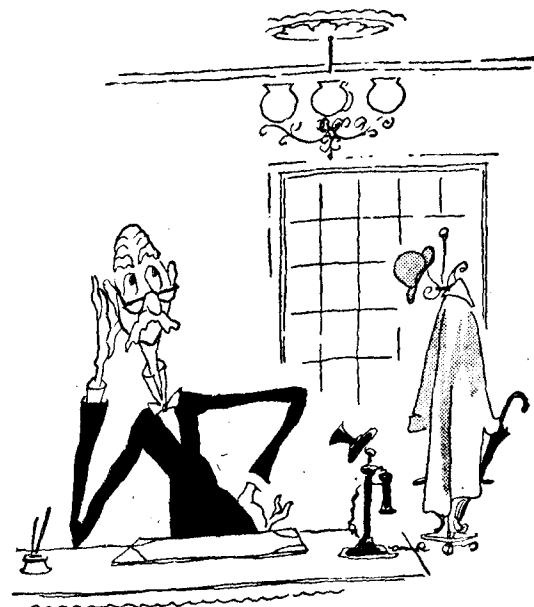
What can be done about this unwanted noise which so systematically lowers working efficiency? Nowadays the requirements of our hearing can be scientifically assessed so that the amount of noise reducing insulation can be accurately calculated. In many cases reduction of noise can be effected without structural alteration and without interruption to working arrangements of the factory or office.

It is worth a little thought to consider what contributions the elimination of undesired noise could make to the working efficiency of your factory and office. Newalls experience in this field as manufacturers and contractors is at your disposal on any aspect of sound insulation. *Preliminary investigation and consultation are gladly offered and will cost you nothing.*

NEWALLS INSULATION CO. LTD • Washington • Co. Durham

A member of the TURNER & NEWALL ORGANISATION

Offices and Depots at LONDON, GLASGOW, MANCHESTER, NEWCASTLE UPON TYNE, BIRMINGHAM, BELFAST, BRISTOL AND CARDIFF. AGENTS AND VENDORS IN MOST MARKETS ABROAD.



**Does your office
bear looking at?**

The effects of time on everyday faces and places are seldom seen clearly. Our children grow up, our friends grow old, our offices grow shabby and we hardly notice the difference.

Any business man who detects a need for improvement when he tries to see his own office as outsiders see it, is invited to get in touch with Catesbys Contracts.

Catesbys have a team of expert decorators, designers and furnishers who will co-operate intelligently with you to give your office a comfortable atmosphere that befits and inspires a good business man. You'll find that Catesbys Contracts are organised to get on with the job fast and efficiently and that they never seek to push you into more expense than you want.

They'll do the whole thing, from first plan to last fitting, then leave the place spick and span for you. *Ring Museum 7777 and have an executive round to see you.*

Catesbys

CONTRACTS & EXPORT LIMITED
TOTTENHAM COURT ROAD • LONDON, W.1. MUSEUM 7777

LET CATESBYS PUT A NEW FACE ON THE PLACE

**FERRANTI
ELECTRONIC
COMPUTERS**
have been sold to:

Government Departments

A.V. Roe and Co. Ltd
Chadderton, Lancashire

Shell Petroleum Co. Ltd
Amsterdam

Universities at Manchester
and Toronto

The National Research
Council of Rome

COUNT ON FERRANTI

The Largest Manufacturers of Electronic
Computers in the British Empire



FERRANTI LTD.
Works: MOSTON, MANCHESTER 10

LONDON COMPUTER CENTRE
21 Portland Place, London, W.1.

Head Office: HOLLINWOOD LANCs

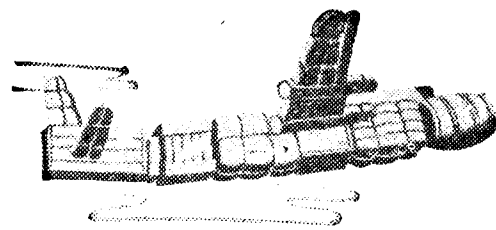


HILLARY of EVEREST *writes his own story*

Beginning exclusively in JOHN BULL, out Wednesday, March 9th is Sir Edmund Hillary's HIGH ADVENTURE—one of the greatest real-life adventure stories of the century. Hillary takes you with him on the most triumphant mountaineering feat of all time—Everest—revealing in his own words, his personal thoughts, feelings, experiences.

Week by week, JOHN BULL will bring you the whole story of Hillary's life as a mountaineer, illustrated with magnificent full-colour and black-and-white photographs. This is a unique publishing achievement. Demand for JOHN BULL will be tremendous. Give your newsagent a standing order NOW while there's still time to reserve copies.

FIRST WORLD PUBLICATION—EXCLUSIVELY IN
JOHN BULL
OUT WEDNESDAY, 9th MARCH—



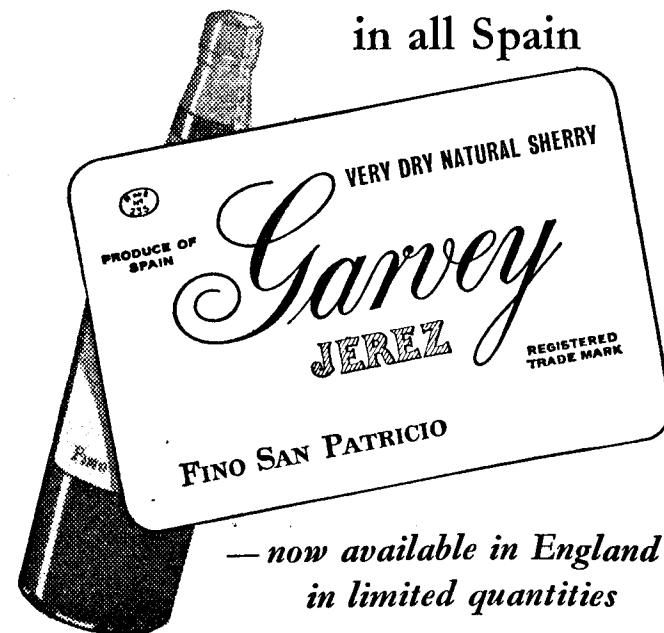
AIR FREIGHT. . . Freight space can be booked and reserved on all H C A scheduled air routes: from NEWCASTLE, MANCHESTER, GLASGOW TO STAVANGER, OSLO, COPENHAGEN, HAMBURG, DUSSELDORF, AMSTERDAM, PARIS. Also between LONDON and NEWCASTLE, NEWCASTLE and MANCHESTER, NEWCASTLE and GLASGOW. And on "SAFARI" SERVICES TO EAST, WEST AND CENTRAL AFRICA.

swift
and
certain by



Consult your forwarding agent or—
HUNTING-CLAN AIR TRANSPORT LIMITED
5 Fitzhardinge St., London, W.1 Phone: WELbeck 7799

Here's the most sought after Sherry
in all Spain

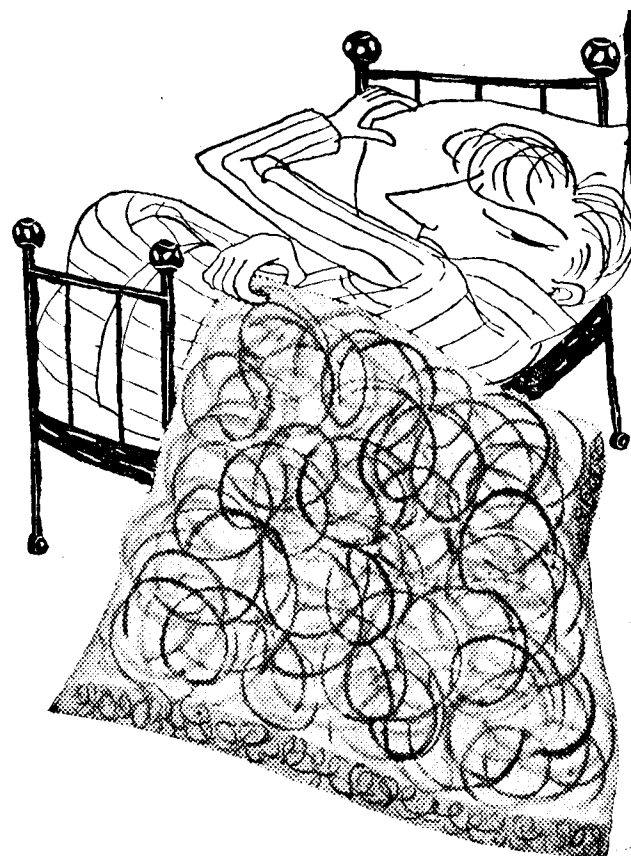


You owe yourself the pleasure of

**Garvey's FINO
SAN PATRICIO**

IMPORTED BY MATTHEW CLARK & SONS LTD, 110 CANNON ST, LONDON, E.C.4

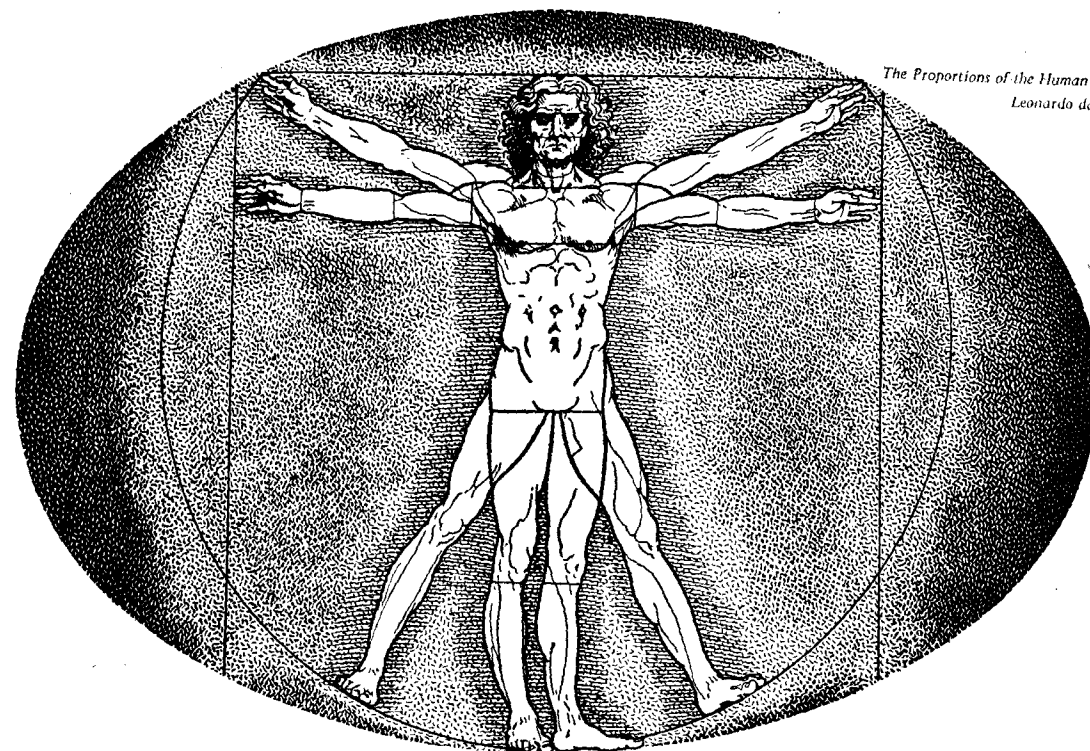
When
the eiderdown
slips off



and the chill night air awakes you . . .
then you have some notion of what you're
missing without Fibreglass attic insulation
in your home. Laid across the rafters
like an eiderdown, it holds the heat in—
to keep every room snug and warm
for ever and ever—for about £6.

FIBREGLASS
TRADE MARK

FIBREGLASS LIMITED, RAVENHEAD, ST. HELENS, LANCASHIRE



The Proportions of the Human Figure
Leonardo da Vinci

Man is the measure of all things—

PROTAGORAS (B.C. 481-411)

We live in an age of great organisations; can we also live in one of great individuals? To reconcile the technical achievement of modern society with the dignity of the men and women who compose it is the problem of our time. To reach a solution we must first be certain of the aim we set our mammoth communities and world-wide corporations; when the last superlative has been uttered, the test must be the same—how far they contribute to the happiness, understanding and liberty of the ordinary man.

The real measure of a modern industry is its power to preserve our human values while adding to our material heritage. Man is not just another factor in the productive chain—he is the reason for its existence.



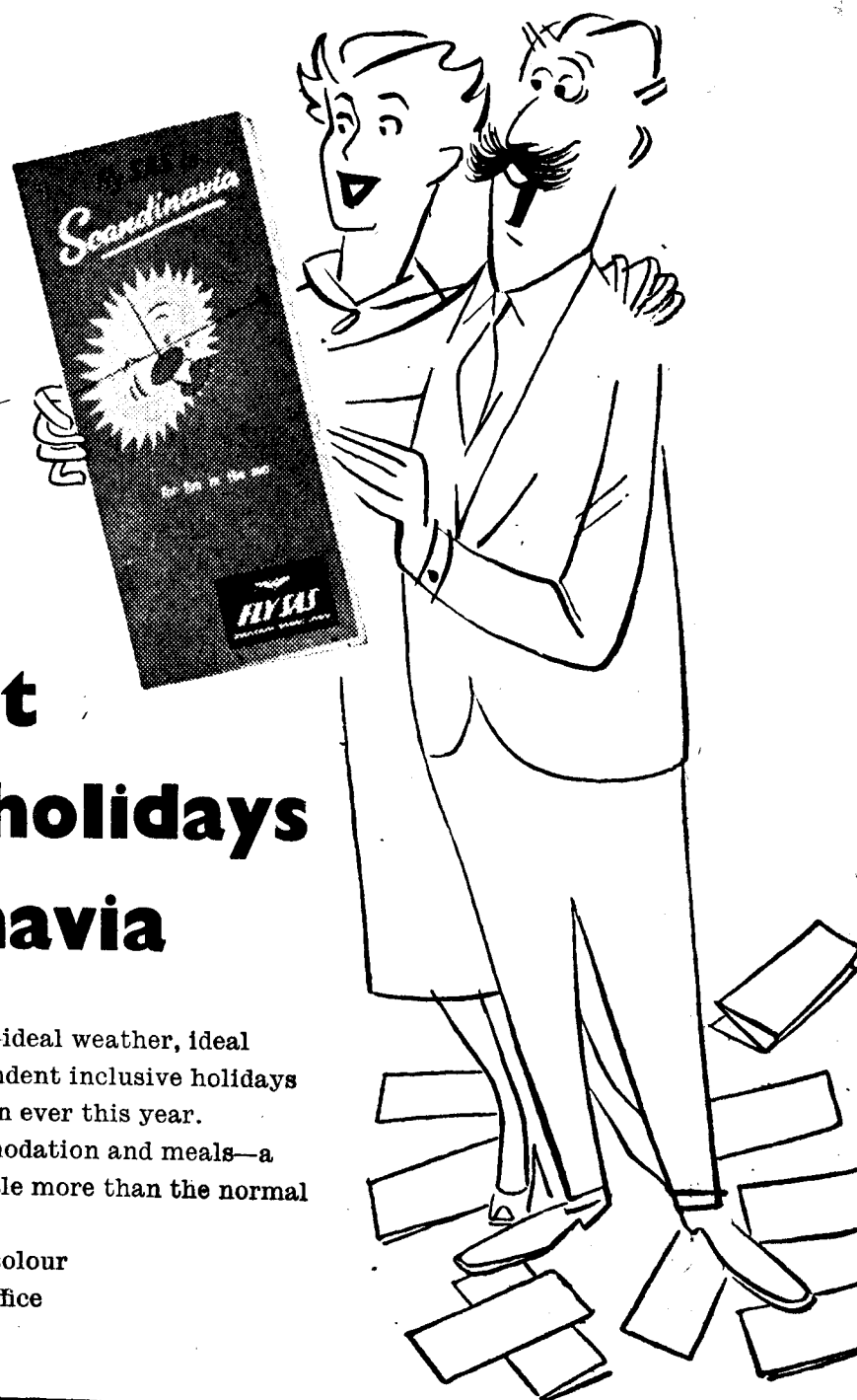
Esso Petroleum Company, Limited

This is it!

Cheap independent inclusive air holidays to Scandinavia

MAKE it Scandinavia this year—ideal weather, ideal food, hospitable people. Independent inclusive holidays to Scandinavia are CHEAPER than ever this year. Return air travel, hotel accommodation and meals—a really first-class holiday—at little more than the normal return air fare.

Ask your Travel Agent for full colour folder or contact nearest SAS office



first over the Pole

SCANDINAVIAN AIRLINES SYSTEM

5, CONDUIT STREET, LONDON, W.1. (HYDE PARK 6777)
(AND AT MANCHESTER, BIRMINGHAM, GLASGOW)



“There are people whose business it is to know about these things”

You may never have seen a refractory. “The technical side!” you may say. “There are people whose business it is to know these things.” How right you are! Refractories are technically very complex, and financially very important. Their selection really is a specialists’ job. Morgans are such specialists. They are the manufacturers of some of the finest refractories in the world. They designed, and they operate, the most up-to-date refractories plant in Europe. They know, if anyone does, the care with which long-life refractories must be made. Morgans’ advice—which involves no obligation—is completely authoritative.

Refractories are the materials from which furnaces are built. They may well be in your balance sheet—unseen. Think of their effect on labour and fuel costs, overheads, furnace productivity; and their importance at once becomes clear. As well that there are people who know about these things!

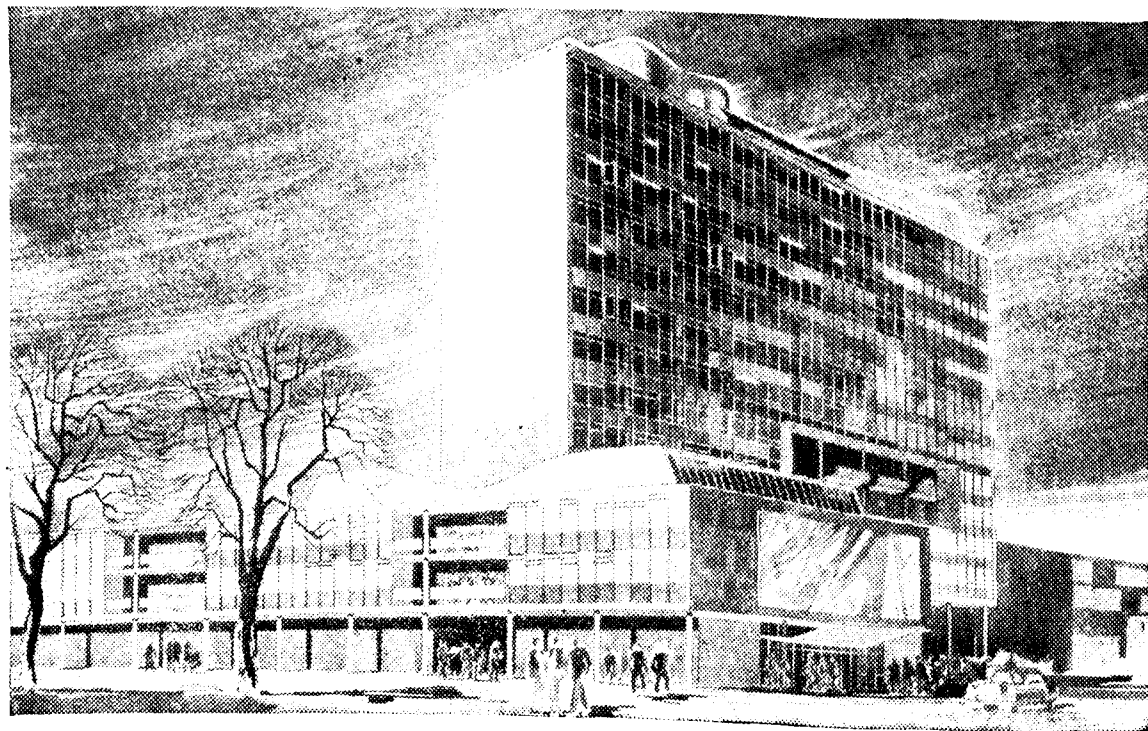
MORGAN Refractories

ASK MORGANS ABOUT REFRACTORIES—THEY KNOW

THE MORGAN CRUCIBLE CO. LTD. (REFRACTORIES GROUP), NESTON, WIRRAL, CHESHIRE. TEL: NESTON 1406

Beauty that's good for business

WALLSPAN



The use of Wallspan for Outer Walls offers your architect greater scope and opportunity in the design of any new building you contemplate. Wallspan can give you an impressive, colourful building that will retain its beauty—and its value—through the smoke and grime of the years.

Why Wallspan gives you a Building you'll be proud of. Nowadays the weight of a building is borne by the structural frame. The outer walls, which provide the setting for windows and doors, are essentially protective and decorative, keeping the weather out and the warmth in and giving the building a suitable facade.

With Wallspan, the facade can be far more colourful and graceful, far more imaginative in design. For Wallspan outer walls consist of a grid of aluminium alloy which is bolted to the frame of the building. Into it are fixed windows and doors and the grid is completed with any of a wide variety of beautiful panelling materials, which can be faced in glass, stone, metal, wood and so on, each in a choice of colours. So the use of Wallspan gives your architect completely new opportunities to design not only a building you'll be proud of, but one that will keep its beautiful appearance and its value.

No maintenance. Wallspan walls need neither pointing nor painting. They can be kept clean by an occasional wash-down by the window cleaners.

More Floor Space and More Warmth. Wallspan grid members can be as little as 5 inches thick, carrying panelling about 2 inches thick, compared with the 11 inch thickness of traditional walls. Thus you get extra rentable floor space all round every floor. The walls, moreover, are not only weather-proof and durable, but can easily be constructed to offer 50 per cent more heat-retention than cavity brick.

Walls up in DAYS, too. Finally, Wallspan walls are so simple to erect, they can be put up in a matter of days. It will be worth your while to discuss with your architect the use of Wallspan in any new building you are planning—office, factory, shop, store, warehouse, school...

WALLSPAN CURTAIN WALLING

WILLIAMS & WILLIAMS

Reliance Works · Chester

You'll be using your building sooner - much sooner - if it has Wallspan walls

OSCAR HOBSON:

A Tribute

The Financial Times in its weekly column "Men and Matters" recently had this to say about the News Chronicle City Editor:

"No honour could have given greater pleasure to the City than the knighthood conferred upon Mr. Oscar Hobson in the New Year's List. This was an imaginative selection, and one altogether appropriate.

"Mr. Hobson has always been a steady critic of the money-tamperers in Whitehall, and of the "get-rich-quickly" people who have misused the machinery by which the City of London has become the most intelligent and far-seeing of world financial centres.

"Mr. Hobson is by far the ablest of City Editors of our time, and his shrewdness and capacity for judgment, tempered by high independence, have been of the greatest service to the City, the Treasury, and to British industry. Mr. Hobson does honour to the latest Honours List."

Sir Oscar Hobson is author of "How the City Works", a book that explains in plain non-technical language the financial machinery of the banks and the Stock Exchange and the hundred and one mysteries connected with the commercial life of the greatest City in the world.

PRICE 6/- from booksellers or 6/6 post paid from the News Chronicle Book Department, Bouverie Street, London, E.C.4.



**Read OSCAR HOBSON daily in the
NEWS CHRONICLE**

The Wine of the Year
1949 LIEBFRAUMILCH
BLACKFRIARS
LABEL

*Not too sweet,
not too dry.*

The finest wine in its class.
*Excellent with any main
course—fish, poultry,
white meat or
red meat*

At your Wine Merchant's

LONDON E.C.3

It moves in the right circles

There's a place for Anglepoise on every desk... by every arm-chair. It throws its beam exactly where needed at a touch—and "stays put". Needs only a 25 or 40 watt bulb. At any good electricians or stores. Send for booklet to Dept. 35



Black or Cream £4.14.8
Cream & Gold mottled £5.6.6

Sole Makers: HERBERT TERRY & SONS LTD · REDDITCH · WORCS



NO SEA TOO DEEP.....

WHEREVER THE DRILL GOES

..... SCHLUMBERGER GOES!

The Economist

FOUNDED 1843

MARCH 5, 1955

ONE SHILLING

Nipped in the Bud ?	785
Keeping Europe Going	787
Bull in a Picture Shop	788
Japan—Nationalist and Neutralist	790

NOTES OF THE WEEK

Hideous Epoch; Cuckoo Among Doves; Delusions at the Highest Level; After Bangkok; Liquidation by Instalments; The Anti-Monopoly Party; Forbidden Topic; Famine in Tunisia; When is an MP Real?; Franco on Two Fronts; Plums for Teachers; No Plums for Nurses; Tourists in North Korea; Recklessness at Gaza; High Flats and Tall Costs; Spare the Victors; Alphabet Soup; The King of Cambodia; £530 a Year; Schleswig a Problem Still. 792

LETTERS TO THE EDITOR 803

BOOKS AND PUBLICATIONS 804

AMERICAN SURVEY

Fifty Little Mayors 809
The Big Cigar; Obstructing a Justice; The Rolling Road; A Nation on Wheels; Uncivil Aeronautics; Helicopters Run High; Shorter Notes.

THE WORLD OVERSEAS

Taking Counsel in Bangkok 817
No Peace for Dr Adenauer; Somalis with a Grievance; 1984 on the Yalu River; The Tasks of M. Faure; Quiet Change in Uruguay; Riots in Sierra Leone.

THE BUSINESS WORLD

Backdoor Convertibility 827
War on the Terms of Trade 829
Steel Three-fifths Unscrambled 831

BUSINESS NOTES

Is Bank Rate Working?; The New Bill Rates; Bank Lending Unrestrained; How Yields Have Moved; PWLB Rates Increased; The Winter in Coal; Business as Usual in HP; Lancashire's Bitter Pills; Halifax Hauls the Flag Down; BOAC's Seven Seas; Britannia on the Move; Shell Buys Petrochemicals; Airwork over the Atlantic; Output Rises More Slowly; Profits from the Stores; More Cars for South Africa; Shorter Notes. 832

COMPANY NOTES AND SECURITY

PRICES 843
STATISTICS 846

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

Nipped in the Bud?

THE important economic news of last week was not that Britain's balance of payments has been turning sour; that had been evident since the publication of the January trade returns. The important news was that the Government is taking prompt and commendable action to try to nip any crisis in the bud. This news—implying a realisation by the Conservatives that the time has come to go over from remarkably good luck to remarkably good management—is in many ways the most heartening development of the Government's whole period of office. Mr Butler deserves an unreserved apology from all who doubted whether he would really dare to do it.

So much for the Chancellor's bouquet. In present harsh circumstances, however, not much time can be wasted in fondling it. There are three questions that everybody—no doubt including Mr Butler himself—is now asking: Will Conservative restraint work? What further measures can the Government take if Bank rate fails? And what will be the political consequence of this new twist in fortune and management?

On the first question—whether the new policy will work—there seems to have been a rather facile surge of optimism during the past week. All that the 4½ per cent Bank rate has done so far, all that it could have done in ten short days, has been to arrest that part of the weakness of sterling that was due to fading confidence in the currency. This fading confidence was at once a symptom of, and a complication in, the country's economic sickness; if it had been allowed to develop it could have become a very serious complication, and it is excellent news that it has been temporarily checked. But nobody can cure a disease by arresting one of its complications and ameliorating one of its symptoms. Until somebody has been stopped from over-eating, the basic causes of indigestion will presumably remain. The doctor's diagnosis last week was that there is such indigestion. Import prices are expected to rise far enough this year to make it necessary to divert to export a large part of any increase in national production; but this increase in production—which is still in the bush—looks like being wholly absorbed by increases in domestic investment and consumption. It was to cut down investment and consumption that Bank rate was raised.

The most disturbing development of the past week is that the City of London does not seem to have realised this. After an initial setback the Stock Exchange has been recovering joyously; it has even been argued in the financial press that since the increase in Bank rate "removes uncertainty," it can almost be regarded as a "favourable market factor." Some of the big lending institutions have hastened to say that the change will have little or no effect upon their customers; the most shining exception—and this is another unexpected example of the Government's courage—is that the rise in the Public Works Loan Board's charges to local authorities is apparently not to be countered by an increase in housing subsidies. The peculiar notion

that over-consumption can be cured without actually reducing consumption is just as widespread in political as in financial circles. Mr Strachey pleaded last week that the British people's standard of living should not be "indiscriminately cut," but that its imports should be cut instead; there is no reason to suppose that he was trying to be funny.

Of course, the City may be right. The balance of payments may not be as weak as had been supposed. In this case the softness of sterling up to last week was wholly irrational; all that was needed was a faith-healer's nostrum, not a purgative medicine. (It is one of the great advantages of Bank rate that it can fulfil both these functions.) But this was not Mr Butler's assumption when he introduced his new measures; he can justly hope that he was being over-pessimistic, but he cannot be convinced that he was. The Government may yet have to take further restraining steps.

If so, there are three pleas that should be impressed upon it. The first is that it should continue to show the political courage that it evinced last week, for courage now will bring increasing returns. The second is that it should make any new restraints general—and impose them through next month's budget—rather than try to build up little discriminatory dams of controls in specific places in the economy (criticism of last week's specific restraints on hire purchase can now be tempered—although it is not vitiated—by the fact that this particular illegitimate baby has proved to be a very small one). The third need is to sound a note of warning about moving further towards sterling convertibility at the moment without the establishment of a floating exchange rate. Last week's action in sending the Bank of England to bid up rates in transferable sterling markets will produce a sort of *de facto* convertibility, and may be both defensible and effective in present circumstances. But it is as dangerous with currencies as it is with commodities to try to fix the price without being able to control the supply, and Mr Butler, who has been wisely cautious about entering into fixed-rate convertibility by the front door, should beware of finding that he has slipped into it by the back door.

(This subject is further discussed on a later page.)

★

But this is quite enough of admonition to Mr Butler. The message that needs to be addressed to the Government today is one of support for courageous action. Unfortunately the message that needs to be addressed to the Opposition is very much ruder. Labour's reaction to the latest economic developments may be psychologically comprehensible. The extraordinary noise that even moderate Labour MPs have been making at question time for the last few weeks, and the childish jubilation with which they greeted Mr Butler's statement about hire purchase, are symptoms of their deep desire to drown their internal party quarrels about foreign policy with a loud display of

unity at home. But it is not a very good excuse to say that the Gaitskellites are encouraging the party to be silly about one thing in an attempt to prevent it from being irresponsible about something else.

For they are being silly about economic affairs. They are muffing their political opportunity by presenting it to the public through a monstrous magnifying glass. This has been made very evident by their storm in the teacup. It is now probable that, as a result of recent import and wage trends, many retail prices are going to rise in the next twelve months. (Incidentally, for those who like to speculate about election dates, the main rise may well come after October rather than before it.) But it seems equally probable that tea prices themselves will come down. Labour has now done much to ensure that loud advertisement of the second movement would reduce the electoral consequences of the first. It is also running the political risk—a risk that damaged the prospects of some Democrat candidates in America last year—of appearing at the next polls as a confounded prophet of gloom and doom. If restraints that are much fiercer than the present mild curbs have to be imposed before October (or whatever the Government regards as the earliest possible date for the election), and if they have not succeeded in stemming the slide by the late summer of next year (or whatever the Government regards as the latest possible date), then the poll may indeed take place in conditions of gloom and doom. But, on any reasonable view, this double misfortune for the Tories seems unlikely. It has certainly been made the less likely by Mr Butler's prompt action last week.

★

On balance, therefore, the country has reason to feel very much more pleased with its Government than it did ten days ago. Thanks partly to Labour's reaction, the Government also has reason to feel more pleased with itself. This is not to deny, of course, that Conservative prospects must be more dubious than they were before the country's economic luck began to addle around the turn of the year. It is also not to deny that the economic situation may be much less settled than the City appears to think—although it is also certainly much less desperate than the Opposition pretends to believe. But Mr Butler's decision to move swiftly against inflation is economically right; and, over a period, what is economically right must be politically right as well. When economic restraints have to be imposed, there is always an initial period of unpopularity. The Opposition is comforting itself with the belief that it will last until the election has to be fought. The Conservatives, for their part, can comfort themselves with the knowledge that Mr Butler's firm action is calculated to shorten the period of hesitation—and that there are still eighteen months before this Parliament need be dissolved. The hand that lies on the economic steering wheel lies also on the mace.

Keeping Europe Going

IF spring has not yet arrived on the political scene in Western Europe, at least the ice is beginning to move. France has a government again—necessarily, one that is something of a patchwork, but it is better than a ministerial vacuum. The German *Bundestag* has approved the Paris agreements on Western Union, swallowing the unpalatable Saar pill more easily than had been expected. The Italian and German upper houses will both, it seems, have passed the agreements before the month is out; the parliaments of the Low Countries appear ready to do the same as soon as they get a green light from Paris. The French upper house, the *Conseil de la République*, remains the most uncertain factor. But M. Faure hopes to set it down to its task before March is out, and, as a correspondent points out on page 820, several factors ought to affect its decision favourably. Probably the more serious threat to the safe passage of the agreements is the insecure position of the Faure government itself. Despite the new prime minister's talent for conciliation, North Africa may prove the biggest obstacle in the path of his European policy, as it proved for M. Mendès-France.

Yet the augurs in Paris speak hopefully, and those in Bonn, although unwilling to prophesy a wholly untroubled debate in the *Bundesrat*, are even more optimistic. There is thus, once again, a natural tendency towards relaxation; more specifically, a feeling that there is nothing much that the West as a whole can do for the moment except await the decisions of Europe's various senates. And it is, as usual, a dangerous feeling. The arrival of a couple of thoroughly exhausted swallows is no guarantee that calm and sunshine are just ahead. Western leadership is certainly entitled to hope for the best; it ought at the same time to be preparing not only for the worst, but also for the varieties of the less bad that may confront it only a few weeks from now.

★

Indeed, "the best" does not imply an early end to the present struggle to draw together and fortify Western Europe. Even if the Paris agreements are brought safely to the end of their long parliamentary course before the summer, difficulties will still lie ahead. In Germany, Dr Adenauer will face a continued opposition to his western-orientated policies, and his parliamentary support, already severely strained in last week's debates, may not suffice to carry through the domestic legislation needed to authorise and organise the creation of West German defence forces. In France, the creation of West German defence forces could make it impossible for the West to present a united front in dealing with the Russians. Final ratification of the Western Union

agreements can be expected to evoke a whole series of menacing gestures from Moscow, including the formal conclusion of the tightly unified military alliance in Eastern Europe that has in fact been in existence for several years. It will take great skill and teamwork to protect the whole western plan from disruption even at that late stage; and the necessary political strategy ought surely to be in preparation already.

★

Moreover, in the western capitals minds still need to be much clearer on the subject of contact with the Soviet government after ratification. Readiness to talk to the Russians once Western Union is properly under way is common ground among the allied governments, although there are differences about timing. Among opponents of the Paris agreements in the West it is likewise common ground that Moscow will refuse to negotiate after ratification; it is, indeed, widely claimed that Mr Molotov has said just that. In fact, however, a careful reading of his recent statements suggests a different prospect: that the Russians will refuse, at least for a while, to discuss German reunification with the western allies, but that they will readily discuss it with the Germans (if Western Germany agrees that the Soviet zone regime can take part in the conference), and that they will just as readily meet the western governments to discuss Mr Molotov's familiar "European security" plan—which involves the abolition of Nato and the withdrawal of American forces.

Minds change even in Moscow, as last month's events revealed. But on present evidence it cannot simply be assumed that the Russians will sulk in their tents for a decent interval after ratification and then come to the conference table prepared to accept the new situation either as a basis for bargaining or as a final stalemate. The perspectives are far more complex—particularly in regard to the Germans, among whom the illusion has been encouraged that the reunification of their country already dangles at Mr Molotov's fingertips, to be tossed them the instant they break with the West. Clearly, this phantom can be exorcised only if, after ratification, the West challenges the Soviet government to give a really clear explanation of what it means by "free" all-German elections. So long as ratification is incomplete the western governments are compelled to seem hesitant and evasive on the subject of talks with Moscow—and therefore, by extension, on the subject of German reunification. Once ratification is complete, they can and should make themselves the urgent champions of German reunification in freedom and expose the Communists as the real obstacles.

But what if ratification is not completed before the

summer? At least as much thought should now be being devoted to the gloomy possibilities as to the brighter ones. What if M. Faure's government falls, or the French upper house appends to the Paris agreements clauses which necessitate a long wrangle between the two chambers? In either case, it might become clear that final French ratification was impossible before the autumn; and this would intensify the strains on western unity to a perilous degree. The Germans will soon have waited a full decade since the end of the war for the restoration of their sovereignty. If they find they must continue to wait, the siren voice of the Soviet Lorelei will ring in their ears with even more seductive charm. In France, the opposition to the Paris agreements might be so encouraged by a new delay as to make eventual ratification impossible; and in America, and elsewhere, impatience and disillusion will grow side by side and swiftly.

If momentum is not to be fatally lost, something at least must move, and must be seen to move, during the summer months. Yet what can in fact be done if France has not completed ratification? The occupation regime in Germany cannot be finally wound up except by common consent. If Britain and America were to press forward vigorously with the transfer to the Federal Republic of its rights to sovereignty and self-defence while a scandalised France sought to apply the brakes, it is obvious that frictions and tangles would develop at every point. Shape is impatient for its German divisions, and in strict military logic its arguments may be unassailable; but to the statesmen, and to Dr Adenauer at least as much as to any of them, the worst nightmare is the prospect of the western alliance having to make a naked choice between France and Germany.

Yet it would be unnecessarily defeatist to assume that,

THE ECONOMIST, MARCH 5, 1955

if the summer were to pass without French ratification, nothing whatever could be done to prevent the disintegration of the whole western plan. There would seem to be at least one road worth exploring; a difficult road and far from clear, but that increases the need to examine it carefully in advance. France's allies need not proceed on the assumption that France will never ratify, and that they must therefore turn their backs on it. On the contrary, they could start from the assumption that France would ratify in a matter of months, and that a fair amount of further work on the organising of German self-defence and statehood could be got through before French representatives were able to take their seats in the chairs awaiting them.

This would, admittedly, be an uncomfortable and a very delicate operation. It would be foolish to embark on it, or even to moot it publicly on official levels, as long as there is any prospect that the process of ratification can be completed by midsummer. Yet it would be preferable to total stagnation and decay, to a political void that would leave Mr Molotov's alluring proposals a clear field in Europe. It would mean that the Germans could see some visible evidences of continuing progress towards full sovereignty, of western confidence and goodwill, and of the approach of the point at which the Russians might at last have to take German desire for reunion in freedom seriously, instead of using it as a decoy. It would mean that the French would have a strong motive for completing ratification quickly in order to be in on everything that was done, instead of delaying, Micawber-like, in hopes that something better would turn up. It is, at the least, an avenue worth reconnoitring; and in the absence of any alternative escape routes from the quandary in which the West may very shortly find itself, it ought already to be undergoing the most careful examination.

Bull in a Picture Shop

TIRED bulls, who are getting nervous of Throgmorton Street, will be searching in new pastures for possible means of security—and of gain—for their capital. They might do worse than become collectors of Impressionist and post-Impressionist pictures. This idea may be rather startling to the average businessman. Old Masters, of course, have long been recognised as attractive and almost conservative investments—but only Masters who have been dead so long that their reputations are no longer subject to the whims of fashion. In view of the capriciousness and peculiar expertise of today's market, it may seem rash to suggest that businessmen should now invest in pictures by artists who died fairly recently, or who are still alive. Should they really switch from Decca to Degas, from Gussies to Gauguin?

For the purchaser in London it would be less of a gamble than it seemed a year or so ago. The market is now more international and seems more settled in its tastes. At the end of last November the Rees Jeffreys collection was sold at Christies, the most important sale of modern pictures in England since the war. This sale emphasised two important points. First, it showed that the prices obtained by modern pictures in London are now again irrevocably associated with the value of such pictures in Paris, New York and other centres. The unnatural isolation of the London art market, owing to the war and to exchange restrictions in the immediate postwar years, has come to an end. This suggests that the boom in modern pictures is reasonably broadly based; it is not merely a question of a few rich men in one country squandering their temporary capital gains

THE ECONOMIST, MARCH 5, 1955

or seeking a form of property that is often kindly treated for death duties.

The second important lesson from the Rees Jeffreys sale was the extent to which British demand for the work of the established French artists of the 19th and 20th centuries, and of the so-called *Ecole de Paris*, has increased in recent years. The effects of the encouragement given to British art by the isolation of the war years have largely worn off. Ever since 1945, despite the work of the Arts Council, the Institute of Contemporary Arts and the Contemporary Art Society, British collectors have been turning to Paris. One sign of this has been the steady rise in prices. As a very general rule, prices of pictures by the Impressionists and other artists working in a more or less impressionist style have at least doubled since the end of the war; and the prices of some later French painters have risen even more spectacularly. Another sign has been the increase during 1954 in the number of exhibitions held in London of the work of Parisian artists, many of whom are very young.

★

The unpractised investor in modern pictures soon comes across a rather frightening phenomenon: the market is a very artificial one. Anybody who makes even the most cursory study of it will find that the art dealers, particularly those in Paris, can to some extent—and for a short period—put prices almost where they want them. Not only have the dealers a virtual monopoly in deciding which living artists shall be presented to the public; they also—at first sight, rather surprisingly and alarmingly—determine the popularity of the work of the recently deceased. A case in point has been the marked rise in popularity in the last few years of the work of such minor French Impressionists and neo-Impressionists as Loiseau and Maximilien Luce, and of painters such as Pierre Dumont.

In this very artificiality, however, lies something of a safeguard for the unskilled collector, who is afraid that he might be caught by a sudden change in tastes. For self-interest has now come into play. To put it as directly as possible: if the price of Impressionist pictures were to suffer a sudden and marked decline, a great many art dealers would be out of business. There are therefore only two circumstances in which a collapse in prices would be at all likely. One would be if a sudden press of collectors, eager to turn their pictures into cash, overwhelmed the dealers and forced them to withdraw from the market; this happened, to some extent, in the market in etchings in the later 1920s, but there is no sign of anything of the sort happening now. The other would be if the dealers found something to take the Impressionists' place. This change in fashion has also happened before. Seventy-five years ago the work of several academic painters then called "great" was fetching from £2,000 to £3,000, and some commanded even more; today the work of the same artists can be bought for anywhere between £10 and £100, or

at most for as many hundreds of pounds as they once fetched thousands. But then Poynter and Alma-Tadema, to name only two of the best known of the artists of this kind, were working at the same time as Degas and Manet.

In the belief that similar disasters are not imminent today some shrewd—and singularly unexpected—people have started to invest quite keenly in this market. The most lucrative investments have been the pictures of a few artists who died either at the end of the last century or in the first half of this, and whose work is in such demand that it is virtually impossible to forecast what one of their pictures will fetch in a public sale. The most obvious examples are Cézanne, Toulouse-Lautrec, Van Gogh and the most famous of the Impressionists—Manet, Renoir, Degas, Monet and so forth. To give but three instances from the Cognacq sale held in Paris in 1952: a not outstanding Cézanne still-life fetched 23,000,000 francs; a pretty, but unimportant, Renoir commanded 22,500,000 francs; and a Degas pastel went for 10,000,000 francs (there are roughly a thousand francs to the pound). Even insignificant trifles by these artists command high prices.

★

The more speculative counters in the market are provided by the work of more modern painters—by no means all of them practising in an Impressionistic manner—who have enjoyed a spectacular vogue since the war. Three outstanding examples have been Chaim Soutine, Dufy and Matisse. Immediately after the war pictures by Soutine could be purchased in Paris for as little as 7,000 to 15,000 francs; by 1949 good things by him were commanding from 500,000 to 1,000,000 francs; then, at the Rees Jeffreys sale last November, one of his pictures, admittedly an important example of his work, fetched as much as 4,500 guineas. One of Dufy's popular racecourse scenes commanded 3,400,000 francs in the Docteur Girardin sale in Paris in December, 1953; and the price of similar works has continued to increase since then. Matisse, who was selling good examples of his work at around £100 in 1914, saw one of his important paintings fetch as much as 4,700,000 francs in 1953; and in November of last year the remarkable sum of 6,700 guineas was paid by the Tate Gallery for his small portrait of André Derain. This was admittedly a rather special transaction. Matisse had just died, and so had Derain; and because of outside contributions, and because death duties are not paid on pictures sold to a national collection, the Tate had to find only about £900 out of the 6,700 guineas paid over. Nevertheless the sale was only the first example of the very marked rise in the value of Matisse's work that is bound to follow his death.

These sales have raised another interesting point. Although prices of individual pictures still vary according to the interest in the subject (as with the Derain

portrait) or according to merit, there has been a general tendency since the war for the prices of works by a particular artist to level out. In other words, the cult of names has been gaining ground. For instance, feeble late works by Utrillo and Vlaminck have nearly approached in value examples of these artists' best periods. In much the same way, there has been an inartistic levelling-out between skilled and less skilled exponents of the same schools. This is at once the consequence of, and a temptation to, the entry of investors rather than collectors into the market.

The bull is still rampant. The general opinion among art dealers is that the prices of works by any artist who can loosely be classified as an "Impressionist" should continue to rise for some time to come, and even pictures by very minor followers of the movement should command considerable sums. If the

inflation continues, it should be shared by the work of the immediate post-Impressionists and of certain other modern artists. In this connection Picasso, Matisse and Derain should be remembered; and paintings and drawings by others—among whom Bonnard, Dufy, Gauguin, Klee, Modigliani, Rouault, Seurat, Signac, Soutine and Vuillard are particularly notable—may also continue to rise in price. From the standpoint of art, the present apparent lack of discrimination is rather sad; economically, there may be something a little frightening in this apparently continuing ability of dealers and investors to pull up prices with their own bootstraps. But the dealers, at any rate, do not seem unduly perturbed that a $4\frac{1}{2}$ per cent Bank rate has caused some lamentation—and may cause some realignment of investment habits—in the streets of Askalon and Gath.

Japan—Nationalist and Neutralist

THE Japanese are once again making their own way in the world, and the general election last week-end carried some useful indications of the direction they will take. Although the results caused no great surprise, that does not diminish their importance. For they mark a definite break with the long period of Liberal party rule, which had been tarred with the brush of the Occupation. The simplest verdict about the results is also the truest. The Japanese will become more Japanese. They will, that is to say, henceforward be at once more nationalist and more neutralist in their attitude to other nations. While remaining governed by an essentially conservative government, they will throw off the mantle of American influence and seek to make fresh terms with the Communist powers. And yet, in that their new policy will above all assert the national character of Japan, it will by no means be simply pro-Communist.

Mr Hatoyama, the leader of the Democrats, has been confirmed in office in so far as his party has captured the lead with 185 seats (last parliament, 124) to the 112 (180) of the Liberals, from whom he broke away at the time of Mr Yoshida's resignation. The next largest are the Left-wing Socialists with 89 seats (last time 74) and the Right-wing Socialists with 67 (61), making, if they combine, a bloc of 156. The Communists won only two seats, compared with one before; and there remain 10 seats among miscellaneous smaller parties, of both left and right. The interesting features of these results are that the Democrats have done about what was expected, the Liberals and Communists worse, and both groups of Socialists better.

The main deductions are, first, that Mr Hatoyama will probably form a minority government, consisting

of his own party alone and yet relying in the first instance on the support of the Liberals on major issues, though without their participation in the cabinet. Secondly, the Socialists are between them just strong enough, assuming other left-wing support and no defection to government ranks from their own right wing, to block the two-thirds majority that would be necessary to amend the constitution and introduce more outright rearmament; this can and will be regarded in Moscow as the achievement of a cardinal aim. Thirdly, although direct constitutional Communist influence on Japan's internal affairs is still negligible, the Left-wing Socialists are in a stronger position than they were. Moreover, Moscow's influence with them has never been greater, and it is a key element in present Soviet tactics to keep Communist parties in the background while building up broadly-based anti-American popular fronts.

Under these new colours, what will Japan do? And what should Britain's attitude be? All observers agree that Mr Hatoyama has won the elections largely on his avowed policy of seeking a fresh *modus vivendi* with the Communist rulers in Moscow and Peking. It is now clear that he favoured a more emphatic move in this direction than his foreign minister in the outgoing caretaker government, Mr Shigemitsu. And it must therefore be assumed that, if he is in fact the new prime minister, he will begin by concluding peace treaties with the Russians and with the Chinese Communists at the earliest practicable moment. There are, however, several snags. The most obvious is that Mr Hatoyama, engaging and effective in the brief spurt of the last few months, is nevertheless old and far from well, and he might not be able to sustain the burden

of premiership for long. If his health failed, the Democrat party could fall under less characterful leadership and it might well split. In that event, a new coalition based on the inclusion of the Liberals under Mr Ogata—who has stepped into Mr Yoshida's shoes—might be expected to pursue a somewhat more pro-American line.

Other question marks are raised by Japan's claims against Russia and its quasi-recognition of Formosa. It would be wrong, however, to expect either difficulty to do more than delay closer relations with Moscow and Peking. When Mr Hatoyama let it be known that he would welcome a fresh approach from the Russians, Mr Molotov had the head of the unofficial Soviet mission in Tokyo, Mr Domnitsky, write to and ring up the Japanese foreign ministry straightaway. So pressing, in fact, were Mr Domnitsky's messages and phone calls, that Tokyo sought and obtained independent confirmation from Moscow that he really represented the Kremlin's view. As things stand, the Russians have now accepted the Japanese demand that actual negotiations should take place on neutral ground at the United Nations in New York, and one of the first acts of a new government in Tokyo is bound to be to get these talks rolling. Japanese terms, despite demands which include the return both of the remaining prisoners of war and of the islands of Shikotan and Habomai, are not likely to be too stiff to make agreement possible. A major feature of the new Sino-Soviet policy, drawn up during the visit to Peking last October of Mr Khrushchev and Marshal Bulganin, has been to win the friendship of the Japanese at almost any cost, and it may be assumed that this will certainly be implemented.

Moscow is in fact batting on a good wicket in Japan. This was clearly visible during the electoral campaign, in spite of the relative failure of the Communists to produce any fireworks of their own. The Russians have two lines which they are at present plugging on a world-wide basis but which have a particular appeal to the Japanese. One is to abolish foreign bases and the other to ban atomic and thermo-nuclear weapons. Both are aimed exclusively and specifically at destroying American power, and both find a ready echo among many Japanese, who naturally resent the continued presence of foreign servicemen, while also associating them with a multiplicity of memories and fears about the A-bomb and the H-bomb. Nor should too much be read into the Communist electoral failure itself. Although the party put up 99 candidates and got only two elected, its policy was to avoid splitting the anti-conservative vote. It therefore withdrew candidates where Socialist prospects were good, and, with 100,000 members and 300,000 sympathisers, threw its weight into the Left-wing Socialist scale.

Even more important than Moscow to the Japanese

is Peking; and in regard to China Mr Hatoyama can be expected to have the added incentive of trade. While many Japanese feel that the time has come to regularise their political relations with the new giant who has appeared on their doorstep, still more believe that the precarious Japanese economy can never become less dependent on American goodwill until Japan rebuilds at least some of its prewar trade with the mainland. And, in those terms, Japanese trade with China is still very small, partly because of allied controls on strategic goods but mainly because China's own political line demands a greater concentration of trade within the Communist bloc. But at the end of last year Chinese-Japanese trade was picking up fast, and, given a Communist determination to make economic sacrifices for the political object of tightening ties with Japan, there is undoubtedly scope for a good deal more trade, even within the limits of the present strategic embargoes.

*

Signing a peace treaty with Communist China means recognising the Peking government. And it is here that Japan's new policy is bound to move into deeper water, since this implies both modifying the present relationship with Formosa and taking a line which would raise a good many eyebrows in Washington, particularly at the present moment; although Mr Dulles did not quite succeed in making it a condition of the peace treaty of 1951 that Japan should recognise the Chiang Kai-shek regime as the government of China, he did secure diplomatic relations between Tokyo and Taipei, with their precise status somewhat ill-defined. If Mr Hatoyama now wants to get on closer terms with Peking, he can hardly expect Mr Chou En-lai to accept his existing relationship with Formosa.

From Britain's point of view, there is no overriding reason why Japan should not take the course which Mr Hatoyama is charting. Indeed, until more normal relations are established between the powers of the area, there can be no prospect even of a makeshift settlement in the Far East. And there is certainly no greater possibility of keeping the Japanese indefinitely in a position of artificial inferiority than there is of keeping the Germans. But Japan has had the inestimable benefit, compared with Germany, of not being divided during the Occupation; of not suffering directly from purely cynical Communist tactics; and of receiving the maximum help that the United States has been able to give, economically, technically, and politically. It would be a disaster to the cause of the free world if the Japanese were not to understand in time the definite limits they should set on their rapprochement with the Communist powers. At the elections the Japanese people have rejected Communism as such. They should never forget that, in the eyes of the ruthless men in Moscow and Peking, their country represents the fattest prize in Asia.

Notes of the Week

Hideous Epoch

THE two-day defence debate was anything but a routine affair. Neither defence policy nor party politics nor the posture of foreign affairs stood on Wednesday evening exactly where they had been on Tuesday morning.

On the side of defence policy, the debate proved two things. The first was how widespread—almost complete—is the agreement in Westminster and Whitehall on the new basic strategy of relying on the deterrent effect of the H-bomb—even Mr Bevan appeared to want only a minor qualification of it. But it is only informed and expert opinion that has yet been compelled to bend its mind to the new logic. That logic is so strange—with its conclusion that the worse things get, the better the hope—that it takes more swallowing than public opinion at large has yet got around to; newspaper offices are still being flooded by letters of protest against the decision to make the H-bomb, written by perfectly responsible citizens who still hold the belief—which was respectable until yesterday—that to moderate the horrors of war is to serve mankind. Sir Winston Churchill's speech—one of his most impressive—will do more than anything else could do to make people think, and when they think they will reach the same conclusion as those who have already accepted the strategic revolution. But for the present it would be as well to assume that Parliament and the experts are ahead of the country.

The second thing that the debate made clear is purely negative—no one has yet more than a very vague idea of what else in addition to the H-bomb, should find a place in a realistic and economical defence programme. Is there still any risk of a full-scale war against Russia without the H-bomb? Or after it has done its worst? And if so what would be needed? And what other wars, with other enemies, are possible, and how would they be fought? On all these uncertainties there cannot yet be more than interim decisions. The plain fact is that nobody yet knows for sure what will be needed in the wholly new strategy into which we are moving.

Cuckoo Among Doves

MR BEVAN'S action in leading 57 Labour MPs in insurrectionist abstention from the official Labour amendment in the defence debate—ostensibly on the grounds that it did not make clear in what circumstances hydrogen bombs would be used—has set the cat (or is it the cuckoo?) back

among the Opposition doves. Some of the 57 were pacifists; there can be no question of Mr Attlee taking disciplinary action against them, since the party's rules allow for abstentions—though not for adverse votes—on grounds of conscience. Thanks to the protection of pacifist skirts, and to the protection of numbers, Mr Bevan feels confident—on balance, probably rightly confident—that disciplinary action also will not be taken against him.

But there can be no doubt that the party leaders are now very angry indeed. The suspicion has been gaining ground for some time that Mr Bevan's personal strategy is based upon the belief that Labour will not win the next election; he and his followers could then step in after electoral defeat as would-be salvagers. After Mr Butler's statement on the economic position last week, however, many Labour members swung round to the belief that they might be going to win the election after all; immediately after that statement, Mr Attlee won plaudits at a private party meeting with a little homily on the need for unity now that the Tories were "on the run." Some prominent Bevanite supporters may well have concluded from this speech that, if they continued to stand on the touch-lines jeering at Mr Attlee, he would be only too happy to leave them there when he handed out coveted jobs in his next Government. They had a temptation to edge out of the fold.

It was in these circumstances that Mr Bevan threw his studied challenge to Mr Attlee in the House; the occasion was dramatically reminiscent of his intervention about Seato last April, which—it will be remembered—took place immediately after the "no change Budget" and the East Edinburgh by-election had temporarily raised Labour's hopes. Does Mr Bevan really want a united Labour party to win the next general election? It is a potent factor in the present political situation that the Labour party leaders are not convinced that this is a purely rhetorical question; another five years of Opposition might serve his policies, and his personal prospects, best.

Delusions at the Highest Level

THE exchanges between the Prime Minister and Mr Bevan on Wednesday brought out even more fully than before the irresponsible and dangerous aspects of the whole project for "talks at the highest level." It was, not unexpectedly, Mr Bevan who restated the concept in the most misleading way. He pictured Britain as "unable to reach the potential enemy in time to arrive at an accommodation, because we are now at the mercy of the United States," thus combining two gross distortions in a single sentence. He

spoke, in fact, as if the prolonged and unencouraging contacts that Sir Anthony Eden has had with Mr Molotov at Berlin and Geneva in the past year had never been; as if Britain and the Soviet Union had no permanent diplomatic missions in each others' capitals, no opportunities for exhaustive exchange of views at the United Nations or, to take a current example, at the disarmament talks now being held at Lancaster House. But Mr Bevan does not bear sole responsibility for this caricature of reality. He has merely drawn a crude copy of the more deft original that Sir Winston Churchill produced before the last general elections.

The Prime Minister himself daubed in some glaring new patches of colour during Wednesday's debate. He had had hopes, he said, of an Anglo-Soviet meeting "at some neutral place like Stockholm," as "a sort of go-between prelude to a meeting of the three"; and he implied that only the Soviet campaign against the EDC (and, presumably, the subsequent campaign against Western Union) had prevented him from persevering with this idea. He thereby laid his flank wide open to Mr Bevan's assaults, and provided fresh material for not one but two malicious and false suggestions by those who seek to destroy the Anglo-American partnership. In Britain, they will now be able to claim that this country has been blocked by the Americans in its efforts to reach a settlement with the Soviet Union. In the United States, Sir Winston will be charged with seeking to deal with the Russians behind Mr Eisenhower's back. It is hard to think of anything more mischief-making. It is patent to all who know the Prime Minister that he is the last man to weaken the Atlantic bridge. It is equally patent that as long as Soviet policy remains as unyielding as it is now, no mere placing of top-level legs under a table is going to make the world's great problems vanish into thin air. Yet the myth which Sir Winston fathered and to which Mr Bevan now seeks to claim paternity will, it seems, long continue to mislead a world which needs to see its problems steadily and see them whole if it is to attain peace.

After Bangkok

CONSIDERING the background of feuds, fears and fence-sitting which Southern and Eastern Asia have known during the past few years, the Bangkok conference was a success. It inaugurated a permanent type of consultation between the members of Seato; it discussed both external and internal threats to the security of the area; and it showed the flag to those Asians who had been, and still are, sceptical about its viability. More could hardly have been expected.

But several cross-currents were visibly moving beneath the surface, and no one who has the combined Anglo-American interest at heart can afford to ignore them. Mr Dulles, for a start, appears to be leading American opinion in a direction in which it is by no means unwilling to go, but which bypasses the essential conception of Seato as a local defensive agreement locally arrived at. He is reported in the American press as wanting Seato to react offensively against China if Peking starts aggression outside its area. His aim, it appears, is what the Communists say it is, namely

to work for some kind of formal link-up between each of the American commitments in the West Pacific, those to Japan, Formosa, Korea, Seato and Anzus. But, however ideal this may look on paper, it is quite out of the question if other countries, like Burma and Ceylon, are to be encouraged to join Seato. And their encouragement is certainly the first priority.

Secondly, there appears to have been another wrangle about the word "Communist." In American eyes, even co-operation with so-called colonial powers has become generally acceptable if its object is the defeat of Communism. But in the view of many Asians it is now the Americans who are the prime exponents of a "colonial" mentality in their dealings with smaller countries. And Mr Dulles's apparent determination to line them up, not in collective self-defence, but against Communism as such, risks defeating its own object. It had been hoped after the Manila meeting last September that these things had been understood. It is regrettable that—even to placate Congress—reports of them should again have cropped up at Bangkok.

Liquidation by Instalments

THE really significant thing about this week's government reshuffles in Moscow is the further descent of Malenkov. It had evidently proved impossible, or at least risky, to try to hurl him to the ground with one blow. This could be done with the hated "policeman" Beria amid genuine applause from an uncomprehending public; but Malenkov both has allies and enjoys considerable popularity among the masses to whom he promised so much. His opponents must have decided to bring him down by stages, on the instalment plan, at the same time taking measures to prevent a counter-attack. Indeed, this week's upgrading of Mikoyan, who was "guilty," like Malenkov, of rash promises to the consumer and had to resign his post as minister of internal trade a few weeks earlier, looks like an attempt to divide the new opposition and to isolate the ex-premier.

In the ten-man presidium (the party's highest organ) appointed after Stalin's death just two years ago, Malenkov was *primus inter pares*. Now he has the lowest position of all. Beria was shot; Khrushchev is the party's first secretary, Voroshilov president, and Bulganin premier; Molotov and Kaganovich have now been joined as first vice-premiers not only by Mikoyan but by the two younger managers, Pervukhin and Saburov. Nominally still in the presidium, Malenkov is its only member to be merely an ordinary vice-premier. As if to underline his disgrace, four comparatively unimportant figures have now also been given the same title. This is the well-known process of devaluation by inflation. In fact, Marshal Zhukov, although only a simple minister, doubtless has more to say than some of his official superiors.

What is the next instalment planned for Malenkov? The new apparent leaders may not even be agreed on the next step. Even if they succeed in kicking Malenkov further down the ladder, they are most unlikely to remain at its top together for a long time. The tremor that shook Moscow on February 15th was clearly the first of a series.

The Anti-Monopoly Party

It is very rare for a speech in the House of Commons to have any effect on the voting in the subsequent division. Last week Mr Harold Wilson achieved this. When he rose to deplore the government's "slow progress" in dealing with monopolies, the Liberal party intended to vote with him; by the time he sat down, they had decided to vote against him. For Mr Wilson—mindful of his personal position as member for the marginal Lancashire seat of Huyton—had run away from the one monopoly case that might seriously embarrass him. Subject to certain safeguards (it was not very clear whether they were safeguards for the consumer or for Mr Wilson), he thought that the "Government would be justified in resisting the proposals of the Monopolies Commission" to break down the restrictive practices of the Calico Printers' Federation. This gave the President of the Board of Trade a chance to explain that he was now at last "absolutely clear" about

just what Socialist policy is. It is to strengthen the Commission but to act in advance of its recommendations, and if on any occasion it puts in a report which is unpopular or difficult, to ignore it.

Later Mr Thorneycroft improved his shining hour by saying that the Government accepted the principles of the report on the calico printers, and would discuss with the industry how to carry them into effect.

To judge from this bold statement the Tories will soon be able fairly to claim that they are the major anti-monopoly party; they have run away with another piece of the Opposition's clothes—admittedly some of their own backbenchers think it is a hairshirt—in one of the Opposition's own debates. They now await the Monopolies Commission's report on certain collective restrictive practices—quite rightly, they will not act before then—to judge whether new legislation will be necessary. After an outside inquiry, Mr Thorneycroft is satisfied with the procedure and progress of the Commission (as are most serious independent observers); he thinks that the Opposition's argument that it would be wise to compel all trade associations and cartels to publish their agreements is "perhaps . . . a little nearer the mark," but claims that there are difficulties about it. In only one section of his otherwise excellent speeches did Mr Thorneycroft strike a slightly disturbing note. He thought that "something can be said" for the suggestion of a Labour member—Mr Padley from the vested interest of the shop workers' union—that legislation should make the way smooth for individual resale price maintenance. It would be a pity to make this practice look more respectable than it is.

Forbidden Topic

BOTH the Labour majority on the London County Council and the members of the squirearchy on the Country Landowners' Association probably believe that they are at opposite ends of the political pole. They have shown this week that they are brothers under the skin. A spokesman of the LCC has said that if housing subsidies are not increased

THE ECONOMIST, MARCH 5, 1955

to cover the cost of rising interest charges (and the Minister of Housing has since announced that they are not to be), then the burden will have to be put on the rates. The Country Landowners' Association has submitted a memorandum* to the Government with three principal suggestions for securing the increase in capital investment that agriculture badly needs. First, more special subsidies (such as a grant for farm roads) should be provided by the Exchequer. Secondly, the special abatement of death duties on agricultural land (at present 45 per cent) should be enlarged. Thirdly, borrowing for long term agricultural purposes should be insulated from changes in the Bank rate.

The link between these two statements is not simply the glib assumption that particular interests should be shielded by the taxpayer from the economic forces that other people must learn to bear. The link is the common attitude of these two bodies to what should be regarded as the natural economic development: the possibility of a rise in rents. The LCC spokesman simply assumed that such a rise should be out of the question. The Country Landowners' Association seems to agree that the reason for the low level of agricultural investment is the low return on agricultural land; and it says that the machinery for adjusting rents is present prosperity, "are not prepared to pay even rents of income"; and it appears that the landlord is too good a fellow to make them do so. Why?

Famine in Tunisia

A DATE for resumption of the Franco-Tunisian negotiations should be fixed this weekend, when M. Edgar Faure is due to hold talks with his new Minister for Moroccan and Tunisian affairs and the Resident-General in Tunisia. Meanwhile, France is entitled to feel gratified at the measured way in which the Tunisian premier, M. Tahar Ben Ammar, has explained the reasons for delay to his countrymen. He has been helped to keep their impatience at bay by M. Faure's past record as an advocate of Tunisian self-government; it was a Faure cabinet which in February, 1952, offered the first ray of hope on this score after a dark interlude during which Paris stood out for co-sovereignty.

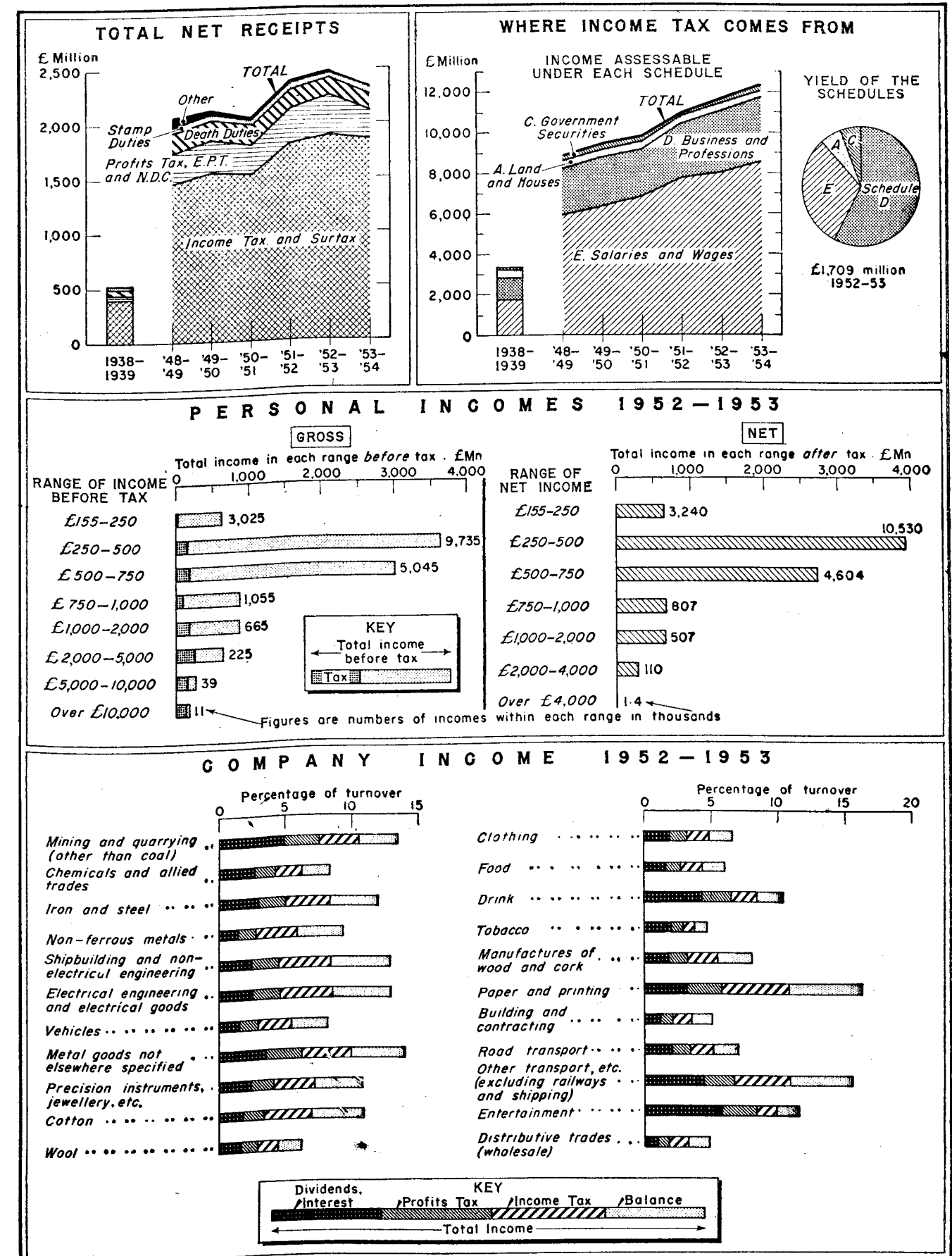
For the last few weeks Tunisian opinion has been distracted from the political issue by a more gruesome topic—slaughter of livestock, reduction of purchasing power, the unemployment. In central and southern Tunisia it has hardly rained at all this winter, and the harvest is already a dead loss; in the north, which is the granary, only heavy rains now can save the wilting crops. From mid-February the migration from south to north that is a feature of famine years became noticeable, and hungry roamers began to raid bakeries and grain stores. Tens of thousands of farmers French as well as Tunisian, face ruin unless it rains; in the south, they are already slaughtering flocks, and in the extreme south, locusts are adding to the toll of disaster. The French authorities have sprung into action with reli-

* Policy and Objectives, Country Landowners' Association, 24, St. James's Street, S.W.1.

THE ECONOMIST, MARCH 5, 1955

Inland Revenue

795



Source: Ninety-Seventh Report of the Commissioners of Her Majesty's Inland Revenue. Cmd. 9351.

measures and palliatives such as employment on the construction of waterpoints and small dams, but the numbers they hope to absorb are a drop in the bucket; already in January there were 300,000 unemployed, for political uncertainty had restricted the inflow of capital and new work.

The risk is that M. Ben Ammar's cabinet, already under fire from the nationalists for its tendency to compromise, will be too weak to withstand criticism of failure to prepare for calamity. They are telling it that what Tunisia needs is not palliatives but a policy for developing unused lands. Since most of these are religious property such a policy would entail a reform of the Moslem system of land tenure, a change so drastic that only a Tunisian legislature could put it through. This sinister combination of famine and political upset may catch not only M. Faure, but M. Ben Ammar, in its vicious circle.

When is an MP Real?

THE Supreme Soviet's formal proposal that members of national parliaments should deliver speeches in each other's assemblies was at first sight a striking one. Direct, personal fraternisation between peoples has been consistently abhorred by all Soviet governments since the prewar "Intourist" period. It was pointed out by Sir Vincent Tewson last week that when the Russians claimed with pride that they had entertained 400 foreign delegations in five years, this meant in cold fact that they were admitting foreign visitors, mainly handpicked, at a rate of no more than 2,000 a year. Britain welcomed nearly 900,000 foreigners in 1954, and 1,200,000 Britons travelled abroad in the same one year.

At second glance, the Supreme Soviet's proposal, which Marshal Bulganin repeated in a newspaper interview, reveals more obvious motives. Herr Reimann, the West German Communist leader, claims that many members of the *Bundestag* welcome the proposal. It has long been Moscow's aim to get Western Germany to deal directly and on equal terms with the Ulbricht regime in the Soviet zone; and as Dr Adenauer enjoys wide support in his refusal to acknowledge Herr Ulbricht, it is an obvious gambit for the Communists to suggest inter-parliamentary exchanges that would give the East German *Volkskammer* a hearing at Bonn.

In other countries, the Supreme Soviet's proposal has had a cautious reception. Even the left-wing Socialists in Japan are apparently going to consult the British Labour Party and other democratic socialist parties before responding. They doubtless realise that Moscow would be delighted to welcome all-party delegations which would expose their internal differences before the Supreme Soviet; if, say, an Italian or Indian parliamentary team went to Russia, its Communist members would impress their audience with the fact that they, the only true representatives of the people of Italy or India, wholeheartedly supported Soviet policy. There would, in contrast, be no cracks in the monolithic solidarity of a Supreme Soviet delegation visiting Rome or Delhi. But how many of their hosts would recognise as genuine parliamentarians people

who come together only for a week or two each year, meekly rubber-stamp all that is laid before them, and, with equal meekness, form long queues at the Kremlin gates while their passes are checked by policemen?

Franco on Two Fronts

STRENGTHENED by a good harvest, General Franco is beginning what may be the last and most complex of his battles—the fight to make his own followers accept a return of the monarchy. In an interview given to *Arriba*, the organ of the Falange, he has emphasised that the Spanish monarchy should not be judged merely in the light of its decline. Spain's finest hours had been intimately connected with monarchical institutions and even Alfonso XIII had not been devoid of virtue. At the same time, General Franco allowed the publication in Madrid of the collected speeches of the last king, and hinted that Don Juan Carlos, whom he appears to have chosen as his successor, might soon take part in state functions.

It is unlikely that all elements in the Falangist movement will calmly accept their leader's analysis. Already, Falangists are saying openly that they did not fight the civil war and endure the lean years of Spain's quarantine only to have the old institutions restored. General Franco has been careful to say on several recent occasions that the new monarchy would have to adjust itself to the "new Spain" created by the revolution, but he has not reassured his party. He has sought to placate the Falange, moreover, by increasing its membership in the Cortes.

As if to distract attention from internal problems, the Caudillo has also launched a bolt against his most recent ally, the United States. Sr Jimenez, the director of Spanish-American economic co-operation, has threatened that the entire agreement about bases in Spain might be abrogated if Washington did not prove more generous. The trouble started over locomotives. The Foreign Operations Administration was preparing to buy fourteen perfectly good diesel locomotives for use in Spain. The Spaniards, however, discovered that a more expensive and glamorous model was also available, and they choose to feel insulted by this latest example of American parsimony. American contractors, on the other hand, are complaining bitterly that they cannot get on with their work as long as Spanish sub-contractors prefer sixteen mules to one bulldozer. Franco's problem, therefore, is a double one: he must persuade Spaniards to accept a régime anchored in the past and adopt a technology more suited to the future.

Plums for Teachers

A FIRST step was taken last weekend to alleviate the shortage of teachers of mathematics and science. The Burnham Committee, at the Minister of Education's request, has recommended a new scale of special allowances for

MARCH

NO STORYTELLER HE

When Snellius, on a March day in 1617, published his invention of triangulation, he did it in a way which caused, except among specialists, widespread apathy. Then and since. It was his own fault. Snellius omitted that *sine qua non* of early scientific discovery. He forgot to give the Press a good story. Every schoolboy knows about Archimedes, how he discovered the principle of something or other in his bath, and jumped out yelling "Eureka! I've got it!" Every schoolgirl knows about the apple that fell on the head of Isaac Newton. Gravity. Benjamin Franklin, the kite and the key. Electricity. Watt and the kettle in his mother's kitchen. Steam. All these deathless inventions are deathless because the inventors had the sense, or the luck, (a) to answer abstruse scientific problems at homely moments, (b) to give the story to the Press and history books. Snellius, poor chap, didn't invent triangulation in his bath, in an orchard, in a thunderstorm, or while waiting for a cup of his mother's tea. Any early seventeenth-century Public Relations Counsellor could have helped him put on a show. But Snellius, a lone wolf mathematician, preferred to go it alone. Which is why you don't know even now, who Snellius was and what triangulation is, and how they came together.

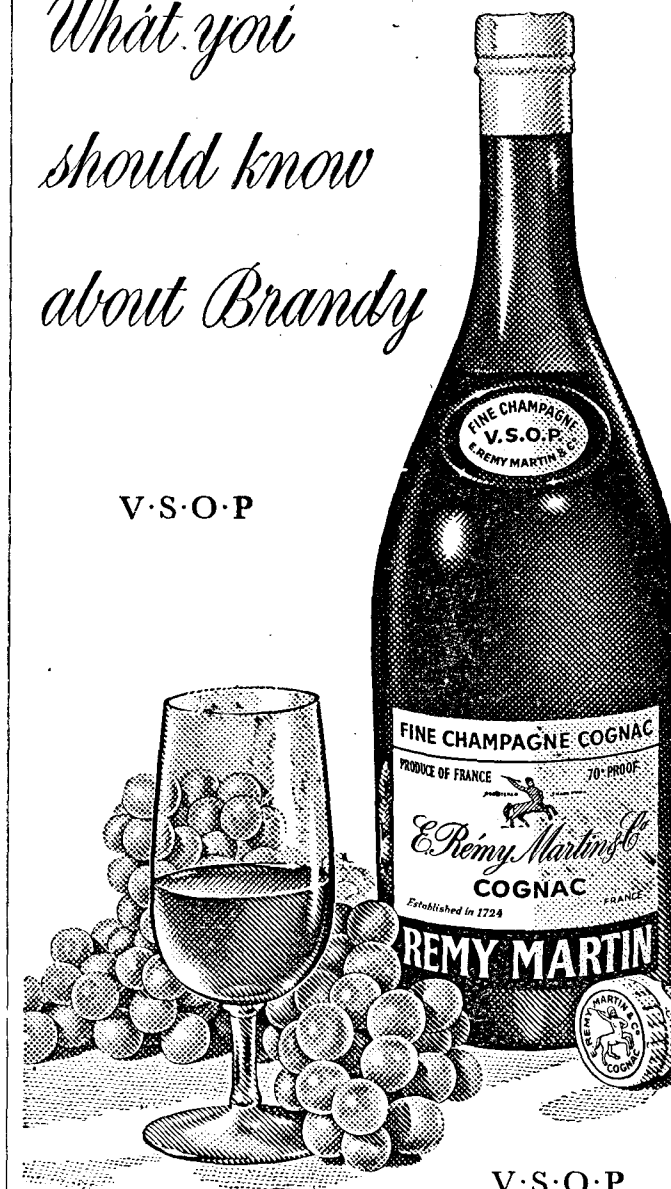


The Midland Bank confesses that its interest in triangulation is small. It has other things to think about—chief among them being the constant provision of a prompt and courteous banking service at more than 2,100 branches throughout England and Wales.

MIDLAND BANK LIMITED

What you
should know
about Brandy

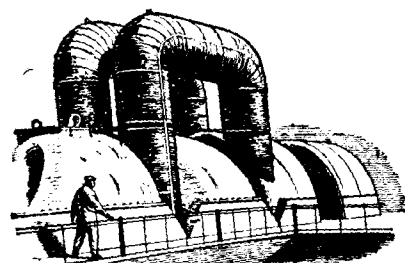
V.S.O.P



V.S.O.P

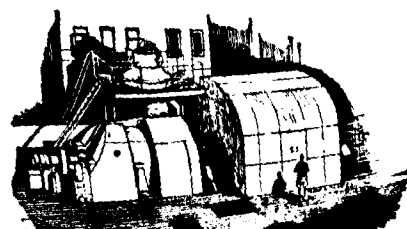
The best brandy comes from Cognac. The finest Cognac comes from the Grande and Petite Champagne districts in the centre of Cognac. All Remy Martin V.S.O.P. Cognac is made from grapes grown exclusively in these two districts. That is why people ask for Remy Martin and are never disappointed.

REMY MARTIN
Pride of Cognac

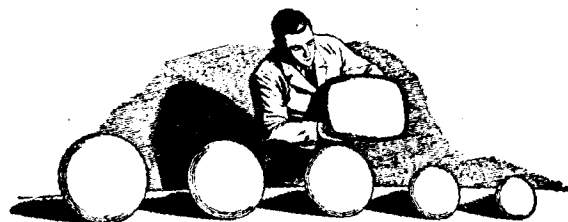


100,000 kW turbo-alternator
by Metropolitan-Vickers Electrical Co. Ltd.

&

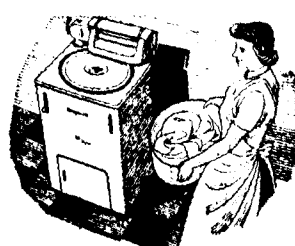


Two 2,500 kW gas turbo-alternators
by The British Thomson-Houston Co. Ltd.

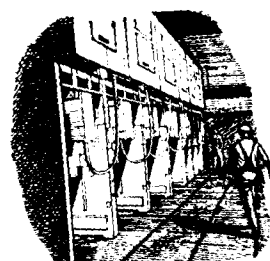


Cathode ray tubes
by The Edison Swan Electric Co. Ltd.

&



Washing machine
by The Hotpoint Electric Appliance Co. Ltd.



33 kV power station switchgear
by Ferguson Pailin Ltd.

&

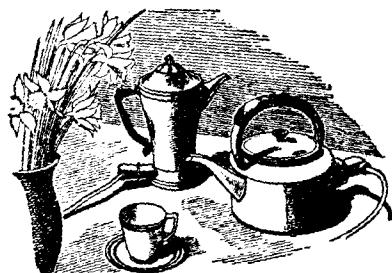


Simmer switch precision control
by Suncic Controls Ltd.

&

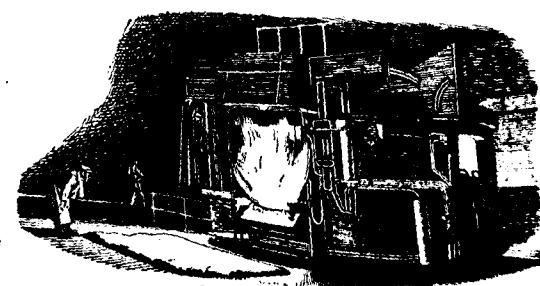


18 cu. ft. Coldrator refrigerator
by International Refrigerator Co. Ltd.



Domestic equipment
by Premier Electric Heaters Ltd.

&



Electric arc furnace
by Birlec Ltd.

To A.E.I., the Associated Electrical Industries, partnership is much more than an ideal or a friendly word. As the parent company of nine individual manufacturers it brings them into a great and practical partnership—a partnership of

research, of service to the public, of economy in manufacturing, of adventure in the vast developing field of nuclear power. Each company is world-famous in its own right: all have the extra of A.E.I.'s inspiration and financial strength.

&

A E I

teachers taking advanced work—that is, above the “ordinary level” of the General Certificate of Education. These scales would be binding on local authorities in a way that the existing voluntary allowances are not. They would be regarded as minima, and teachers who considered that they were not getting their due would be able to bring the matter up before the Burnham Reference Committee. For the sake of peace in the common room they are to apply to teachers of all advanced work, although there is little shortage except in mathematics and science.

The question is whether these new scales—great improvement as they are—will attract scientists and mathematicians into the schools; whether they will outweigh the higher and quicker ladders of promotion in industry and Government service, and the glamour of postgraduate research. At the bottom of the new scale, a graduate teacher, over about 38 years of age and therefore at the maximum basic salary of £850 a year, could receive between £75 and £175 for taking five or more periods of advanced work a week; while for the head of a department, or a principal subject teacher in a large school, the recommended allowance would be between £200 and £350. In other words graduate assistant teachers could look forward to a maximum salary of £1,200; but no one knows what proportion of them would actually scale these modest heights.

In industry, according to a committee set up last year by the Federation of British Industries, the run-of-the-mill chemist or physicist earns over £1,200 by the time he is 40, and in later years considerably more. That committee thought a maximum of £1,500 for science teachers would be needed to enable the schools to compete. The new proposals, therefore, will not rob industry and Government service of their advantage—even if such employers decide to refrain from raising their bid for scientists. But the increases recommended are probably as much as can be expected at this stage. The whole structure of teachers' salaries may be reconsidered when the existing Burnham agreement comes to an end in 1957, when, perhaps, the principle of plums at the top may be incorporated into basic salary scales. Meanwhile Sir David Eccles should certainly accept these proposals—and look to industry, the public service and the universities for the next contribution to the problem.

No Plums for Nurses

THE £24 million increase in the estimated cost of the health services next year must have been budgeted for before the award of the industrial court on nurses' salaries was made—though in the knowledge that some rise would be forthcoming. If the nurses' claim had been upheld, an extra £7,900,000 would have been needed for the gross salary bill, less any increase decided on in the charges made to nurses for their board and lodging. In fact, the court has found in favour of the salary proposals of the management side of the Whitley council, and the gross bill will be raised by only £4,200,000 a year.

On board and lodging charges, however, the court has ruled against the management; this increase is now to absorb only one-third, instead of about one-half, of the rise in salaries. But this is poor consolation to the trained nurse.

Before the award, the salary of a ward sister, who has one of the most responsible and exacting posts in a hospital, ranged from £425 to £550 a year, from which she paid £145 residence charge. She is now to receive an extra £25 a year and will pay an extra £8 for her board and lodging. At the very top of the scale, the increase in the salary of the matron of a large hospital, formerly ranging from £970 to £1,170 with a residence charge of £245, is also limited to £25 (the staff side claimed £135).

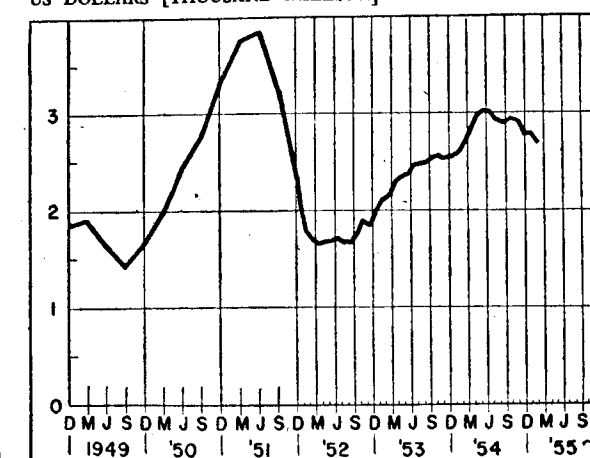
Nursing is not now a profession which a recruit ordinarily enters with a view to climbing to the top of the tree; most nurses get married instead. But the award, which gives trained nurses of all grades a rise that is only £10 more than that to be given to student nurses, will tend to perpetuate the drawbacks of the profession as it is organised at present. Each year it demands large numbers of new students, many of whom leave nursing before or as soon as they have finished their training, whereas what the profession needs is more trained nurses and fewer students. This can certainly not be achieved by bigger salary differentials alone; a more important step should be the oft-suggested radical overhaul of nursing duties. But higher salaries for sisters and matrons and fewer student nurses is the objective to be aimed at. In this award the aim has been awry.

Tourists in North Korea

A PRETTY dilemma faces the five British Commonwealth citizens whose activities in the prisoner of war camps of North Korea are described in the Ministry of Defence's booklet on the treatment of British prisoners (discussed on page 819). A note attached to the booklet virtually challenges them to sue for libel by pointedly drawing attention to the fact that the document is not a Parliamentary publication and therefore does not enjoy absolute privilege. If the five ignore the gauntlet thus thrown down, many people will take this as a tacit admission of the accuracy

GOLD AND DOLLAR RESERVES

US DOLLARS [THOUSAND MILLION]



of the Ministry's account. If they decide to sue they face the possibility that the defendants will call upon former prisoners to describe their conduct. In neither case are the five likely to emerge with credit.

Their difficulty in justifying themselves is illustrated by the *Daily Worker's* claim on behalf of Mr Alan Winnington, who visited some of the camps as its correspondent. The Communist paper now says that the Ministry is forced to admit that relatives of British prisoners in Korea got news of their menfolk only as a result of the work of Mr Winnington. In fact the prisoners were dependent on this channel of communication because for 14 months after the Chinese entered the Korean war they refused to exchange lists of prisoners; and for almost as long they refused to allow prisoners to write home. Mr Winnington and the *Daily Worker* merely took advantage of their monopoly of information.

None of the five can be very happy about the part he or she played. Their sympathy for Communism may have been sincere, and they may even have persuaded themselves that their work was for the benefit of the prisoners (though in the case of Mr Shapiro, also of the *Daily Worker*, this hardly tallies with his reported threat to have one man shot). But the various accounts of their activities make it clear that they were used as tools by the Chinese. For the most part they saw only selected prisoners; a promise of Mr Shapiro's to get comforts for the men came to nothing; and if Mr Gaster believed what he wrote about the quality of the prisoners' food he must have been one of the most gullible visitors ever to glance at a cookhouse menu. Wittingly or not, the five became part of the Communist machine for indoctrinating prisoners—the machine which also employed the tortures described in the Ministry's booklet.

Recklessness at Gaza

WHOEVER fired the first shot near Gaza last Monday, the Israel army was either out of control or else obeying orders that its superiors had no business to give when it blew up one third of the Gaza water supply and mined a road inside the Gaza strip. These two incidents were only part of a frontier affray in which 39 Egyptians were killed, more than half of them in what look like prearranged ambushes.

Admittedly, tempers were running high in Israel—much higher than inside Egypt, where political attention has for the last few weeks been concentrated on inter-Arab affairs. Israeli anger with Egypt in particular has been piling up ever since the Egyptians seized the vessel *Bat Galim* in the Suez Canal in September; it was fed last month by the execution of two Jews in Cairo on charges of spying, and last week an element of fear entered into it at news that a band, said to come from the Gaza strip, had perpetrated raids as far north as Rehovoth and Richon le Zion, the latter only ten miles from Tel Aviv.

Retaliation of Monday's stamp undoubtedly has a cheering effect inside Israel; it makes people feel safe. But seen from outside, it minimises Israel's case against boycott and its protestations that what it wants is peace. As is well known, Israeli authorities are divided into the advo-

cates of diplomatic methods and the activists; the latter get the upper hand whenever security in frontier areas is shaky. But the price of their supremacy needs to be weighed; it is loss of western sympathy and, in the case of Gaza, the endangering of the lives of the 65,000 Jews who still live in Egypt.

The Egyptians have appealed to the Security Council, which is even more deeply concerned at Gaza than it was at last year's similar retaliatory acts on the Jordan border. For in the hills of Jordan, the refugee is defended by his cousins, and is in possession of arms. In Gaza, he—or rather 200,000 of him—lives unarmed in UN camps. On Tuesday and Wednesday, refugee rioters stormed UN offices there, clamouring for "arms, not bread"—an item which does not look pretty on the agenda of a peacemaking organisation.

High Flats and Tall Costs

THE recent conference on high flats at the Royal Institute of British Architects yielded some startling statistics. Dr J. C. Weston of the Building Research Station estimated, on the basis of recent tender prices, that the cost per square foot (exclusive of access space) rises from 32s. for a two-storey house to between 55s. and 80s. or even more for six to twelve storey buildings. In consequence, although the average two-bedroom flat is smaller than the equivalent house, its cost of construction is roughly twice as high; and the economic rent of the flat is higher still because maintenance and management charges are also considerably greater. Almost the entire extra cost of flat construction is borne by the central government, by means of a special subsidy.

In theory a policy of "mixed development" can combine the architectural attractions of large blocks of flats with the lower costs and greater popularity of maisonnettes and terrace housing. The London County Council is leading the way with such schemes. The snag with them is that they include much too low a proportion of ordinary housing (generally under 10 per cent) to satisfy tenants or to bring down average costs appreciably. According to another speaker at the conference, Miss Margaret Willis, two out of three of the tenants on the upper storeys of the tall LCC blocks—despite all the attractions of fresher air, greater quiet, and fine outlook—would still prefer a house and garden. There is certainly a place for a few tall flats in local authority schemes; but the suspicion remains that in some of the present mass development schemes—to the tenants' distaste and with the Minister of Housing's express encouragement—far too many authorities and architects are merely building exciting monuments to their own ingenuity.

Spare the Victors

THE Bill which will extend the benefits of the legal aid scheme from the High Court to the County Courts has passed its second reading in the Lords, to await handling in committee; and the Council of the Law Society has

chosen this occasion to release a new flood of statistics about the economy with which the scheme is run and the high proportion of assisted persons who succeed in winning or settling their cases. Since the scheme started in October, 1950, nearly 220,000 applications for legal aid have been received, and more than 130,000 certificates have been issued. The fact that about four-fifths of the certificates have related to matrimonial proceedings should not obscure the substantial number of assisted litigants in the Queen's Bench Division, particularly for industrial injuries and accidents; nearly nine-tenths of them have been successful.

As the scheme extends, however, so will the most potent cause of criticism of it. Like some, though not all, trade unions, the state does not pay the costs of successful unassisted litigants; since 1950 assisted persons have lost more than 1,000 cases in the Queen's Bench Division, and few of their opponents will have recovered more than a fraction, if any, of their costs. While many of the losers are insurance companies, which by now are philosophical on this subject, some of the successful parties may well have suffered great hardship; so may some of the people who have settled unfounded cases out of court, simply to spare themselves costs that they could not recover. It is not certain that a legal advice service—desirable as that might be on other grounds—would diminish the number of unfounded claims; an adviser would probably have less information than a certifying committee and no more capacity. More effective is the practice of granting limited certificates which endure only to the close of the pleadings, when the situation must be reviewed. A recent regulation has been made whereby area committees are required to discharge a certificate if, as a result of any information coming to their knowledge—for example from the other party to the case—they consider that the assisted person should proceed no further.

The Law Society is therefore doing its best. The next step seems to be up to the Government. Now that the County Courts Bill is to become law, it should surely consider the possibility of making some payment to the successful unassisted party, at least where hardship has been caused.

Alphabet Soup

REPORTS that Gatt is to vanish from the ken of newspaper readers and be replaced by a gallant body known as the OTC suggest that the tide may be turning against the mid-century fashion of shortening cumbrous titles not merely into groups of initials but into pronounceable words formed from those initials. If so, it will be a relief to some people and a pang to others. We have become accustomed to a language full of such exotic combinations of sounds as ecosoc, icaos, anzus and saclant. Some items in this fast-growing vocabulary strongly suggest packaged foods or beverages—we already have ecafé, ecla, cocom, sunfed, and benelux. Some have been suggestive of their purpose, like care, or picme, the committee concerned with would-be emigrants; others, such as unwrapne, which provides shelter for refugees from Palestine, have a misleading sound. There are those that possess pedigrees:

shape the son of shaef, seato the heir to seac; but one or two, such as uncurk and alfsea, have sounded decidedly illbred to many ears. International organisations and the armed services have been their most fertile breeding grounds, but not the only ones; Ishra, a hitherto unknown Old Testament prophet, may be found in financial columns.

Among those that remain obstinately capitalised, with each letter separately enunciated, are the unpronounceable, the sturdily conservative, and those, like WHO, that would lead straight into chaos if they were treated any other way. This resistance ought perhaps to be encouraged. There are already signs of a tendency to baptise new organisations more according to their vowel sounds than to their functions; and it will be a sad day when Englishmen begin to speak of the tuc, and Americans of the gop.

The King of Cambodia

THE abdication of King Norodom Sihanouk is an expected blow to western hopes of keeping Cambodia out of Communist hands. This is not the first time the unconventional young king has done things calculated to startle. But on previous occasions his objectives have been clear and commendable; this time, it is difficult to see what good can come of his action.

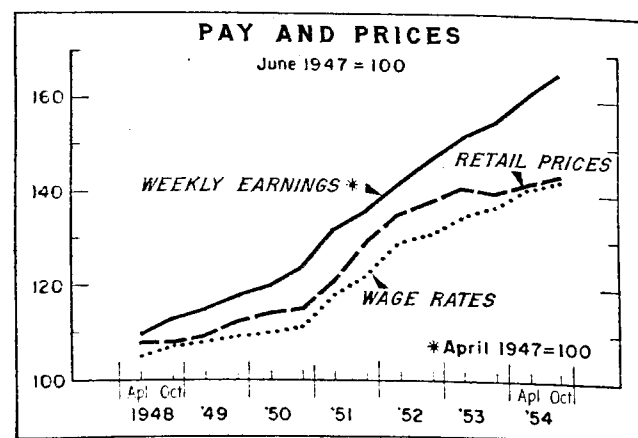
The king himself blames his decision on the actions of political opponents who have thwarted his attempts to introduce constitutional reforms. He named the Communist-supported ex-rebel leader Son Ngoc Thanh as being mainly responsible. This explanation, however, seems quite inadequate: King Norodom has apparently been riding high on the crest of a wave of acclaim in the past few months. He had seemed to make headway in his campaign against the persistently popular Thanh by claiming, in all fairness, that Cambodia owed its independence not to the rebel but to the king. He can certainly have had no cause to complain of the result of last month's referendum, in which 909,000 voters approved his policies, with only 1,700 voting against them.

General elections were due to be held in Cambodia later this month, not in fulfilment of the provisions of Geneva, but by ordinary constitutional processes. A number of demonstrations against the elections have taken place in the past few weeks, however, and on February 18th King Norodom outlined a programme of "national salvation" providing for the election of a National Assembly by village councils, as a substitute for general elections. Son Ngoc Thanh has now complained to the international commission that this plan would violate the Geneva agreements, and the commission's acceptance of his complaint is given as the reason for the abdication.

There is an element of the irrational in all this. When, in June, 1953, King Norodom went into voluntary exile in Siam, he did so with the aim of forcing France's hand in the independence negotiations; and he succeeded in his object. Now, however, the king seems to be handing over his country to Son Ngoc Thanh without a fight. One can only hope that his decision to abdicate is not final; it may be recalled that his exile two years ago lasted only a few days, and ended before the French had granted him all his wishes.

£530 a Year

BY last October average male earnings in industry were £10 4s. 5d. a week, compared with £9 17s. 8d. a week in the previous April and £3 9s. a week in October, 1938; it may be a little startling to some male salary earners to realise that, if they are getting less than £530 a year, they would usually do better in a factory. The latest increase in earnings, revealed in the Ministry of Labour's half yearly survey, published this week, was partly the result of working longer hours—48½ hours a week last October,



more than half-an-hour longer than a year before, and nearly one hour longer than in 1938. Men, in recent years, have done better than youths or women. Women earn on the average only about half as much but their hours are shorter, too, averaging nearly 42 hours last October—1½ hours less than before the war. As the chart shows, earnings still continue to rise faster than wage rates, and faster than retail prices.

Schleswig a Problem Still

DISCUSSIONS have opened in Copenhagen this week between German and Danish officials about the problem of the national minorities on either side of the frontier between the two countries. An attempt to settle the grievance of the Danes south of the border is welcome. They cast at least 40,000 votes in Schleswig-Holstein (their exact figures are vague because there is a considerable "floating" population which claims to be Danish or German according to the political circumstances of the moment); and they have been disgruntled since the *Land* elections of last autumn, when their party was deprived of its four seats in the provincial parliament by the operation of the "five per cent clause" in the electoral law. This is the clause which requires a party to gain one direct mandate, or five per cent of the aggregate vote, before it is entitled to a seat.

The Danes have hopes of winning back a place in the *Landtag* for their minority. Herr von Hassel, the Christian Democrat premier of Schleswig-Holstein, is reported not to

THE ECONOMIST, MARCH 5, 1955

oppose the idea of altering the election law in favour of the Danes. Herr von Hassel is a warm admirer and *protegé* of Dr Adenauer, who is sympathetic to the Danes' claim (the Federal election law, unlike the present *Land* law in Schleswig-Holstein, makes an exception in the "five per cent clause" for national minorities). But the two sides are said to have divergent approaches to the present talks. The Germans are talking in terms of a declaration on frontiers and a treaty between the two countries setting out the rights of the minorities. The Danes oppose both suggestions. They do not want the frontier "frozen" because they feel that in time, and with changing circumstances, they might have a case for suggesting changes; and they do not want a minorities treaty because they fear that it might give the Germans the right to interfere in their internal affairs. Instead they suggest that the two governments should exchange declarations about their policies towards the minorities.

Reforming the Civil Service

At a time when the general outcry against the ineffective condition of our administrative departments leads the public to look with favour upon any project for their improvement, we must be upon our guard against hasty or ill-considered changes. . . . The movement for the reform of our Civil Departments originated with the Crown . . . two gentlemen of high position in the service, Sir Charles Trevelyan and Sir Stafford Northcote, were directed to report upon the subject; . . . and the original documents, with the criticisms and rejoinders annexed, are now before the public. . . . The plan recommended by the original reporters is condemned by the names of greatest authority and the arguments of the greatest weight. Indeed it seems to us to carry its own condemnation on its face. . . . In the first place, a "competitive literary examination," even if science were superadded, would be a very imperfect mode of testing the possession by the candidate of the special qualities required. The qualifications needed in a "Permanent Civil Servant" and in a first-class man, the fellow or tutor of a college, are wholly different. What we need in the servants of public offices are sound sense, good judgment, good manners, an average education, diligence, and scrupulous honour and trustworthiness. . . . What you want are steady men, sensible men, wise men. And you propose a system which would give you, inevitably and by preference, learned men, clever men, and crammed men. . . . You want men of business, not men of genius. Not only would first-class men be out of place, but they would be thrown away there; they would be misplaced, uncomfortable, restless, troublesome, injured, and therefore discontented. There are a great number of men, conscientious, qualified, diligent, and steady, for whom the Civil Service is just the thing, and who are just the perfect trustiness; unenergetic but plodding; humble and contented; satisfied with a moderate salary, because they are aware they could not command a large one; . . . competent to moderate and regular work, but not able to undergo severe toil; quite content to obtain a place in the service of the State, because they know that they could not succeed in the open professions. The work that has to be done they will do as well as men of far superior talents and acquirements; and their powers, as well as good of the country, and employed where they can be employed with advantage. . . .

The Economist

March 3, 1855

THE ECONOMIST, MARCH 5, 1955

Letters to the Editor

Deficit Finance in Asia

SIR—You quote with obvious approval Dr Benham's strictures on the (rather timid) report of an ECAFE Working Party on the financial aspects of development. I do not wish to comment on the propriety of an attack by a high British official (and especially one in so exposed a position as the Economic Adviser to the UK Commissioner General in South East Asia) on a paper which is yet to be submitted to a Uno Committee. So far as the substance goes, Dr Benham's fears of deficit financing resulting in inflation would be more convincing if they were not expressed at a moment of a general fall in prices—despite the use of deficit finance—which threatens the stability of the non-Communist regimes in the area and at a moment when even India is unable to make use of such wholly insufficient foreign aid as she was granted.

A call for a substantial increase in foreign aid and stern warnings about the laggardness of investment programmes would be more in place. Even the Indian rate of investment is, at below 7 per cent, still under the critical rate at which a steady increase in output per head can be expected. China seems to have reached 8 per cent last year and is further increasing towards the eventual goal of 20 per cent in 1958 on the basis of substantial Russian help. Dr Benham's suggestion that higher taxation should be tried is, however laudable, hardly a practicable proposition. If the non-Communist areas waited until they managed to reform their fiscal systems, they might have to wait too long. His fears that a severe limitation of (luxury) imports would necessarily involve an increase in inflationary pressure is incorrect. It is more likely to decrease under-employment in handicraft and potential domestic service.

The vicious circle of poverty can only be broken in Asia by an increase in investment. The risks implicit in stagnation are far greater than that of inflation when the industrial and military strength of China visibly increases every day, though, no doubt, an adequate increase in foreign help would be preferable.—
Yours faithfully,
T. BALOGH
Balliol College, Oxford

Price Rings in the Corner

SIR—It seems to me that the tenor of your recent remarks is that you are opposed to both collective restrictive practices and individual resale price conditions. But is it not true to say

that *The Economist* applies restrictive practices? I believe I am right when I say that, if my newsagent supplies me with a current copy of *The Economist* at 11d., he runs the risk of having his supplies withdrawn. Alternatively, if a recognised advertising agent sold advertising space in *The Economist* at a price lower than that fixed on your official rate card, you would take action to prevent its recurrence.

As an advertising agent I am all for such restrictive practice on your part, but I do not think we should criticise other people for adopting similar methods.—Yours faithfully,
C. CARPENTER
London, W.1

[There is both a general and a specific answer to this issue, which we have no desire to dodge. The general answer is that it is perfectly consistent for one member of a community, or one firm in an industry, to advocate a change in the rules, without practising the new rules himself in advance of their being imposed on everybody else. One can sincerely advocate disarmament without unilaterally disarming. In advocating certain limits and restrictions on price maintenance practices, and more publicity for them, *The Economist* would have no desire to exempt the trades with which it is itself connected. As for the specific matters that Mr Carpenter raises, they are wholly hypothetical. We have never heard of any attempt to sell copies of *The Economist* or advertising space in it below the quoted prices. If either were to happen the pressure of prevailing practices of the distributing and advertising trades, in the present state of the law, might be too strong for a small business like this to resist. But at least we are not parties to any agreement.—EDITOR.]

★
SIR—I should like to support your condemnation of price maintenance. Just as the speed of a convoy is limited to that of the slowest ship, so the margins fixed by the system of price maintenance must cover the least efficient and highest cost traders, no allowances being tolerated for any divergences between these extremes. Apart from overcrowding in some fields, caused by the lure of high fixed profits, the absence of price competition leads to excessive expenditure on rendering premises more imposing, on overstaffing and on unnecessary advertising. That the economy would benefit by, and a large proportion of consumers prefer, simpler premises and services at lower prices are considerations for which the system makes no allowance.—Yours faithfully,
M. HARRIS
Dublin

Total Civil Defence

SIR—At the end of your article of February 27th you print a map headed "Contamination Effects from Fall-out" without specific comment in the letter-press. Some comment would seem to be required. First, the note at the bottom, "Percentages indicate casualty rate of people not under cover," needs the addition of "or taking protective measures." Suitable simple personal protective measures are possible and effective. Secondly, the indicated effects are those from a ground, or very low, burst. Such a burst would have considerably less fire and blast effects than a high one. Thirdly, the areas given are those estimated to be possible under ideal atmospheric conditions from the attacker's point of view. Such conditions will be very rare.

So far, these considerations are all to the good, but my fourth is not. That is that in the particularly uneven wind conditions in this country, the fall out would never come down in a neat predictable cigar shape. It would be scattered most irregularly with, probably, many isolated patches of severe contamination. However, with a really effective detection system and good public education in protective measures, fatal casualties from this cause should be reduced to a comparatively small figure.—Yours faithfully,
Stockbridge, Hants J. SPOTTISWOODE

Merger in Manhattan

SIR—On p. 278 of your issue of January 22, 1955, you state:

"In return for giving up the prestige of being a national institution, of which there are now only a handful in the banking field, the Chase Bank will gain practical advantages; . . ."

On June 30, 1954, there were 13,937 commercial banks in the United States, of which 4,835 were national banks. On that date the total assets of all commercial banks came to \$190,585 million, of which \$108,611 million belonged to national banks.—Yours faithfully,
W. A. L. COULBORN
Oglethorpe University, Georgia

[Professor Coulborn is quite right. Our statement should have referred only to New York City.—EDITOR.]

Prime Ministers Meet

SIR—As a faithful reader of *The Economist* I may perhaps regret an omission in your diagram about "Commonwealth Relations with Other Organisations and Groups," which appeared in your issue of January 29th.

The Seato members include France, whose representative at Manila on September 8, 1954, was M. Guy La Chambre, Minister of State, in charge of the Associated States in M. Mendès-France's government.—Yours faithfully,
Paris M. LE NAN

Books & Publications

In the Washington Jungle

THE SECRET DIARY OF HAROLD L. ICKES:

Volume I, *The First Thousand Days*, 1933-1936; and Volume II, *The Inside Struggle*, 1936-1939.

Weidenfeld and Nicolson. 749 and 759 pages, respectively. 31s. 6d. each.

IF the members of Franklin Roosevelt's administrations had truly been the Marxists their congressional critics said they were, they could have hardly been more intent on "getting themselves right with history." New Deal memoir-writing has been a major Washington industry, employing more shorthand-typists than the whole of Whitehall and more ghosts than Borley Rectory. But the memoirists, good as some of them (e.g., Frances Perkins) have been, are less valuable than the diarists. What the former recollect when put out to graze is less directly reliable than what their colleagues confided to their dictaphones while still in harness. Indeed, one of the minor mysteries of the New Deal is how these hard-driven administrators (Ickes, Roosevelt's Secretary of the Interior, claimed to have worked a twelve-hour day) found time and energy to record their secrets in such detail. "Every Saturday or Sunday," says Mrs. Ickes, "he dictated the full text of his diary for the week." Often, by his own admission, Ickes was worked to a frazzle. Yet rarely does the week's output fall below 1,500 words. The whole diary amounted to six million words, which, over a period of nineteen years, works out at an average of over 850 a day. Not all are printed here: "parts are too detailed to interest anyone but historians... other parts will have to wait until the death of many living persons." But enough is printed to make these volumes the most revealing inside picture of New Deal politics that has appeared or (saving, perhaps, the mysteriously suppressed Morgenthau diaries) that will ever appear.

At first sight these closely printed pages, dripping with the details of departmental skirmishes over issues that have lost most of their interest and all of their urgency, appear to be heavy and unrewarding reading. Yet even the most superficial reader can pull out a few plums, for Ickes, unlike many diarists, did not save up all his wisecracks for publication. Vice-President Garner can surely ask no better memorial than to be recorded as "navigating well in heavy alcoholic weather," and Cordell Hull remains pinned to the pages of history with the comment, "the only station on his one-track mind is 'trade agreements.'"

The Old Curmudgeon's caustic tongue is seldom silent in these pages; personalities abound and, whatever the editors' prudence may have excised, plenty of fascinating gossip remains.

The diary, however, is more than a sustained gossip column. Even at the purely personal level it acquires unity and depth from its revelation of the character of its two main figures, Ickes himself and the President he serves. Surprisingly to anyone whose first acquaintance with the diary is from the sharp-tongued notices in certain American journals, Ickes appears as a strangely pathetic figure. In the "First Thousand Days" in particular, everything seems to go wrong with him. When he goes out to dinner he always draws the wrong partners; when he plays poker he always loses; if he joins the presidential yacht he is generally sea-sick; at White House *soirées* the chairs stick into the small of his back; when he has his house decorated the ceiling has to be painted four times "and still isn't right"; whenever he tries to buttonhole the President, Fanny Perkins gets in front. And suddenly custard pie comedy turns to something very like tragedy when word is brought to him, in the midst of a crisis involving his own resignation, of the death of his wife in a motor accident.

Woven into every page of Ickes's personal, as well as ministerial, life is the figure of Franklin D. Roosevelt. It is a pathetic figure in every Freudian sense of the term. *Odi et amo* is the recurrent theme. The President has "sold me down the river"; he has "operated on me without even giving me an anaesthetic"; he has listened to the siren songs of Henry Wallace; he has betrayed the New Deal. There is a lovers' quarrel. Harold resigns, F. D. R. writes back, "Resignation not undoubted generosity and evident sincerity." Yet love is not wholly blind: "For a long time I have felt that the President isn't personal, and I don't think that he is in the sense that he particularly feels for or through another. But no one can be more friendly or interested than he or give so strong an impression of real concern." The pages of Roosevelt which no presidential biographer will be able to ignore.

But of course the greatest value of the diaries is the light they throw on the New Deal. They are superbly evocative—the excitement of the Hundred Days, the absurdities of the Liberty Leaguers, the glory and squalor

THE ECONOMIST, MARCH 5, 1955

of the Supreme Court battle, all this and more is here. Accurately, because unconsciously, they render the change in tone, from the competitive, isolationist idealism of the first term to the harder-boiled, slower-paced, often defensive compromises of the second, in which Hitler begins to count for as much as Mayor Kelly and Chamberlain is as monstrous a betrayer as Jack Nance Garner. However, all this for the English reader has one grave drawback. It is bound to make it harder for him to understand why American government works at all. A Cabinet in which every member fights (in public and private) with every other, a President who has neither a philosophy nor any sense of administrative order, a civil service which flouts its ministers and intrigues with the legislature—how, in heaven's name, did there emerge from this the staggering achievements of the New Deal? This is the question which future historians will have to answer. They will have to pierce the jungle depicted in Ickes's pages to the idealism, energy and revolutionary sense of purpose that lay somewhere beyond.

The Devil's Disciples

THE OLD CAUSE.

By John Carswell.

The Cresset Press. 425 pages. 30s.

DOCTOR JOHNSON said, "The first Whig was the Devil." But it was John Milton who in 1660 had said, "what I have spoken is the language of that which is not called amiss 'the Good Old Cause.'" But the cause for which Mr Carswell's three Whigs worked was ultimately the cause of the Hanoverian Electors, not of the Puritan "Elect" and he maintains that in their parliamentary careers they not only upheld the principles of 1688, but assisted in the evolution of the English constitution by developing the doctrine of the Opposition.

The three, whose political lives overlapped, save for a few months before Fox entered Parliament, are Thomas Wharton, George Bubb Doddington, and Charles James Fox. To their contemporary detractors, the first was a scheming, unscrupulous rake; the second a mediocre political toady; while Fox's lack of practical success seems to puzzle Mr Carswell as much as it baffled many of "the Black Boy's" friends. But though he is happier telling their stories than philosophising about their politics, Mr Carswell does not let the reader forget (indeed somewhat too frequently says "we shall see" or "this reminds us") that his purpose is to exhibit them as Whigs in action. To those who are familiar with Sir Lewis Namier's interpretation of eighteenth-century politics, the argument that the Whigs were not a party in the modern sense, and that the party system could not have developed without the formation of an Opposition may be superfluous but need not spoil their enjoyment; while those readers who know little about eighteenth-century

THE ECONOMIST, MARCH 5, 1955

measures will enjoy these eighteenth-century men who are so vividly revitalised by Mr Carswell.

Honest Tom Wharton, the puritan-bred aristocrat, who boasted that he had never issued a challenge, never refused one, and never killed a man; "zealous lover, hearty companion, uncompromising enemy"; endowed with stamina, courage, extraordinary power of recuperation, and "notable powers of dissimulation"; may possibly have drafted the invitation to William of Orange. "I own driving out King James and I would do it again," he said. He was the author of "Lilliburlero," and the most decisive speaker in the debate which followed James's flight; and he and his friends, with well-stocked country-house armouries, were ready to march in 1714 as they had marched in 1688.

The Whigs of Lord Wharton's generation established a monarchy controlled by an aristocracy—but not by a caste, as the career of George Bubb Doddington proves. The natural son of a minor landowner he was adopted by his uncle, who endowed him with his name and a fortune acquired by a typically eighteenth-century mixture of office-holding and commerce; and became eventually Baron Melcombe. Caricatured in Hogarth's "Chairing the Member," scornfully dismissed by Pope and Hervey as a clownish and unpopular political climber, he seems to walk on to the stage of history in the crowd of those who have their price. But he was not inspired by self-interest only: although he tried to keep in with Walpole and the Prince of Wales, he was not afraid to give unwelcome advice to "Poor Fred"; or to stand up to Walpole, who had interfered with his boroughs, and, when his protests were ignored, to organise an opposition that ended Robinocracy. And later he defended Byng, partly to weaken the Government, but also to oppose injustice. He was, in a mid-eighteenth-century way, the Old Cause in action: the "Country Member" whose independence was not to be bought—at any rate, not cheaply. Even his membership of the Medmenham Brotherhood sprang from social and political motives, not from an interest in black magic. His domestic life was almost regular; he secretly married his only mistress. When he managed to achieve office, he was industrious, and he made little out of the Paymastership. We should be grateful to Mr Carswell for a portrait that counterbalances Hogarth's caricature.

Fox's part in this trilogy is, however, less convincingly described. It may be that the author, like other recent biographers of Fox, while paying tribute to his popularity with contemporaries, finds him tiresome—as, indeed, even his friends sometimes did. And it must be hard to find anything new to say about "Fox, the Man." But it would be difficult to dispute the claim that this man of the people nourished the growth of parliamentary opposition, for he spent a large part of his political life out

of office—though it might be fairly maintained that this was due to defects of character and judgment as much as to the strength of his Whig convictions. However, in praising a warm humanity and courage that even super-egotism could not nullify, Mr Carswell is in the good company of Professor Alfred Cobban, who, in editing "The Debate on the French Revolution," says, "the traditional liberties of England had been preserved by the small aristocratic clique that found its inspiration in Charles James Fox."

The illustrations are well chosen and there is an ingeniously helpful chronological table. The Appendix contains the original version of Lilliburlero and (very fairly) a vigorous Tory song written a few years earlier.

Guide to the Economists

A HISTORY OF ECONOMIC THOUGHT.

By Eric Roll.

Faber. 540 pages. 30s.

IT is Mr Roll's bad luck that this third edition of his "History of Economic Thought"—first published in 1938, now heavily revised, enlarged, and brought up to date—should appear within a twelvemonth of the late Professor Schumpeter's formidable "History of Economic Analysis," in the wake of whose launching it bobs about as unfairly dwarfed as a light cruiser under the lee of the *Rodney*.

Light cruisers, however, can do jobs for which battleships are unsuited. Very few people will ever read (as distinct from consulting) Schumpeter's *magnum opus*; Mr Roll's history, while substantial, is eminently manageable. From the one author the reader will get all the refinements of a comprehensive scholarship, from the other an operational selection. "This book," says the author, "is concerned only with the main streams of thought which have gone to make up present-day academic theory." (This formula does not exclude a masterly account and assessment of Marx.) And Mr Roll's book is strongest just where Schumpeter's unfinished work is inevitably weakest—in its dealings with contemporary theory. His account of the process by which Keynes became the idol of New Deal economists and the bogymen of American business is beautifully perceptive; hardly less outstanding is the skill with which he traces the development of equilibrium theory from Cournot, Jevons, Walras, Marshall, Pareto, to such distinguished contemporaries as Messrs Sraffa, Hicks, Chamberlin, Samuelson, and Mrs Joan Robinson.

Books re-issued and revised—however thoroughly—after a long period are apt to have a patched-up look; only too often, they are ineradicably marked by the mental attitudes and the current preoccupations besetting the author when he first wrote them. Mr Roll's "History" is a refreshing exception.



Statistical Yearbook 1954

Sixth issue of a comprehensive collection of authoritative international statistics presented in 179 tables, most of which cover a twenty-year period ending 1953, and the first half of 1954. The Yearbook is of permanent value to economists, banks, statisticians and government departments. Prepared by the Statistical Office of the United Nations.

Clothbound: 45/- (46/8 incl. postage)

Paperbound: 40/- (41/6 incl. postage)

Yearbook of International Trade Statistics 1953

This publication is the fourth of an annual series, and shows detailed trade statistics for 90 countries, covering about 97% of world trade. In addition to trade statistics for each country, tables showing world trade according to regions are also shown. This Yearbook is of special value to all who are interested in world trade and economic development.

32/6 (33/9 incl. postage)

United Nations publications are obtainable from:
H.M. STATIONERY OFFICE,
P.O. Box 569,
London, S.E.1,
or through any bookseller.

THOSE PERPLEXING ARGENTINES

by James Bruce

former U.S. Ambassador to Argentina

Birmingham Post

"An excellent picture of contemporary life in that fascinating country... just about the best account ever published on this most complex subject."

John Connell

"Lively, shrewd, wise and most informative... he describes in vivid, graphic and factual terms the way that the people of the Argentine live, work and play." (Evening News)

The Economist

"Mr. Bruce is certainly a stimulating guide... he writes engagingly about his personal reactions to Argentina and he has a good eye for colour and incident."

Chicago Tribune

"It is difficult to find any defects in this sound and fascinating volume." (30/- net)

EYRE & SPOTTISWOODE

Pro PR

VOTING IN DEMOCRACIES.

By Enid Lakeman and James D. Lambert. Faber. 303 pages. 25s.

CONTENT with the rough justice and the clear decisions of their electoral system, the British have never shown themselves very interested in the more elaborate formulae by which other countries choose their legislatures. Domestic advocates of proportional representation have often been goaded by the ignorance and the prejudice of their audience into a polemic tone and a degree of exaggeration which ill serves their cause. This book is therefore to be welcomed for its clarity and moderation as well as for its general utility as a work of reference. It provides a reasonably simple description of the principles involved in the various possible types of electoral system and it gives a valuable, though uneven, summary of the methods employed by most European democracies, duly recording the impact of changes in the mode of election upon the number and the strength of parties and upon the stability of governments.

It is hardly a book that makes exciting reading, and, although it will shake some established prejudices about the consequences of proportional representation, it will leave many readers unsatisfied. The authors are convinced that any form of PR is good and that the single transferable vote is best of all. They make almost no admissions of the defects that

have occurred in practice. Their marshalling of evidence is so selective that one hesitates to accept even their most plausible judgments as authoritative. The weakness of this book—as of all works advocating PR or any other institutional nostrum—is the assumption of universal applicability. But different electoral systems may be appropriate for different countries. PR, which in one country may be an essential safeguard of minority representation, may in another country prevent minorities from ever being assimilated in more national parties. PR, which in some settings has produced invaluable tranquillity, in others has produced dangerous stagnation. There are no universal laws about electoral systems. The authors of this book fail to realise that PR is a means not an end—and not even an indispensable means. Their book, although interesting and useful, is narrow and biased: it is certainly not a definitive examination of contemporary electoral systems.

Keats's Poetry

KEATS.

By J. Middleton Murry. Jonathan Cape. 322 pages. 21s.

THIS book resembles a house to which additions have been made at different periods. The original structure dates from 1930; it was much enlarged in 1939 and considerably altered in 1949; and now some extra rooms have been built on, which do not increase the architectural merits of the whole, although they possess intrinsic merit. The new material consists of two short essays, on "Keats and Friendship" and "Keats and Claret," and a much longer one, on "Keats and Mrs Isabella Jones," occasioned by Mr Robert Gittings's recent book, "John Keats: The Living Year."

The thesis that Keats had a fleeting but successful love affair with Mrs Jones, at a time when he was already in love with Fanny Brawne and she with him, and that Mrs Jones was the original inspiration of the sonnet "Bright Star," is clearly as repugnant to Mr Murry as the theory that Wordsworth felt an incestuous passion for Dorothy has lately been to a bevy of literary critics. It is, indeed, odd that nobody has rushed sooner to the defence of Keats, for the story runs counter to all that is known of him from his letters and his poetry.

Mr Murry has examined with scathing care the kind of literary evidence on which Mr Gittings based his datings and his deductions, and one is left reflecting on the dangers of trying to establish biographical facts on the necessarily flimsy and subjective basis of echoes and resemblances that a reader may perceive in the utterances of a poet.

The finest chapters of the book are not concerned with Keats's biography but with his inner, imaginative life. They are written with an intensity of sympathy that really does illuminate the way in which the creative spirit worked in and through this amazingly sensitive poet.

THE ECONOMIST, MARCH 5, 1955

Shorter Notice

GUIDE TO THE PLANETS.

By Patrick Moore.

Eyre & Spottiswoode. 222 pages. 21s.

Mr Moore's companion "Guide to the Moon" was a more interesting, deeper work. This, its sequel, is a venture between stools: it does not compass the immensities of the universe; nor does it go more deeply into as small an object in it as our moon. Oddly enough, Mr Moore does not give his readers—what he could profitably have given them, apart from the excellent diagrams and the 24 plates, seven of which are in colour—a real notion of an orrery. A three dimensional diagram could have done this fascinating trick for them, and would have made much of his text on orbits, inclinations, etc., more comprehensible.

Nevertheless he has written a useful handbook for those who find our own little system in space puzzling enough. There are chapters on all the planets and the asteroids; sound assessments of the possibilities of forms of life on them, their densities, composition, and so on; and some hair-raising, but reasonable, conjectures about inter-planetary travel and its conditions. It would be a dull dog indeed who failed to find this book interesting and to understand it. Will the author next, please, consider the heavens?

Books Received

BRITAIN AND THE TIDE OF WORLD AFFAIRS: BBC Reith Lectures 1954.

By Oliver S. Franks. Oxford University Press. 71 pages. 5s.

The publishers are to be congratulated on having reduced the delay between the delivery of the Reith Lectures and their subsequent publication. The lectures themselves were referred to briefly in an article in *The Economist* of January 29, 1955, page 348.

THE ATTACK OF BIG BUSINESS.

By J. D. Glover. Harvard Business School. This book, which was reviewed in our issue of February 26, 1955, can be obtained from Bailey Bros. and Swinfen for 32s. and not 48s.

INTERNATIONAL ECONOMIC INTEGRATION. Second, completely revised, edition of International Economic Co-operation.

By J. Tinbergen. Amsterdam and Brussels: Elsevier. Distributors for the British Commonwealth and USA: Cleaver-Hume Press. 191 pages. 21s.

YEAR BOOK OF THE TEXTILE INSTITUTE: Number 7, 1954-55.

The Textile Institute. 266 pages. 15s. (non-members).

THE BOUNDARIES OF CANADA, ITS PROVINCES AND TERRITORIES: Geographical Branch Memoir 2.

By Norman L. Nicholson. Department of Mines and Technical Surveys, Canada. Edmond Cloutier, Queen's Printer and Controller of Stationery, Ottawa. 151 pages. 75 cents.

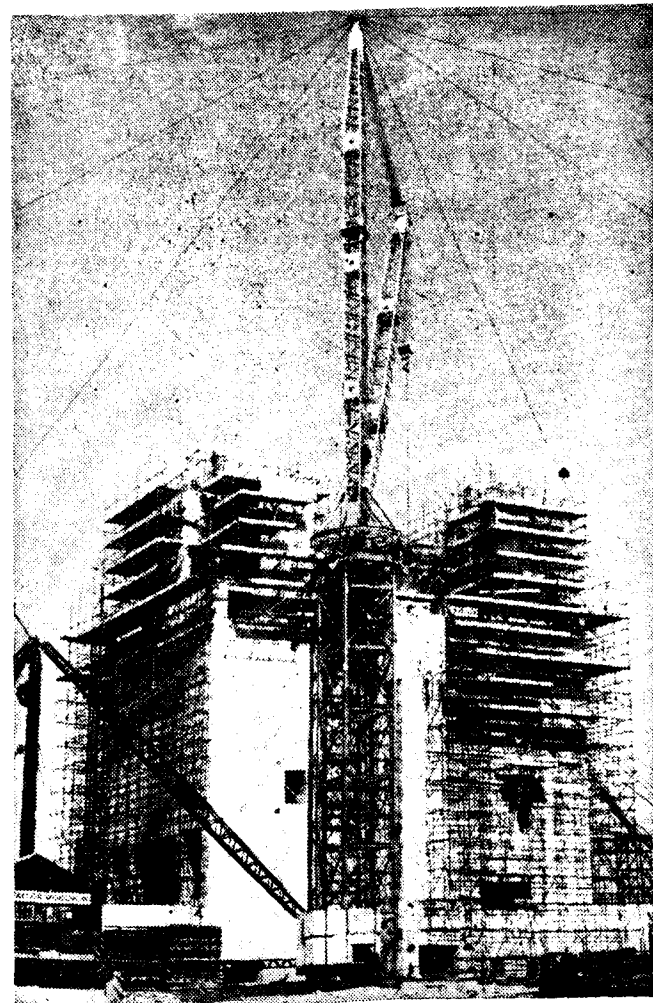
SYSTEMS OF SOCIAL SECURITY: United States.

International Labour Office, Geneva. 11 pages. 4s. 6d.

YEARBOOK OF INTERNATIONAL TRADE STATISTICS.

Prepared by the Statistical Office of the United Nations, Department of Economic Affairs. Distribution: Her Majesty Stationery Office. 481 pages. 32s. 6d.

THE ECONOMIST, MARCH 5, 1955



Photograph shows the huge concrete structure of one of the Thermal Reactors during construction

BRITAIN'S FIRST ATOMIC ELECTRICITY GENERATING STATION
The civil engineering and building work at Calder Hall is being carried out by Taylor Woodrow for the United Kingdom Atomic Energy Authority

'When we build,
let us think that
we build for ever'

John Ruskin

TAYLOR WOODROW

Building and Civil Engineering Contractors
10 Park Street London W.1 GRCoveror 8871

From the very beginning of any scheme, clients and consultants will find that it pays—in terms of economy and speed—to call us into full collaboration



SINCE MID-VICTORIAN TIMES



DIVISION OF LABOUR

First Swell. "DEUCED HOT, FWANK! CALL A CAB."

Second Swell. "TELL YOU WHAT, OLD FELLOW, YOU SHOUT, AND I'LL HOLD UP 'UMBWELLA. 'GET THROUGH IT THAT WAY."

[Plan adopted and cab procured. Total Collapse of Exhausted Parties marvellously averted by Three Castles cigarettes—the flavour of which being of such Singular Excellence that our Elegant Pair thereupon forgot their Languishing State, alighted from their cab, and walked the remaining hundred yards.



It's always been
THE
"THREE CASTLES"
CIGARETTES
for The Quality

W. D. & H. O. Wills, Branch of The Imperial Tobacco Co. (of Great Britain & Ireland), Ltd.

TT 276 P



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

Drambuie

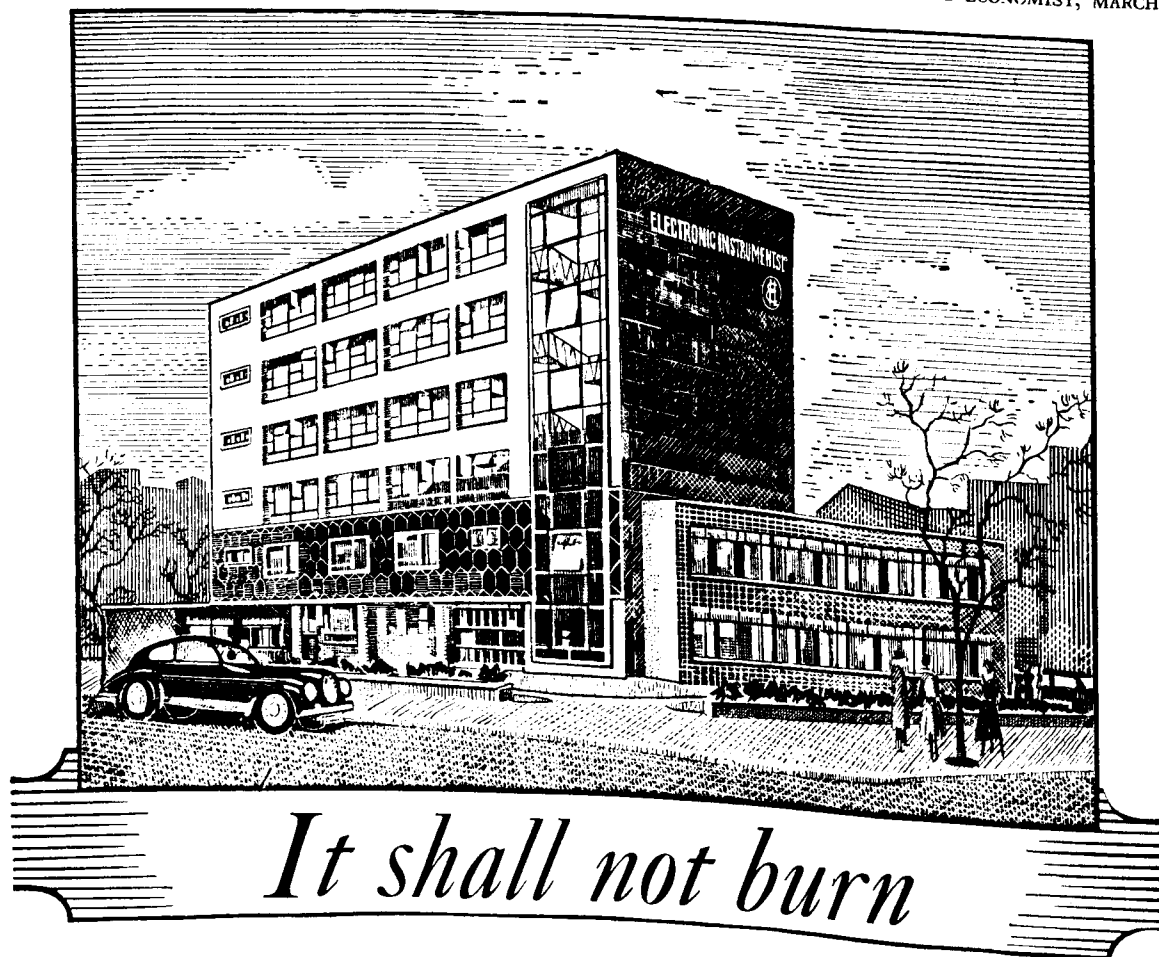
THE DRAMBUIE LIQUEUR CO. LTD., EDINBURGH

Harrods

COMPLETE BOOK SERVICE

- **New Books:** an unsurpassed stock and a helpful, knowledgeable staff.
- **Library:** a 'guaranteed' subscription and a personal service.
- **Secondhand Books:** recent books in excellent condition at about half price.
- **Book Binding:** in beautiful leather or serviceable cloth.
- **Out of Print Books:** searched for free of charge.

HARRODS LTD LONDON SW1



At last, nuclear knowledge brings to every building, office, and industrial enterprise 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.

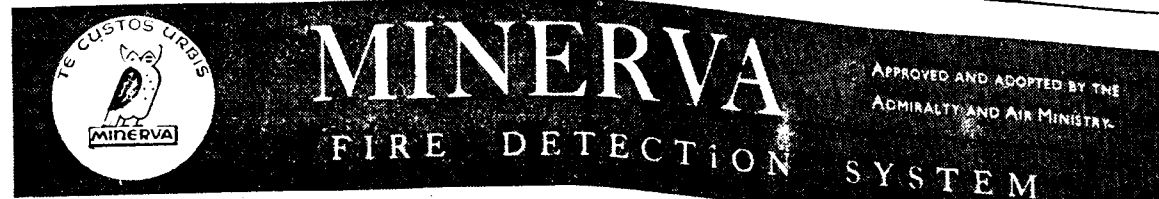
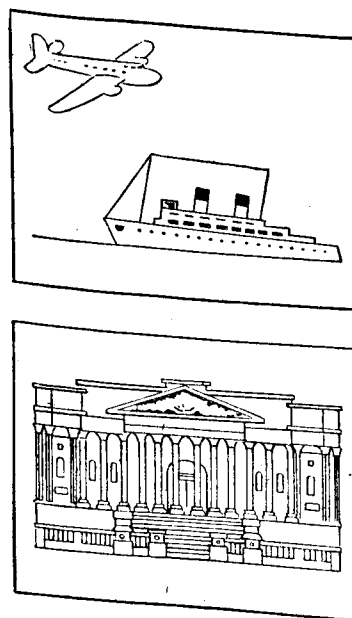
HOW IS IT INSTALLED?

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.



Manufactured by The Minerva Detector Company Ltd., Richmond, Surrey, England

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.

Fifty Little Mayors

Washington

IN Chicago, the classic home of syndicated crime and the kind of professional politics that gives it protection, the Democratic party machine appeared last week to have ground out a smooth electoral triumph. Strictly speaking, there were two kinds of election: the humorously named non-partisan contests to elect fifty aldermen to the city council, and the party primaries to choose the Democratic and Republican candidates for mayor, city clerk and city treasurer. These will be followed on April 5th by the election proper for the city offices and runoffs in the 14 wards in which no aspiring alderman obtained an absolute majority.

In no fewer than 31 of the 36 wards that were won outright, the successful candidate was "an organisation man," while in the Democratic primary the local party chairman, Mr Daley, eliminated the present mayor, Mr Kennelly, who had had the temerity to ignore hints to retire while the going was good. Altogether it is difficult to blame one of the victors, Alderman Bauler, for dancing a jig and concluding that "Chicago ain't ready for reform yet."

For the first time since 1939, however, the Republicans have found a mayoral candidate with a name to conjure with. This is Mr Robert Merriam, son of a famous political scientist at the University of Chicago and himself the author of a popular war history, who for the last eight years has sat in the city council for the "University Ward" fighting the professionals at every turn. As a result he is something of a hero to those who still believe in the possibility of civic reform.

Although Mr Merriam was considered until recently a liberal Democrat, the sweeping Democratic victory in Illinois last November put the Republican leaders in a frame of mind to accept him as their standard-bearer on his own terms, which include a completely free hand over patronage and an undertaking merely to be neutral in the national elections of 1956. From the Republican point of view, Mr Kennelly's defeat is probably a blessing. The issue is now a clearcut one. Mr Daley, who had an excellent record under Governor Adlai Stevenson and carries his blessing now, claims that the local Democratic machine can, under proper leadership, be turned into an instrument of reform. Mr Merriam argues that in Chicago the Democratic party is a hopeless case and must be turned out lock, stock and barrel if reform is to have any meaning.

Mr Kennelly, a dignified, independent-minded business man, was summoned in 1947 from the presidency of the

Chicago Red Cross to administer first aid to a Democratic party that seemed well on the road to electoral ruin. To save their own skins, the professionals allowed Mr Kennelly to run a semi-reform administration. It has to its credit the removal of political influence from the schools and the city's purchasing agency, some improvements in the police force and the widespread extension of what one of the party machine's statements calls "all this civil service where a guy sits down and needs glasses to take an examination." There are now 32,000 city jobs under the merit system, with only 3,500 still available to carry party henchmen on the public payroll. This is clearly the reform that hurts and accounts for the mounting resentment towards the mayor of a majority of the aldermen. On the other hand, Mr Kennelly was reproached, by Mr Daley as well as by Mr Merriam's faction, with being satisfied with putting to honourable use his present inadequate authority, without trying to wrest from the state legislature reasonable powers of self-government.

There is indeed much to be said for the argument that no reform can possibly be more than a palliative so long as Chicago's fragmented system of government remains unchanged. The structural problem is threefold. In the county of Cook there are some 350 separate and mostly overlapping units of local government; within Chicago itself there are six major tax-raising governments (and even two police forces, since the Park District, which is totally independent of the mayor's administration, employs its own force). In the Chicago city government the powers of the individual aldermen are such that they are virtually fifty "little mayors." The result is a hopeless diffusion of responsibility, with only the state legislature, dominated by rural and suburban interests and meeting only for six months in every second year, having the authority to articulate the different functions or even to allocate funds.

Mr Merriam's plea to the city is that it should purge itself by tossing out the Democratic machine. He promises that, if elected, he will go immediately to the state capitol in Springfield to demand that the Republican legislature should underpin his position and make possible the redemption of his pledges by strengthening the executive authority of the mayor. He wants to remove executive functions from the city council and reduce its size to thirty-five, of whom ten would be elected from the city as a whole, and

to give the city its necessary financial independence by allowing it to raise a tax on sales or earnings.

What are Mr Merriam's chances? His leadership of the Emergency Crime Committee and his radical proposals to overhaul the transport system, the police department and the housing programme have made his name well known. His main hope seems to be to rally an anti-machine coalition. Against him are the technical proficiency of the Democratic professionals and the dilemma of the liberals. Many of them worship Mr Adlai Stevenson, the national Democratic leader, and Mr Merriam, the local Republican, as twin heroes and they fear that for Mr Stevenson's party to lose its own home base once again, in however good a cause, would be a serious blow to his standing as a national leader.

The Big Cigar

IT has long been an open secret that civil defence was the weakest plate in America's armour. The Civil Defence Administration, directed by Mr Val Peterson, was given scant attention by the Pentagon and the Atomic Energy Commission. Last year, its headquarters were moved to Michigan in order to bolster Republican prestige in that state. Mr Peterson could well say: "I do not believe the Congress or anyone else in this country has realised the need for a strong civil defence." Last week, however, there were signs that the country was being shaken out of its apathy and the Senate Armed Services Subcommittee, under the chairmanship of Senator Estes Kefauver, began hearings on the problem of radioactive fallout. This change in mood was brought about by the publication, on February 15th, of the Atomic Energy Commission's report on the effects of the hydrogen bomb explosion in the Pacific last year.

This report, whose release appears to have been ordered by President Eisenhower, adds to the image of the mushroom cloud that of a vast cigar, measuring some twenty miles across and stretching 140 miles downwind from the point of thermo-nuclear detonation. Within its shadow, the fallout of radioactive particles would destroy nearly all life. In an area of about 7,000 square miles downwind, survival would depend on shelter or prompt evacuation and decontamination. The AEC report did not mention how long such an area—the state of Maryland, for example—would remain dangerously radioactive after an explosion. One independent scientist, however, has calculated that the region would need several months to "cool down."

In terms of civil defence, the implications of the AEC report are terrifying. Enemy planes will no longer have to brave the anti-aircraft guns and rockets which surround a city in order to render it untenable. The defence of New York might have to be centred far upwind, near Pittsburgh, and survival would depend on the possibility of the rapid evacuation of millions of people. As Mr Peterson puts it: "We have graduated from the 'duck and cover' age to the age of evacuation." The United States has the advantage over Britain of space. But on the other hand, its urban populations are more crowded and much more heterogeneous, and they have not had the experience of the dress rehearsal of 1939-45.

THE ECONOMIST, MARCH 5, 1955

The Senate subcommittee is studying the problem of industrial dispersal as well as that of civilian evacuation. Mr Arthur Flemming, director of the Office of Defence Mobilisation, has called for quick action on a programme whereby amortisation benefits would be awarded only to factories conforming to dispersal standards. New plants would be built on locations chosen by defence experts. Mr Peterson has announced that mayors of "target cities" will meet at the White House in May and that there will be nation-wide evacuation drills in June. The old novelty trick of the exploding cigar has taken on a grim significance.

Obstructing a Justice

ON November 9th of last year, President Eisenhower nominated Judge John Marshall Harlan to fill the vacancy on the Supreme Court caused by the death of Justice Robert Jackson. The President's nomination was resubmitted on January 10th, after the new Congress convened. Despite the pressure of public opinion, the Judiciary Committee of the Senate kept on postponing hearings on Judge Harlan until February 23rd. Behind this procrastination lay a tangle of political interests, regional prejudice and legislative inefficiency.

Pending before the Supreme Court are numerous cases designed to elicit what measures the federal government will be empowered to carry out in order to enforce the ruling against racial segregation in schools. This ruling, which the Court made unanimously last May, has been appealed against by several southern states. An examination of these appeals had been scheduled for December 6th, but on November 22nd the Supreme Court decided to postpone action until a full bench was present. If Judge Harlan's appointment can be delayed, therefore, further action on the Court in October. Six of the eight Democratic members of the Judiciary Committee are from states opposed to "desegregation" and although Judge Harlan has refused to express his views on the issue, his grandfather, who was a Justice on the Supreme Court, is remembered as saying "the Constitution is colour blind."

Other members of the committee have smaller axes to grind. Senator William Langer, who heads the Republican minority, is opposing all of President Eisenhower's nominations to the cabinet and the Supreme Court until some of the less prominent states—especially his own of North Dakota—get what he regards as their fair quota of these distinguished appointments; Judge Harlan comes from New York. Senator Eastland of Mississippi, on the other hand, is worried lest Judge Harlan turn out to be an "internationalist" and take the side of a foreign treaty against the Constitution. When questioned on this issue, Judge Harlan very properly refused to give any answers that could pre-hearing, moreover, Judge Harlan saw himself denounced by a number of crackpot witnesses for having been a Rhodes Scholar and a member of the board of directors of Atlantic Union.

THE ECONOMIST, MARCH 5, 1955

The Rolling Road

FROM A CORRESPONDENT IN OHIO

THE question whether or not to approve a belt conveyor line to transport coal and iron ore between the Ohio River and Lake Erie is now before the Ohio General Assembly, and is expected to produce the most heated debate since Prohibition days. The 103-mile-long "rubber railroad" would cut across the north-eastern corner of Ohio, from the coal barge terminus of East Liverpool on the Ohio to the lake port of Lorain near Cleveland, passing through the steel centre of Youngstown and through other industrial centres in "America's Ruhr." According to its sponsor, Riverlake Belt Conveyor Lines, Inc., the venture would save Ohio steel mills and power users from \$20 to \$45 million in transport costs annually on the basis of a maximum annual haulage of 20 million tons of coal and 32 million tons of iron ore.

Designed to run mostly on the ground, with elevations to clear highway and rail traffic, the twin belts would move at a speed of 600 feet per minute; the northbound belt would carry coal, loaded directly from river barges, the southbound ore loaded from lake steamers. The belts would be fully enclosed within a steel gallery, with outlets along the way and modern freight terminals at either end. The project would take three years to build and cost "more than \$300 million," but no financing difficulties are

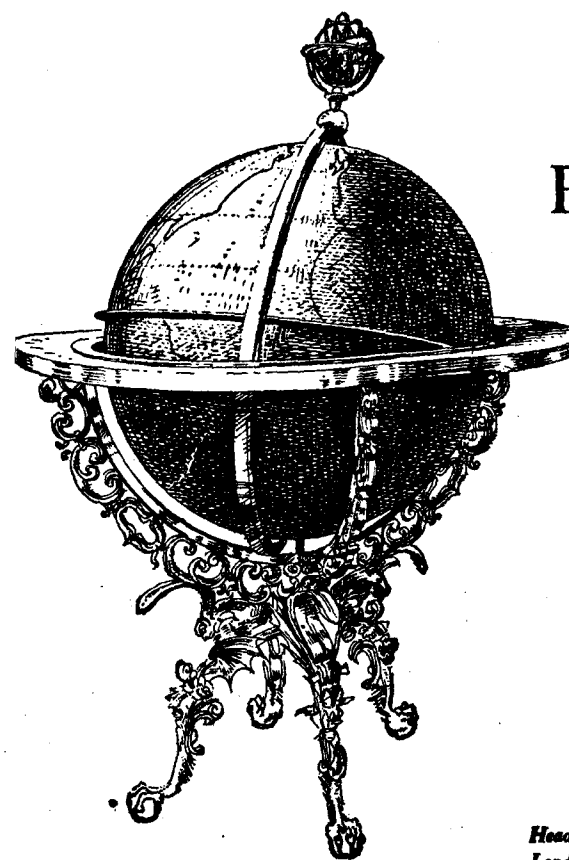
anticipated as some of the country's largest corporations are involved.

Opposition to the scheme is vested mainly in the twelve railway companies serving Ohio, which successfully killed the measure when it was first introduced in the legislature (which meets biennially) in 1949 and again in 1951. The railways first claimed that the project was "an engineer's pipedream," and then argued that the competition would ruin them. More recently, rail operators have emphasised with justification the costly, and to some extent neglected, problem of how to segregate different grades of ore and coal at transfer points and terminals.



The obstacles to the passage of the scheme are points of law. In order to pass through farms, railway rights of way and villages, the promoters will have to obtain from the Ohio legislature the status of a common carrier, with power of eminent domain. The railways argue that the belt line would not be a true common carrier because it would not transport all kinds of goods—an argument that is weakened, however, by the fact that

way rights of way and villages, the promoters will have to obtain from the Ohio legislature the status of a common carrier, with power of eminent domain. The railways argue that the belt line would not be a true common carrier because it would not transport all kinds of goods—an argument that is weakened, however, by the fact that



First in world-wide banking

An extensive network of 57 overseas branches and of correspondents in every commercially important city throughout the free world has made The National City Bank of New York first in world-wide banking.

This great organization is staffed by men experienced in international trade and banking who can offer rapid, up-to-the-minute information on local conditions and developments. The London branches of The National City Bank are uniquely equipped to advise on trade with the dollar area.

Whatever your business and wherever your interests, The National City Bank of New York is able and happy to be of service.



THE NATIONAL CITY BANK OF NEW YORK

(ESTABLISHED 1812)

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

Head Office: 55 WALL STREET, NEW YORK

London Offices—City: 117 OLD BROAD STREET, E.C.2. West End: 11 WATERLOO PLACE, S.W.1

Ohio already permits oil and coal pipelines, in addition to utility lines, to cross the state. But Ohio farmers, fearing that the railways would be forced to reduce their services or raise rates if deprived of coal and iron haulage, are opposing the grant. More than one hundred Ohio communities, fearing a loss of railway services or damage to the landscape, have passed resolutions against the project.

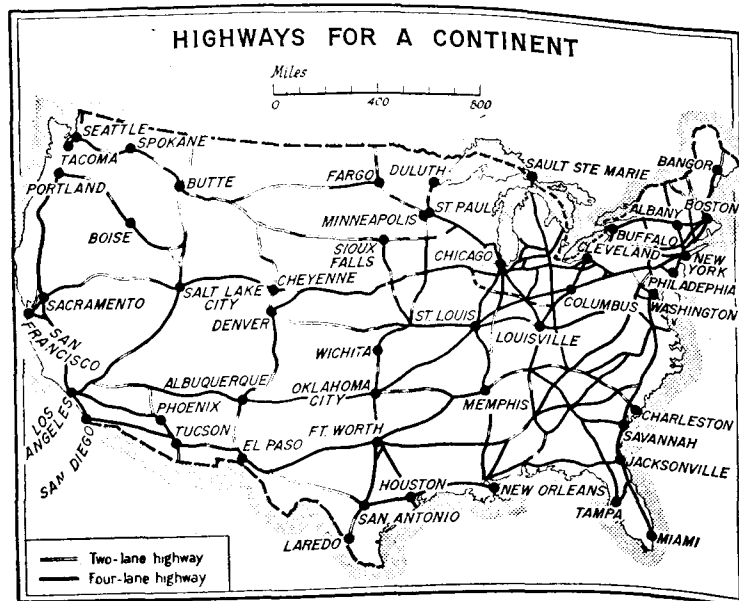
However, despite this powerful opposition, most political observers think the belt line will be approved this year. A new and important factor in its favour is the newly authorised St Lawrence Seaway project which has started a scramble among the states that skirt the Great Lakes for a dominant share in the anticipated traffic. To compete with its neighbours, Ohio needs cheaper transportation rates for coal and iron ore.

A Nation on Wheels

ON February 22nd, President Eisenhower sent to Congress his long-awaited Highway Message. It was founded on a report submitted by the Advisory Committee on a National Highway Programme which had been set up in September, 1954, under the chairmanship of General Clay. It was becoming increasingly clear that if America was to remain "a nation on wheels," it would have to re-plan and expand its road system, and national highways figured prominently among Republican campaign promises.

In his message to Congress, President Eisenhower cited four major reasons why this programme of expansion should be undertaken as soon as possible. Each year more than 36,000 people are killed and more than a million are injured on American highways, and the economic cost of the highway accident toll is nearly \$4½ billion. Second, the deteriorating physical condition of the present road network has increased the cost of operating the nation's automobiles by \$5 billion a year. Third, the President refers to the need for quick evacuation of large cities in the event of atomic war. The present system of roads in critical areas "would be the breeder of deadly congestion." Finally, Mr Eisenhower points out that by 1965 Americans will be driving some 81 million cars as compared with 58 million today. Unless new highways are built and old ones are widened, "existing traffic jams only faintly foreshadow those of ten years hence."

To meet this situation, the President has proposed a ten-year road building programme that would cost \$101 billion. It would concentrate on modernising the network of interstate highways, which at present covers some 40,000 miles. This system, although it accounts for only 1.2 per cent of total



THE ECONOMIST, MARCH 5, 1955

road mileage in the United States, links up the capitals of forty-two states and 90 per cent of all cities with a population exceeding 50,000. At current rates of development, however, this highway system would take more than half a century to reach "a reasonable level of extent and efficiency." State funds are not sufficient to do the job, and that is why the President is prepared to step in.

The federal government proposes to assume responsibility for the completion of a modern interstate network by 1964 at an annual average cost of \$2.5 billion. In addition, it would provide a further \$6 billion towards the development of secondary roads, roads in urban areas and forest highways. Over the same ten-year period, state and local governments would spend about \$70 billion on road construction and expansion. In order to finance its \$25 billion contribution, the federal government would issue 30-year 3 per cent bonds for \$20 billion. These bonds would be guaranteed by the Treasury, and annual payments would be appropriated by Congress out of revenue from federal taxes on petrol and lubricating oil. The remaining \$5 billion would come mainly from licences on petrol stations.

President Eisenhower's programme is facing stiff opposition in Congress. Senator Harry Byrd, the chairman of the Senate Finance Committee, sees in the administration's proposals a disguised evasion of the federal debt limit and a spur to inflation. Senator Byrd urges the government to cut present petrol taxes by three-quarters, enabling the individual states to make up the difference in higher taxes. They would then be in a position to expand their highways without special federal assistance. Senator Byrd argues that this would represent a net saving of \$11½ billion, the aggregated interest charges on the proposed federal bonds. Senator Albert Gore, chairman of the Senate Highway Subcommittee, is introducing a Bill embodying a rival road programme. It is less ambitious than the President's, and would be based on equal participation between state and federal authorities. There is mounting opposition, moreover, from certain trade union and farm leaders, who see in the projected bond issue a further example of governmental inflation.

Mr Eisenhower has made efforts to give his highway programme a non-partisan character. For the first time since their party took over control of Congress, ranking Democrats were invited to the White House to discuss a domestic issue. Their hostile attitude is due to two related factors. Increasingly, the Democrats are being out-maneuvred by an administration which is carrying out traditional Democratic ideas under Republican colours. A vast road programme financed by the federal government is precisely the kind of adventurous planning and central direction associated with the New Deal and the liberal elements in the Democratic party. To

THE ECONOMIST, MARCH 5, 1955

have it carried out by a Republican President makes the prospects for the 1956 elections look gloomy.

President Eisenhower, moreover, came to the White House after a campaign in which he denounced the alleged budgetary excesses of the previous administration and promised to introduce a policy of strict financial equilibrium. The bonds for the proposed highway programme would be sold by a Federal Highway Corporation instead of by the Treasury. Consequently, the administration could avoid asking Congress for an increase in the debt limit and could conceal a major item of expenditure. The Democrats contend, therefore, that the President's financing proposals are geared to a political effect. Nevertheless, observers feel that the highway programme will be accepted with more or less minor modifications.

Uncivil Aeronautics

PRESIDENT EISENHOWER has had in recent weeks some first-hand experience of the political complexities of civil aviation. Normally, the question of assigning routes between the different domestic companies to eliminate uneconomic competition is handled by the Civil Aeronautics Board—an independent agency composed of five members appointed by the President—and its decisions go to the White House for confirmation. Recently, the CAB unanimously decided to make the Seattle-Honolulu route the sole preserve of Northwest Airlines, which had offered to operate it without a subsidy; this cancelled the rights of Pan-American World Airways to fly a parallel run. This decision, however, was an unpopular one with the Department of Commerce—Pan-American Airways has always had its full share of government blessing—and the President was hastily persuaded to reverse it, without consulting the Board, thus excluding Northwest Airlines from this much cherished route. Immediate protests arose from the Congressional members from the four Northwest states. They pointed out that the revised decision would give Pan-American Airways a monopoly to Hawaii. The President agreed to re-examine the case himself, and finally to rescind his decision and allow both lines to fly the route for another three years.

With peace restored on the Pacific route, disputes are now brewing on runs to both Alaska and Mexico. A CAB decision of last December gave Pan-American Airways the most profitable Alaskan flights—from Seattle to Anchorage. But Alaskans were outraged at what they considered discrimination against their own Alaska Airlines which operates a network of short-distance, and therefore unprofitable, services within the territory. Pan-American Airways now seems prepared to step down in favour of Pacific Northern Airlines, with which it is on close terms, but the President will have to decide whether or not to weigh in on the side of the underprivileged Alaskan Airlines. The second dispute concerns the non-stop, New York-Mexico City route, on which three airlines—American Airlines, Eastern Airlines and Pan-American—are each anxious to break the present monopoly of Air France. Cold war has broken out between the domestic companies, and it is, in any case, uncertain how the Mexican government would react to a new United States flight.

In decisions such as these the Board, which wields enormous power over the fate of the domestic airlines, is subject to a battery of pressures from outside. Because of this, the method of recruitment to the Board has recently been open to criticism; the appointments are political in character rather than founded on consideration of the administrative ability or experience of candidates. This is especially regrettable at a time when the problems of crowded airlines and the commercial future of jet aviation need careful thought.

Helicopters Run High

New York.

PLANS for the first commercial heliport on Manhattan Island in New York City now await only the final approval of the city and port authorities. The American public, never slow to appreciate the virtues of a novel form of transport, has blind faith in the future of the helicopter, and airlines badly need a more economical short distance aircraft. But in spite of generous military research and development contracts, the day of the civilian transport helicopter has not yet arrived. In the context of military urgency, performance regardless of expense is the criterion of success. And in specialised uses, from spectacular rescue work to crop dusting, and from oil prospecting to whale hunting, the unique flight characteristics of the helicopter have amply justified its high operating costs. But as a common carrier, the helicopter is still a most expensive machine to operate.

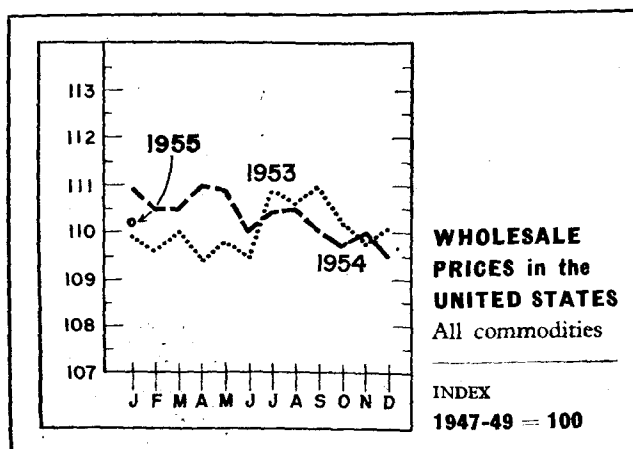
Transport helicopters are flown commercially in the United States by specialised helicopter operators in Los Angeles, Chicago and New York. Their chief function so far has been the speeding up of airmail deliveries between post office and airport. Passengers are carried on a limited scale, especially between the three airports serving New York City—a service recently extended to a few suburban points. But all of these operations are heavily subsidised by the federal government. Two local service airlines have also begun experimental helicopter operations, without subsidy, but hope to offset part of their losses by attracting more customers to their profitable fixed-wing services to which the helicopter route connects.

The reasons for the high cost of these initial operations are clear: all the work is performed by small single-engined machines, the largest being capable of carrying only eight people. The Sikorsky S-55 and the Bell 47, the only machines released by the military in sufficient numbers for commercial transport operations, are too small to carry passengers economically, and their single engines preclude their safe utilisation over built-up areas. Direct flight costs for the Sikorsky S-55 operated by Los Angeles Airways and New York Airways, are in the region of 30 to 35 cents a "seat mile," and could not conceivably be reduced to below 10 cents a "seat mile"—or five times as high as the cost of a DC-3 or Convair operating under similar conditions. Only with larger helicopters is there any chance, therefore, of making operating costs competitive.

Under the spur of military transport demand, the two largest helicopter manufacturers, the Sikorsky Aircraft Division of the United Aircraft Corporation, and the Piasecki Helicopter Corporation, both have military versions of larger machines in production. Sikorsky is producing for the army and navy its S-58, a larger version of the S-55, which could be adapted to carry 15 or more passengers, and has contracts for its twin-engined S-56, capable of carrying 35. Piasecki is producing for both United States and Canadian military use its H-21 "Work Horse," a 20-place machine for which it will apply for commercial certification this year, and is flight testing its H-16, a 40-place machine comparable in size to a Convair airliner. All are twin-engined machines—an accepted safety factor which also permits and enables schedules to be more consistently maintained. Both of the largest machines are being adapted for the installation of gas turbine engines, which provide the same power for less weight and noise.

The strength of the helicopter lies in its ability to "land on a dime" at small heliports in the centre of cities. On the other hand it is a slow machine—150 miles an hour is considered its maximum realistic cruising speed—and it is noisy and costly to fly. Its most economic range is variously estimated by experts at between 200 and 350 miles, but three distinct types of operation are being explored. A limited market, for which the smaller helicopters are already catering and for which a 20-place machine may be best suited, is the provision of an "aerocab" shuttle service between airports, suburbs, and city centres.

A bigger market may lie in the extension of air travel to a virtually untouched field—the journey of between 20 and 100 miles. Proponents of this service point out that at distances below 100 miles the operating costs of fixed wing aircraft rise sharply, in comparison with a helicopter. But in this range the helicopter could save little time over a good rail or bus service, and would involve a much greater cost. Some airlines therefore hold that the only logical large-scale market for the helicopter is in direct competition with fixed-wing aircraft over distances of between 100 and 300 miles. Here the helicopter's obvious advantage is its ability to operate "from downtown heliport to downtown heliport."



Despite optimistic assumptions about the future of helicopter travel, no airline has at this stage sufficient confidence to underwrite civilian production on a large scale. Designs sponsored by the military have two drawbacks: they cannot be made available to civilian operators until military needs have been satisfied; and they are specifically tailored to military requirements and pay little attention to cost-reducing features. It is significant that, in spite of some government prompting, none of the big fixed-wing aircraft manufacturers has entered the specialised field of helicopter development.

If the Douglas Aircraft Company, which has been considering the production of a transport helicopter to replace the DC-3, decides to enter the lists, an economic transport helicopter will be one stage nearer. Perhaps the most fruitful suggestion, one now awaiting Defence Department approval, is that the larger military machine should be lent, free of charge, to a few "feeder" airlines for testing under the rigours of continuous commercial operation. But the uncertainty of the operators is compounded by the confusion reigning between helicopter and helicopter designers. Vertical take-off aircraft and the mongrel convertiplanes, which attempt to combine the landing and take-off characteristics of the helicopter with the speed of a fixed-wing aircraft, are already in experimental production. The airline operator can be forgiven, therefore, if he hovers warily on the brink.

SHORTER NOTES

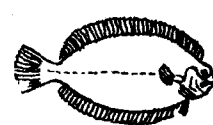
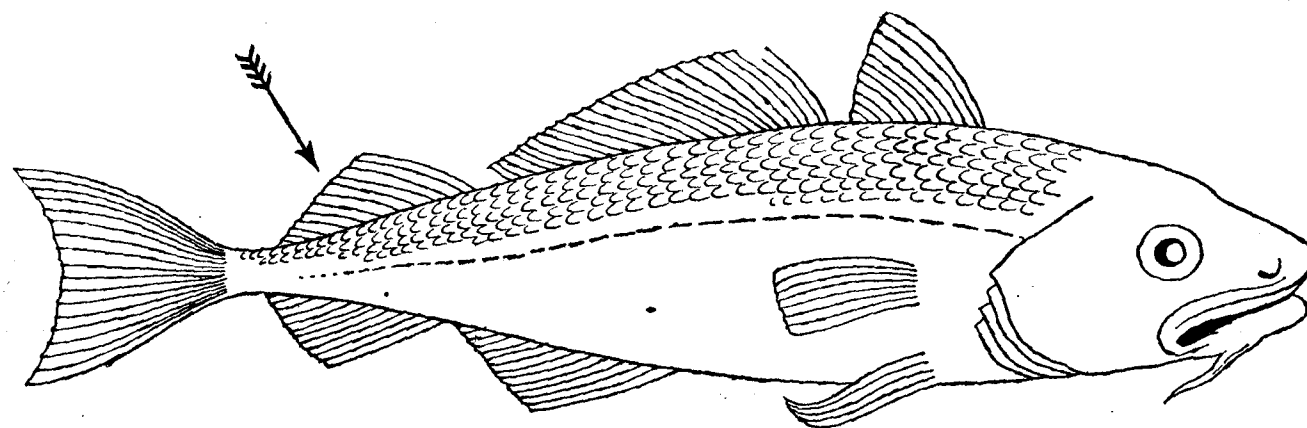
After serving their five-year prison terms, four of the Communist Party leaders convicted in 1949 of conspiring as individuals to advocate the violent overthrow of the government have been arrested again and charged with the additional offence of membership in an organisation advocating that overthrow. The basis for the new charge was established by the Supreme Court decision in January that membership in the Communist Party constituted *prima facie* evidence of conspiracy.

"Pansize" bacon, a new packaged bacon with slices slightly thicker and half as long as the standard length, which has been determined by the size of the hog's waistline, is being sold by one meat packing company to make it easier for the cook to fit the bacon into the frying pan.

Those who have always admired the American system of standardised sizes for women's clothing may be surprised to hear that the Commerce Department is sponsoring an even more standard scheme, known as TS-5200A, which "fits the size to the body instead of the body to the size." Ten thousand women were measured by the Department of Agriculture and classified in nine different body types; in one size, whether she wants a coat or a slip, at \$100 or \$10.

The almost complete disappearance of the cart horse from American farms became official when Montgomery Ward and Company omitted harness for farm horses from its recent mail-order catalogue.

The Cheapest Food Money Can Buy!



What are the facts about fish? This favourite food is more popular than ever. Cod caught in Distant Waters has risen less in price than any other staple food since the war—it's the cheapest food

money can buy, even though it's non-subsidised! Most of our staple foods are subsidised—meat, butter, milk, eggs and cereals. Last year these subsidies cost the Government (you, the taxpayer and consumer) £334,000,000. Fish, caught by our own Distant Water Fleet is not subsidised! Despite increases in the cost of every single item in fishing, and with no help from subsidies, the British Distant Water Fleet has kept the price of fish down to very near its war-end price—a remarkable achievement!

One reason why the present price of fish is so low is that British trawling is a free, competitive industry. Anyone can own a boat. Anyone can buy and sell fish. Trawler captains and their mates have a real incentive to seek the best fishing grounds and land top-quality fish. Both captain and crew share the profits with their companies. Although trawling is a hard and dangerous job, it is one where enterprise is actively encouraged, skill and daring rewarded.

Let's see exactly what you're paying for when you buy a fresh cod fillet at your local fishmonger. A best quality cod will fetch on average 4½d. a lb. when it's sold at the dockside auction. Then this is what happens:—

1. More than half the fish—head, tail, fins and backbone—is cut away in filleting. This loss, plus the cost of labour to do the job, means that the wholesaler buys his cod fillets for 10d. a lb.
2. The dock wholesaler has to buy boxes and ice, employ packers and quickly transport the fish to Billingsgate or your local fishmonger.
3. The dock wholesaler and your fishmonger add a reasonable

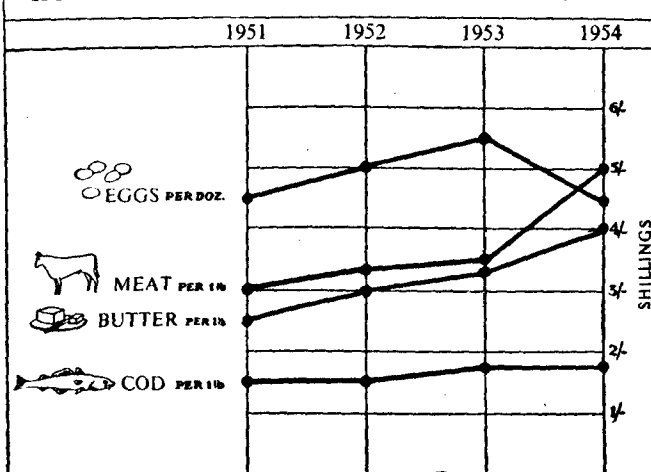
profit in order to earn a living. Result—best cod fillet at 1/6d. to 1/9d. a lb.

Naturally, in the worst winter months when fishing is extremely difficult and catches are low, prices go up. But in summer, when fishing is easier and catches larger, they go down. However, fresh frozen cod fillets from peak catches are now available throughout the year at low prices.

Today Britain is no longer an island built on coal and surrounded by fish. The modern trawler, costs £200,000, is oil-fired and travels thousands of miles to find the fish. Last year the Distant Water trawlers brought in even more fish than in 1953 to keep pace with Britain's needs. It doesn't matter where you live in Britain, you can get fresh fish every day of the week. And thanks to the British Fishing Industry you enjoy a wider choice of fresh, good-quality fish at a lower price than anywhere else in the world.



HOW FOOD PRICES HAVE RISEN SINCE 1951.



BRITISH TRAWLERS

Hull / Grimsby / Fleetwood

THE BRITISH TRAWLER FEDERATION



The World Overseas

Taking Counsel in Bangkok

FROM A CORRESPONDENT IN BANGKOK

NEWSPAPER correspondents who walked into Bangkok airport last week to confront a notice-board bearing the legend: "Please Check In Here for SEATO Confab" had the feeling that the general's daughter with the confident American accent who received them, the freshly painted weapon-carriers for their baggage and the policemen in brown denims and red-banded hats, who jumped to do their bidding, might soon evaporate into a Siamese fairytale. But it was not so. This first full-dress international conference in an Asian kingdom that has stayed, gaily and attractively, more or less in the 18th century was—apart from a wilting telephone system—well managed. Buses called regularly for correspondents at their hotels, which were separated by four or five miles of canals, dusty roads and noisy Chinese shopping streets from the white stone parliament building where the deliberations of the eight Seato members were held. The Siamese government enjoyed the chance of displaying to western, and some eastern, eyes the spectacle of a city being made grander and newer. Bangkok dripped with the cement of fresh sidewalks and was a cheerful but not over-political looking procession of young men which prattled its way through the town on the first day of the conference, bearing aloft placards which said: "Seato for ever" and "Down With The Reds."

But the first Council meeting of Seato was not all a "Siamese fantasy"; some interesting exchanges took place under the gold-painted cupolas of the Italian baroque throne-room where sparrows flew over the heads of delegates and occasionally perched on the nine white umbrellas under which only the king of Siam may sit. A working party in Washington had prepared the way for the conference; but on the second day American correspondents were exciting their colleagues with stories that Mr Dulles, in the first secret session, had proposed moving towards a grand extension of Seato to embrace Japan, Formosa and South Korea. There was consternation in British circles. What in fact Mr Dulles did say is not known, but that he at least floated a remarkable trial balloon is suggested by the closing sentences of the conference's communiqué, which calls in mild tones for the association of "other free nations of the region" with the South East Asia treaty organisation. This was a much watered-down dose of the mixture which Mr Dulles seems to have wanted to prescribe. In general the Bangkok declaration shows that the British

thesis on the direction in which Seato should now be steered on the whole prevailed. It probably runs something like this: There are few western ground forces to spare for stationing on the mainland of Asia; those that might be available would not be a decisive deterrent to aggression if Peking should contemplate it; there are political disadvantages in stationing western forces in independent Asian countries because of the propaganda fruit which this offers to local Communists and because antagonism in uncommitted Asian countries would be increased; the real deterrent to expansionist ambitions in Peking is bomber-power, which should be kept in the background ready to strike back but which requires fighter support further forward; therefore—according to the British view—the Seato problem boils down roughly to trying to ensure that South East Asia builds enough infrastructure for possible emergencies, and trains and equips armies of its own.

Thus British policy in South East Asia begins to approximate to that of the American Republican Administration. The Americans undoubtedly feel uneasy about the morale of non-Communist Asia and convinced that it is necessary to "do something" to counterbalance the effect of what is regarded as the "let-down" over Indo-China. But this feeling is not strong enough to cause the Administration to propose the dispatch of American ground forces to the Seato area. It does, however, partly explain Mr Dulles's posture of strength when, on the first day of the Bangkok conference, he enumerated the strong United States forces in the Pacific region and insisted that they should be regarded as a force in being towards which Seato ought to gravitate for defence.

At the Bangkok meeting it seems to have been the Australians who were the most vigorous advocates of the immediate commitment of military strength to the Seato organisation and of prompt additions to the local armed forces on the South East Asian mainland. Both Australia and New Zealand show increasing anxiety about their own position so close to unpredictable and overpopulated Asia; but in the absence of an American readiness to take the same line, Australian eagerness to give "immediate teeth" to Seato does not seem to have been pressed at Bangkok.

The results of this first Seato Council meeting can be defined as a postponement of decisions. The Permanent Council which is to be set up with a secretariat is to do preparatory work, but it has no directive as yet to create any fresh military organisation or alter any existing one. It will simply exist to explore military possibilities and



"Yes, he said I needn't take on extra staff after all..."

"YOU KNOW when our orders were going up and up? Our accountant told me we might have to take on more staff. So we decided to call in the Burroughs man. It couldn't do any harm and his advice was free... As it is, I'm more than glad. He went into the details with our accountant, then showed us how we could mechanize our accounting at low cost—and save a lot of overtime. He certainly knew his job..."

The Burroughs man is always at your disposal without cost. He is an experienced adviser on *all* accounting and

record-keeping systems, and well qualified to work with your accountant and auditor.

He has a complete knowledge of mechanized accounting. But he won't propose changing your accounting methods just to suit certain machines. Rather, after a full analysis of your problem, he will make proposals for a rapid, economical and *workable* solution.

If he does recommend a new system, he will prepare a detailed plan for it and help you get it working smoothly. He will make sure you continue to get *full* benefit from any Burroughs machine you install.

Whatever your business, large or small—if you have an accounting problem, the Burroughs man can help you solve it. Burroughs make the world's widest range of Adding, Calculating, Accounting, Billing and Statistical Machines and Microfilm Equipment.

Call in the Burroughs man as soon as you like—you're committed to nothing and his advice is free. You'll find the number of your nearest Burroughs office in your local telephone book. Burroughs Adding Machine Ltd., Avon House, 356-366 Oxford Street, London, W.1.

FOR EXPERT ADVICE ON BUSINESS SYSTEMS

CALL IN THE
Burroughs
MAN

One Burroughs man solved this problem. The Phonotas Co. Ltd. (weekly telephone cleaning and sterilizing service) have 80,000 separate accounts, and until recently, in London and in provincial offices, figures were copied by hand. As this led to errors and delays, they called in this Burroughs man, Mr. J. G. Winterbottom (left). He showed Phonotas how, with just two typewriter-accounting machines and two abbreviated-description accounting machines, they could halve their accounting time, and obtain up-to-date figures—all without extra staff.



political problems. Although much of this could have been done through ordinary channels, there is nevertheless a great deal to be said for bringing into being this permanent organisation within which soldiers and diplomats of the eight countries will acquire the habit of working together. Later action and decision—if they are necessary—will be made easier by the existence of the new machinery.

No Peace for Dr Adenauer

FROM OUR SPECIAL CORRESPONDENT IN BONN

GERMAN parliamentary disputes tend to look less chaotic from Bonn than they do from London, and from Paris they look positively monolithic. Dr. Adenauer has, when all is said and done, managed to secure a large majority for the final reading of the treaties ending the occupation and bringing Germany into Nato, and a substantial majority for the highly unpopular Saar agreement. Once again, his prophecies have come true. The tumult created by the powerful opposition outside parliament did not affect the vote inside the House. The trades unions and the Social Democrat leaders refrained from calling a political general strike, perhaps because the Communists from East Berlin were so urgently prodding them to stage what would have amounted to a *coup d'état*. Indeed, when the past weeks come to be looked at by historians, they may well remark that Germans took a fateful decision with extraordinary calm.

The televising and broadcasting of the whole four-day debate led to unprecedented public interest; it was something of a boost for parliamentary democracy in general, for many Germans were surprised and impressed to see their elected representatives getting down to their job so seriously. This public interest was particularly striking in view of the fact that the arguments were so familiar; moreover, a majority of Germans are basically inclined to indifference about reunification. This was, in fact, the main reason why a year ago the Ministry of All-German Affairs founded the "Indivisible Germany" organisation, with the object of rousing a popular movement for reunion and preventing Germans on either side of the zonal borders from growing estranged from one another. The public is also not so indignant about the Saar as speeches by nationalist politicians would indicate, and their fulminations are not echoed from the Saar itself.

The situation is the reverse of that in which Hitler came to power on patriotic and anti-semitic slogans. Then conditions were so bad that everyone wanted a change of any kind; now they are so good in comparison with war and postwar chaos that everyone is nervous lest there should be a change. The fulminations from Eastern Germany on Wednesday were, therefore, illjudged tactics. Herr Ollenhauer and the Social-Democrats in particular were embarrassed and angered by the Soviet zone leaders' claim that the "will of the people" was something quite separate from the operations of their parliament, and by their calls for a referendum and for nation-wide resistance to the application of the Paris agreements, with no holds barred. Some ironic comparisons have already been made between these menacing gestures and the genial attitude towards Western Germany that Mr Mikoyan has been displaying at the Leipzig fair.

THE ECONOMIST, MARCH 5, 1955

Nevertheless, there is no stability in the political situation. The Russians and their supporters will see to that. And, in Bonn, the course of rearmament does not go smoothly. Dr Adenauer faces a show-down with his coalition. The Free Democrats have proved the most recalcitrant of the government parties, but the large number of abstentions in this week's voting showed that the other parties in the government are divided among themselves, and even Dr Adenauer's own Christian Democrats have their rebels. In the topsy-turvy fashion of German politics, the Free Democratic Party executive allowed its parliamentary members to vote as they chose, but instructed the four party representatives in the cabinet to vote against the treaties. Two of them abstained, one voted against, and the fourth, the Federal Vice-Chancellor, Herr Blücher, voted with the government, of which he forms a part. Still more oddly, Herr Blücher, instead of resigning from his party, has resigned from the government.

Dr Adenauer now has the choice of either throwing the Free Democrats out of the cabinet or of bringing them into line. The most effective threat he can use is that the electoral law will be changed to something near the British system. If this move were made, the Free Democrats and other small parties might find that they were virtually eliminated. The threat may well make the Free Democrats think it best to placate the Chancellor now that they have made their protest. It is, however, unfortunate for Dr Adenauer that he is making his stand on a weak case. The Saar settlement is so patently favourable to the French that his arguments tended to sound unconvincing. The *Bundestag* has, indeed, registered its opposition to the agreement at the same time as voting for it. The resolutions which were carried at the conclusion of the debate affirmed that the Saar remained part of the Germany of 1937, and that political parties must have the right to campaign for its return to the fold. This is contrary to the agreement, which permits only two alternatives for the Saarlanders—the present status or the new statute. In view of this situation, Monday has "settled" the Saar.

Somalis with a Grievance

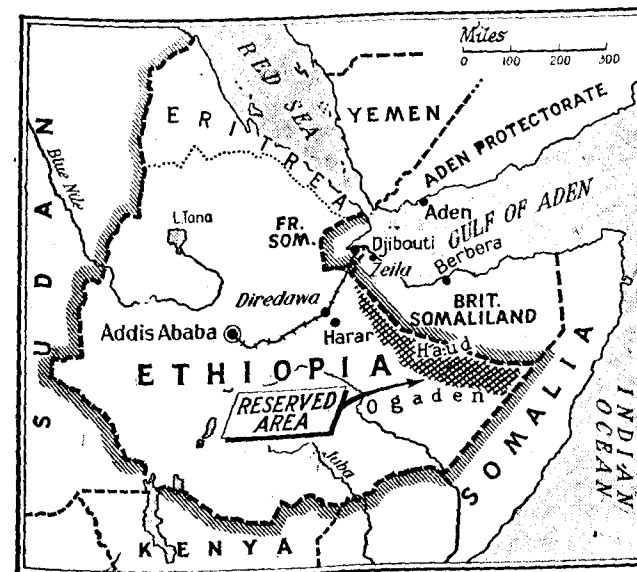
IN the House of Commons last week, the adjective "shabby" was freely applied to recent British policy towards loyal Somalis, and the Minister of State for the Colonies, though able to make a good case in law for the recent Anglo-Ethiopian agreement that was under discussion, could give only a lame explanation for the way in which the matter had been handled in British Somaliland. The question at issue was one of conflicting promises made by Britain at a time when the map of Africa was still full of blanks, and—as always with twice-promised lands—retribution has set in.

The complication is the greater because both the parties involved are good friends of Britain. One consists of Somali tribes which in 1884 and 1886 voluntarily placed themselves under British protection and undertook, in return, never to cede their lands to any other government. Their case is that they have kept this promise (except on occasions such as in 1940, when a British retreat left them

THE ECONOMIST, MARCH 5, 1955

for eight months in Italian hands) and that they still want the protection. The other party concerned is the Emperor of Ethiopia, neighbour to Kenya and the Sudan and proprietor of the sources of the Blue Nile, with whose fore-runner, the Emperor Menelik, the British Government reached in 1897 a frontier treaty that left some of the Somalis' seasonal grazing grounds in Ethiopia; by an exchange of letters, it provided that the British Somaliland tribes moving inland should have the right to use their traditional wells and grazing grounds across the frontier. Students of politics should note the date of the treaty; it is one year after Menelik had proved his strength by defeating the Italians at Adowa, and one year before the Fashoda incident and the final avenging of Gordon at Omdurman.

For almost the whole of the period between then and the Italian war of 1935, the Ethiopian Government never administered the desert lands in question, and British



officers followed and administered the tribes on their annual migrations over the border. But the Somalis never liked the 1897 treaty, more than once protested against it, and in 1931 showed their feelings by murdering a European member of a boundary commission that was delimiting the frontier line.

After the liberation of Ethiopia and Somalia from Italy, the British retained some controls that included management of a Reserved Area which was in effect the Somali grazing grounds—25,000 miles in area and inhabited by about 300,000 people. From 1946 onwards the British Government has been trying, abortively, to satisfy the Somalis' requirements either by exchanging this tract for a corridor at the north-west end of British Somaliland, and thereby giving Ethiopia the port of Zeila, or alternatively by leasing the area, or by extending the *status quo*. But the Ethiopian Government would have none of these things; admittedly, it would be difficult for a people just learning to use an atlas to swallow the reason for a sizeable frontier alteration. Therefore the 1897 treaty remains binding, and by a new Anglo-Ethiopian agreement which came into force last Monday, the area reverts to Ethiopian management.

The Somalis are aghast. Through the mouth of a dignified delegation that has been touring London, they have

made a case that suggests that the British Government did far too little to prepare them for the possibility that the 1897 treaty would prove unalterable. They are a protected people with only an advisory council to represent them, and they say that this has steadily been assured by its British Governor that all would come right in the end. They complain that only on January 5th were they told that this was not so. They object because they want to be British-protected persons, and because they claim that Somalis living in a part of Ethiopia that is remote from its highland capital do not enjoy political freedom; about 40 Ogaden tribal chiefs have, they say, fled to the Italian trust territory of Somalia as political exiles.

Their tale is not a pleasant one to hear from the lips of a decent people. But nor would it be pleasant to break the treaty of 1897, which, in law, is watertight. The core of the trouble is that the original promises to the Somalis never specified to what area they applied, but this defect of the 1880s does not reduce the "shabby" aspect of the story. It is one that the Somalis, who are a seagoing people, are bound to carry into awkward corners of Africa and Arabia.

1984 on the Yalu River

THE Chinese have shown themselves quick learners at the Marxist game of "persuading" opponents into a "conversion" to their creed. The Ministry of Defence's pamphlet, "Treatment of British Prisoners of War in Korea," shows that they have applied a characteristic resourcefulness to the battle for men's minds. It will probably be said that after an interval of more than 18 months since the release of the prisoners it would have been better to let this account rest in the archives. But the answer is that the experiences of nearly a thousand Britons who were subjected to Communist control for periods of up to three years are of unique interest to their compatriots.

Until the summer of 1953, when the prison camps along the Yalu River opened their gates, most people in this country had heard only second or third hand descriptions of the process of forcible re-education. Now we have our own reports from fellow citizens whose brains have been "washed." The Ministry of Defence pamphlet is a valuable and objective summing-up of all the men's accounts. It helps to explain some of the discrepancies in the first interviews with returning soldiers, and picks out the pattern from the mass of particulars. The unimpassioned precision of Civil Service English, even when dealing with methods of torture, comes into its own.

In dealing with their prisoners in Korea, the Chinese, and to a lesser extent the North Koreans, faced a difficult problem. To the Communist, the prisoner of war is raw material to be "converted"—conveniently corralled, and open to all kinds of direct and indirect pressure—and the prison camp is simply a continuation of the battle by other methods. The trouble in Korea was the shortage of time. As soon as the armistice negotiations began in July, 1951, the captors knew they were working to a shortening timetable. Hence, probably, some otherwise inexplicable

features—the decision to send later batches of prisoners to separate camps where they would not counteract the indoctrination of earlier arrivals, and the stupid cruelty of some of the methods of “persuasion.”

In novels like “Nineteen Eighty-four” and “Darkness at Noon,” the people who were to be convinced of the error of their ways had been conditioned from youth by totalitarian propaganda. In the non-fictional world of the Korean camps the Chinese had to deal with men accustomed to western freedoms who might at any time have to be returned to them. The techniques they used show that they were trying to take a short cut to 1984; and for every man temporarily won over by the barrage of propaganda or the favours extended to “progressives,” many more were alienated by the brutality which, through either haste or callousness, the Chinese made little attempt to disguise.

A perverse logic runs through the Communists' behaviour. They claimed that the prisoners were enjoying the benefits of a “lenient” policy—on the grounds that all United Nations prisoners were war criminals whom their captors had the right to kill. Both the Chinese and the North Koreans claimed to recognise the 1949 Geneva Convention on the treatment of prisoners of war (which they violated in half a dozen ways); but, as Mr Chou En-lai explained, “war criminals” did not count.

A Classic of Double-Talk

In this context the methods used fall into a logical pattern. When it was discovered in mid-1952 that compulsory study-groups were not working, “re-education” was changed to a voluntary basis. The Communists' use here of the word “voluntary” deserves to be enshrined in a dictionary of double-talk. Food, letters from home and medical treatment were some of the milder inducements for men to become “volunteers.” It was decided at an early stage to segregate officers and senior NCOs and to use young and pliable prisoners as squad leaders. Organisers of study groups and of “peace” committees could be found among those who for various reasons decided not to swim against the tide. Most of those who were tortured suffered because torture was clearly part of a plan to break down opposition quickly and at all costs, rather than because of the sadistic whims of individual guards. And the background to the whole process was the cant that the Communists were really working for the prisoners' own enlightenment and salvation.

Some of the things that happened fall outside this pattern. The camps nearest to Pyoktong, where General Wang Yang-kung, the commander of prisoner of war camps, had his headquarters, conformed most closely. In those that lay further away, particularly the transit camps and those controlled by the North Koreans, the brutality or humanity of individual guards played a more important part. Many of the prisoners who died in the winter and spring of 1951 were the victims of inefficiency and shortage of supplies rather than of deliberate policy. Later the prisoners seem to have been fed as well as their guards or the local population—but there were always variations according to the degree of “co-operation” shown.

Nearly 30 per cent of the prisoners were apparently affected to some degree by the intense indoctrination. They were almost all younger and junior men, and the effects on most of them are likely to have worn off after 18 months in a sane world. The methods used to influence them

evidently had a contrary effect on more resolute characters, of whom there were outstanding examples. Yet the figure of 30 per cent shows how continuous pressure can win men over even to a patently bad cause. The UN soldiers who were taken prisoner in Korea were unprepared for the treatment they received. They probably expected hardship, but some of them were not ready to face a three-year campaign to dig away the foundations of their beliefs. If another “Korean” war should break out somewhere along the Communist periphery the problem will have to be faced again. Fortunately the Ministry of Defence seems alive to the lessons of 1950-53. A soldier's equipment now includes more than his pack and rifle.

The Tasks of M. Faure

BY OUR CORRESPONDENT LATELY IN PARIS

M. EDGAR FAURE has been put into office by a seemingly comfortable majority, with only the Socialists and the Communists in open opposition. Yet he is too shrewd a parliamentarian to have many illusions about the coherence of his team or the stability of his coalition. Both can be kept together by inaction; both have a strong tendency to crumble in movement. M. Faure must be well aware how many pressing matters are crowded on to his agenda; the economic situation, North Africa, Europe—each in turn will reveal the frailty of the outwardly impressive majority. M. Faure's well-known gifts of conciliation will be taxed to the full.

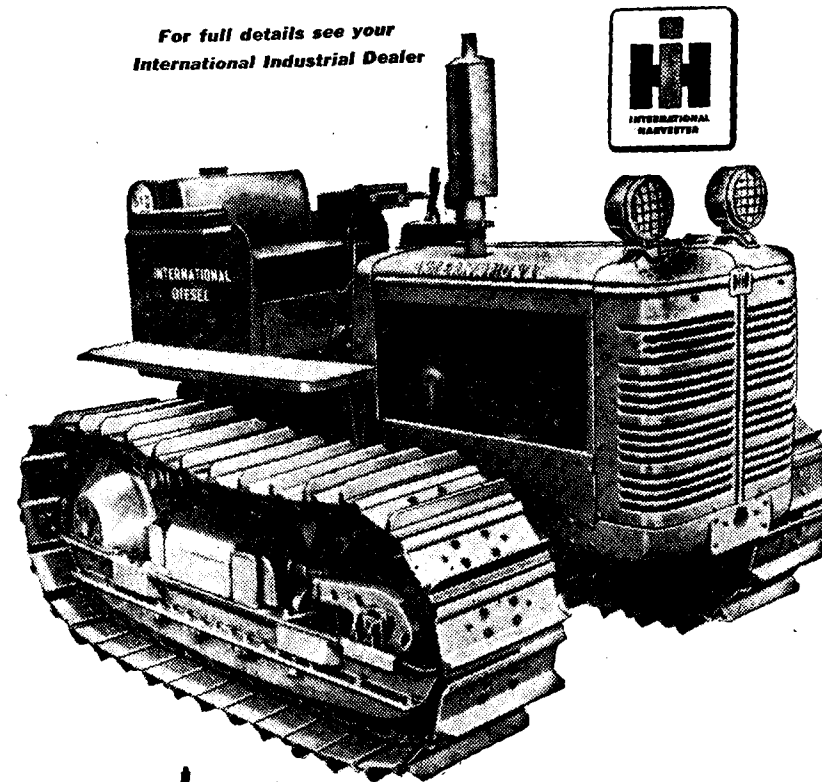
On the face of it, his economic path should be the easiest. Here the Faure line has prevailed over the last 18 months, in two successive governments. The 1955 budget which must now be finally carried through the Assembly was in fact prepared by M. Faure himself. The total deficit, however (both below and above the line), is already estimated at over Frs. 600 billion, and M. Faure must be worried about the increased cost of the civil service if a wage increase is granted in April. He came to office partly as a defender of the franc, a guardian of financial stability. At the same time his need to placate the workers is even greater than was his predecessor's. Rightly or wrongly, France's workers and civil servants expected reforms from M. Mendès-France and were, therefore, inclined to show some patience. They have no such faith in the new right-wing government and will not exercise any restraint. M. Faure must certainly remember that when he was Minister of Finance in a “rich man's government” a single blunder—the projected raising of the retirement age—was enough to provoke a wave of strikes. The situation is now less critical but the government must reckon with Socialist suspicion and Communist hostility, while its conservative backers will not tolerate any “reformist monkeying with the economy.”

The government, on the other hand, may at first need Socialist support for its North African policy. Many of the conservative votes cast for M. Faure at his investiture will be missing if he tries to clinch the Tunisian deal initiated by M. Mendès-France. M. Faure's awareness of his dependence on the right was clearly shown in his choice of a minister for Moroccan and Tunisian affairs: the dissident

Invest in the best— built in Gt. Britain!

These 4 industrial units have been specifically designed to increase the profit-earning ability of your '6' series International Crawler Tractors.

For full details see your International Industrial Dealer

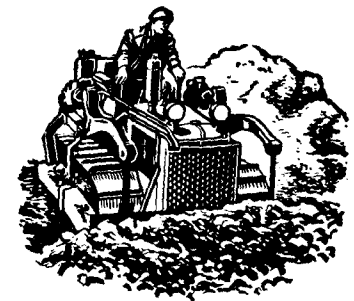


International
Industrial Dealers in Great Britain
JAMES BOWEN & SONS LTD.
EDINBURGH
R. CRIPPS & CO. LTD.
NOTTINGHAM
SAVILLE TRACTORS LTD.
STRATFORD-ON-AVON

INTERNATIONAL
BTD-6
DIESEL CRAWLER
TRACTOR

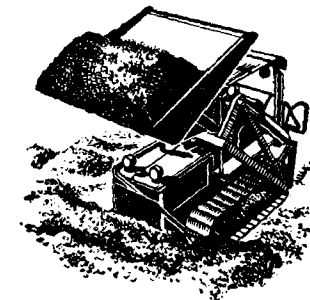
International
INDUSTRIAL POWER

INTERNATIONAL HARVESTER COMPANY OF GREAT BRITAIN LIMITED, HARVESTER HOUSE, 259 CITY ROAD, LONDON, E.C1



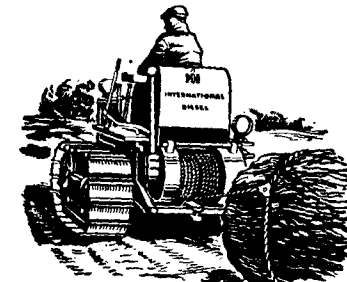
INTERNATIONAL BULLGRADER

This rugged hydraulic bullgrader maintains all the balance and manoeuvrability of the tractor and gives the operator a clear view of the work. The manganese-steel blade is scientifically curved to “roll” the dirt and so reduce load resistance. A single lever controls all blade movements. Blade angling and tilting can be quickly carried out without the use of special tools.



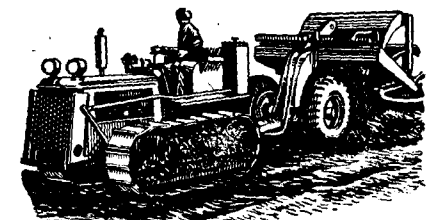
ANTHONY LOADER-DOZER MOD. (Made by Anthony Holts Ltd.)

With its front filling, rear dumping action, this hydraulically-operated unit saves turning and travelling time and simplifies loading in confined spaces. It has a powerful digging action and a bucket capacity of 1 cu. yd. One lever controls all bucket movements. In only 10 minutes the bucket can be removed and replaced by landsides and blade to convert the loader to a fully angling and tilting dozer.



BOUGHTON TYPE C EXTRA HEAVY DUTY WINCH

Fitting snugly into the rear of the tractor, this winch permits full use of the drawbar and the mounting of other allied equipment. It is of all-steel construction, with totally-enclosed all-gear drive. Both under- and over-winding are instantly available and a neutral gear position frees the drum for pay-out of rope by hand. The over-centre brake will hold any load the winch is capable of pulling.



STERLING B-695 4-WHEEL SCRAPER

For fast small-scale scraping, efficient work in tight quarters, the Sterling B-695 is pay-yards ahead. Its long wheelbase and wide wheel treads ensure good balance. Its “goose-neck” pillar permits a non-stop turn within a span of 16 ft. 6 ins. It cuts 6 ft. wide, 9 ins. deep; “rolls in” a load of 3.5 cu. yds.; spreads to a depth of 1 ft. 3 ins. Bowl, apron and ejector plate are hydraulically controlled by only two levers.

SPEND and SAVE



"Yes the two can go together" says Private Btu (the British Thermal Unit) "especially when you realise that there are about one and a quarter million of us in one hundredweight of coal and billions of us are just lost to air through walls and roofs."

FUEL EFFICIENCY PAYS

For example . . . To heat their factory a firm in Cheshire used to pay £645.15.3. for 14,417 gallons of oil and also used coke for sixteen heaters. Due to increased work they doubled their factory area. Now they heat twice the previous space at a cost of only £741.15.0. for 16,560 gallons of oil and have dispensed entirely with the coke heaters.

This improvement resulted from insulating the roof and part of the walls of the buildings at a cost of £2,151.

Structural Insulation Association 32 Queen Anne Street London W1 say other examples of the monetary benefits accruing from factory insulation are available and they will gladly send a useful booklet which includes a list of members on whose advice you can call without obligation.

Issued by

N * I * F * E * S

National Industrial Fuel
Efficiency Service

71 Grosvenor Street London W1 Telephone: Hyde Park 9706

THE NEW BUILDING TECHNIQUE . . .

PRESTRESSED CONCRETE

reduces costs
and saves time



BISON

floors, beams and precast
frame structures are made by the
largest constructional prestressed
concrete manufacturers in the world

CONCRETE LIMITED

LONDON Green Lane Hounslow, Middlesex Hounslow 2323
LEEDS Stourton Leeds, 10 Leeds 75421
LICHFIELD Dovehouse Field Lichfield, Staffs Lichfield 2404
FALKIRK Ecna Road Falkirk Falkirk 1585
EDINBURGH Sighthill Industrial Estate, Edinburgh Craiglockhart 1729
LONDON OFFICE: 16 Northumberland Avenue, London, WC2 Whitehall 5504
MANCHESTER OFFICE: 40 King Street West, Manchester 3 Blackfriars 5676

A sherry that is sheer delight

A perfect gift to the most critical palate, Pintail is an exceptionally fine sherry, both pale and beautifully dry. Specially selected at Jerez, this proud product of Spain is available in a trial pack of two bottles at 42/7d; subsequent supplies at £12 per dozen bottles. Your orders will have prompt attention.



Pintail  **SHERRY**

Established 1800

MATTHEW GLOAG & SON LTD., PERTH, SCOTLAND

Gaullist, M. Pierre July, voted against M. Mendès-France in all the North African ballots. This was apparently due more to conservative discipline than to colonial extremism. In any case, since the new minister knows little about Tunisia, M. Faure himself will have to play an important role in the negotiations to be resumed soon. If he moves fast he has a fair chance of signing an agreement with the Tunisians and getting it ratified. The more intelligent colonialists now realise that something will have to be conceded on paper. They merely hope to sabotage the application of any agreement. Hence, if M. Faure intends to stick to the spirit as well as to the letter of the proposed reform, he will, in the long run, fall foul of his majority.

The discords within the present team, however, are best seen against the European background. This government is as deeply divided on German rearmament as any previous one. It includes staunch "Europeans" like M. Teitgen and determined opponents of EDC like M. Gaston Palewski. Eight of the Ministers voted for the Paris agreements; four voted against; and five, including the Foreign Minister, M. Pinay, abstained. Paradoxically, there may be some strength in this division. Neither M. Faure nor his team can be described as planning a "revenge for the EDC," and this renders the mobilisation of the "anti-European" forces difficult. M. Pinay commands strong support in the Council of the Republic, where the real battle is now to be waged. The Christian Democrats (MRP), too, wish the treaties to get through the Council without amendments, because their return to the Assembly would place the MRP deputies in an awkward position. They voted against the agreements in the lower chamber chiefly because they were presented by M. Mendès-France, whom they did not trust; they would find it awkward to reverse their vote.

A Trojan Horse?

M. Laniel's government avoided being disrupted by the problem of German rearmament because the file was carefully hidden away in a drawer. M. Mendès-France tried to face the issue and find a compromise; his collapse was partly the penalty of this action. Now, M. Faure is apparently determined to stage a debate in the upper chamber towards the end of this month and he is confident that he will be able to avoid a second reading in the Assembly. Profiting from the spade-work of M. Mendès-France, his efforts may well be crowned with success. Much will depend on the senators' fear of the forthcoming elections and on the attitude of General de Gaulle and his supporters. The general himself is expected to make a last effort to prevent outright ratification. His lieutenant, M. Palewski, apparently claims to have entered the government with the General's blessing, and in that case he must have been sent in as a Trojan horse. It is doubtful, however, whether at this stage the Gaullists can do much damage to the treaties from inside.

Thus M. Edgar Faure finds himself with plenty to do at the head of a coalition which can best be cemented by inaction. It has been said that there is no possible majority in the present French Assembly. This does not seem true. There is probably within it a conservative majority for stagnation, which is frightened from time to time by a public outcry. M. Faure's government may at first be carried forward by the momentum of his predecessor. Then he will have to make a choice: to stay in power as the leader, or the prisoner, of a negative, conservative majority, or to risk marching forward against its wishes.

Quiet Change in Uruguay

FROM A CORRESPONDENT

URUGUAY is unique among the republics of South America. It is the smallest of them (although larger than England); and although one party has controlled its governments for the past hundred years, it sets its neighbours an astonishing example of democracy and stability, and the voice of its political opposition has neither grown tired nor been smothered. A new government, still of the same party, took office this week in accordance with the decision that the electorate gave last November. Uruguay has no president, in the sense that other South American republics use that term; since 1952 its executive has been a council of nine, in which the opposition is represented. But the new chairman of this council, Señor Luis Batlle Berres, is a strong personality who may be expected to make his presence felt, and Uruguayans are wondering what his first actions will be.

The two main parties are both to some extent family clubs. The opposition *Blancos* (whites) can be distinguished only by a trace or two of traditionalism from the governing *Colorados* (reds). The main *Blanco* faction is also dubbed *Herrerista*, after the dominant personality of its recent years. The *Colorados* are even more strongly dominated by a family, that of the late José



Batlle y Ordoñez, whose ideas have shaped the country's development since 1880, and who introduced the project of collegiate government in 1911. From 1919 to 1933 Uruguay was governed by both a president and a council of nine. Then, however, President Terra decided that the party squabbling in the council was preventing the republic's recovery from severe economic depression. He carried out a *coup d'état* and instituted rule by decree. The council of nine was formally extinguished in the new constitution of 1942, and for a decade presidents again ruled alone. But in 1951 the *Batlistes*, still the principal *Colorado* faction, revived the collegiate idea in a more dramatic form and President Martínez Trueba voluntarily surrendered his powers.

But Sr Batlle Berres, who took office as chairman of the governing council on Tuesday, is not only a member of the great political family that has successfully destroyed presidential rule; he is also ambitious, and he has held the full powers of a president before. Elected as vice-president in 1946, he took over the executive power on the death of President Beretta in 1948. He is not particularly enthusiastic about the collegiate system and he may well feel frustrated in his new role. Yet, even if he is tempted to try to restore presidential government, nothing more drastic than a moderate "dictatorship" such as Terra imposed seems likely to threaten Uruguay.

One burning question that faces the new government concerns relations with Uruguay's large and sometimes

truculent neighbour, Argentina. Some 350,000 residents in Argentina are either Uruguayan or have family or business connections with the smaller republic, which also used to benefit from a large influx of Argentine tourists. In recent years, an "iron curtain" has fallen across the River Plate, with serious consequences for Uruguay. In General Perón's eyes, Montevideo is a nest of dangerous refugees from his régime; to Uruguayans, dictatorship is anathema, and the *Herreristas* have been fiercely attacked for pro-Perón tendencies. It is thus difficult for *Batllistas* to work for the better relations with Argentina which their country's economy requires without appearing to condone undemocratic methods. This accounts for the somewhat mysterious parleys that have taken place in recent weeks between Sr Batlle Berres and the Argentine Minister of the Interior, Sr Borlenghi, and between his son and the Argentine Foreign Minister, Dr Remorino. The Argentines first lifted restrictions on travel to Uruguay and then re-imposed them; this doubtless reflected their own internal divisions, but it is also reported that Sr Batlle Berres found the members of his council less ready than he was to concede points to General Perón.

To other countries, and particularly to those which, like Britain, have traditional commercial ties with Uruguay, the advent of the new government is unlikely to mean any great difference. Sr Batlle Berres is not expected to reduce the now high protection given to uneconomic local industries, but he may find that Uruguay's main export commodities can be better exploited if such artificial devices as subsidies and special exchange rates are discarded. One urgent task is to restore peace in the important meat-packing industry—peace both between management and labour and between the government and foreign-owned companies, some of them British. And the *Colorados* will certainly lose no votes at the next elections if the government succeeds, like its predecessors, in combining a sizeable welfare-state programme with the luxury of no personal income tax.

Riots in Sierra Leone

FROM A CORRESPONDENT

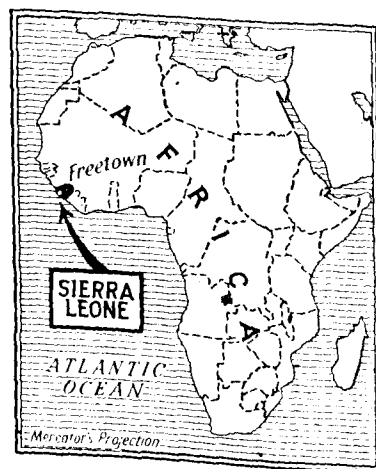
THE rioting which took place in Freetown, Sierra Leone, in the middle of February was surprising and unexpected. This British colony of some two and a half million people of very varied background and origins has always made quiet political advances following usually in the wake of its two larger neighbours, the Gold Coast and Nigeria. It now has a Chief Minister, Dr Margai, an African, at the head of the government, whose party, the Sierra Leone People's Party, consists mostly of members of the hinterland provincial tribes with a few Freetown Creole intellectuals. The opposition, the National Council of Sierra Leone, is almost completely composed of descendants of the liberated settlers in Freetown and the surrounding hill villages. Against this background, with an African government in power sympathetic to the tribal areas, and a high proportion of the labour in Freetown coming from the hinterland, it seemed improbable that unrest of this kind would occur.

Negotiations for a wage increase had been going on since last September. By the middle of January the workers had come down to an increase of 1s. 6d. a day whilst the employers offered fourpence a day for the Colony area and threepence for other areas. At this stage negotiations broke

THE ECONOMIST, MARCH 5, 1955

down, but were resumed a fortnight later. By then the workers had reduced their claim to an increase of tenpence a day, and after much persuasion, the employers agreed to increase their offer to sixpence a day for all areas. Neither would go any further, and the workers refused to go to arbitration.

A commission of enquiry was set up immediately, but the union—the Artisans and Allied Workers—issued a strike notice all the same. On February 9th, thousands of workers marched through the streets of Freetown. The railways and



other transport services as well as the Public Works Department were all immobilised but there were no serious incidents. Two days later, however, rioting started and followed the usual pattern. Railway lines were uprooted, the water supply and essential services damaged. A European police superintendent, ironically a champion revolver shot, was killed trying to repel a mob. The shops of the Syrian country's economy and are particularly vulnerable as they are largely concentrated in the shopping centres of the town. The troops were called out and helped the police to control the rioting. Five days later the union leaders called off the strike, allegedly in order to show that they had had no connection with the rioting. Last week a commission to inquire into both the riots and the strike was appointed.

Although Sierra Leone may be too small to afford many Ministers, it is clear that some of them are overburdened with difficult portfolios. In normal times, it would not be excessive to combine the portfolios of Mines and Labour. But since there is widespread illicit diamond mining, which is getting out of control, and difficult negotiations to carry out with the monopoly-holding Sierra Leone Selection Trust, it cannot be easy to pay full attention at the same time to labour problems. Inefficient and amateurish digging for diamonds by Africans, who then smuggle them out of the country, have had many bad effects, apart from the obvious danger to the world diamond market. A high proportion of the local population is behind the illicit miners, since it is felt that private bodies and individuals should be allowed to dig for diamonds and then sell to a central agency. This lack of co-operation from the public strains the resources of the police, as diamonds are now found over a large area. Moreover, agricultural labour has been attracted from the farms, so that, in spite of the excellent rice irrigation schemes instituted by the government, there is now a scarcity of this staple food with a consequent increase in its price. The fortunes made by illicit miners—in some villages in the mining areas, Humber Super-Snipes stand outside mud-huts—have also produced a tendency towards inflation. The cost-of-living index, which the employers and government have been using, is quite out-of-date, and the preparation of a more correct one is essential if the present labour difficulties are to be overcome.

THE ECONOMIST, MARCH 5, 1955

THE THINGS WE DO FOR YOU - I

We don't know

whether you yourself ever give us orders (we may not be in your line of country at all) but directly or indirectly we nevertheless do quite a lot for you.

what we do

is to design and build engineering equipment for many essential industries on which you depend for this and that. You would have less gas and smokeless fuel, for instance, without Simon-Carves coke ovens, and more dirt in your coal without Simon-Carves washeries. Some of the things you buy would cost a little more but for the economies derived from Simon mechanised materials-handling installations. If all the machinery driven through Turbine Gears were suddenly stopped, it would hurt you somewhere, somehow, some time. And Simon-Carves power station boilers help to generate the current that runs the electric railways and your television set.

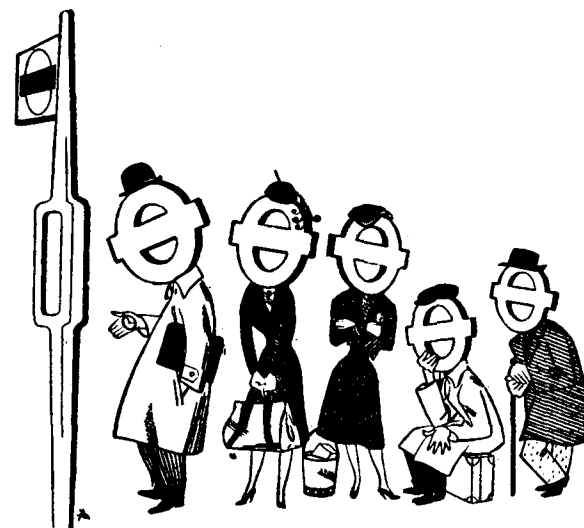
coal washeries . coke ovens . power stations . heavy chemical and gasworks plants . metallurgical plants . materials handling plants . industrial gears . flour and provender mills and many other specialities.



SIMON-CARVES LTD
SIMON HANDLING ENGINEERS LTD
HENRY SIMON LTD
TURBINE GEARS LTD
HUNTINGTON HEBERLEIN & CO LTD
CHEMICAL ENGINEERING WILTONS LTD
THOS. ADSHEAD & SON LTD
SANDHOLME RON CO LTD
DUDLEY FOUNDRY CO LTD
METAL LAUNDRIES LTD
TYRESOLES (OVERSEAS) LTD

Queue Questions

1



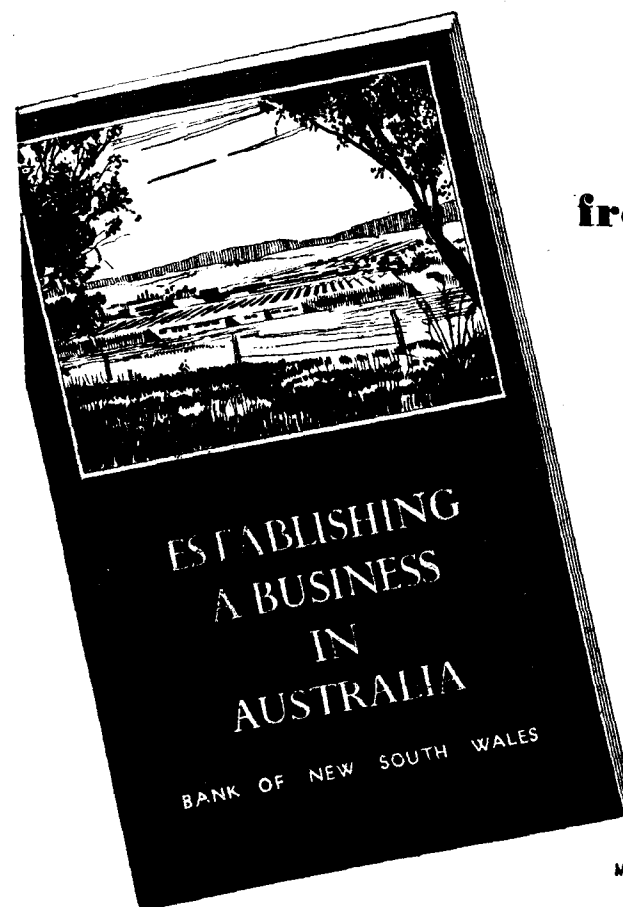
FREEDOM OR LICENCE?

For more than a hundred years the bus has served the Londoner and his visitors. It was contrived by Shillibeer in 1829 as a vehicle for all and has become as much an amenity as street lighting; it is inextricably a part of the pattern of London Life.

We of London Transport inherit this tradition. We are responsible for public transport on the streets of London. But this responsibility can never be absolute because of the just and essential needs of other road users. Streets, after all, are not private property. There can be no bus system comparable to that of a railway on which all movement can be controlled. We must, however, see that public transport is run as efficiently as possible and that the buses on which the Londoner relies go through.

Today, traffic on the city streets is strangling itself. There is a disastrous confusion between freedom and licence—or is it between too little freedom and too many licences? Is it freedom if private car owners convert public streets into private garages? Half-cluttered streets are half efficient and this means bunching buses, crawling, irregularity, longer queues. The truth is that London is not having as good a bus service as it should.

London Transport will use this space from time to time not to air our grievances but to share our problem. Street congestion is an evil that affects all of us and we believe that public discussion may help to find a cure.



Australia from a business point of view

This booklet will assist anyone contemplating establishing a business in Australia whether it is a small retail business or a large manufacturing company.

Written with the authority of Australia's oldest and largest joint-stock bank, it offers those who wish to start a new enterprise in that young but growing country a short account of the framework of business organization throughout the Commonwealth of Australia. It also affords some knowledge of the problems and conditions which would be met.

If you are interested in establishing a business in Australia, obtain a free copy of this book from:

BANK OF NEW SOUTH WALES

MAIN LONDON OFFICE—29 Threadneedle St., E.C.2—D. J. M. Frazer, Manager

(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)

GB5402C



Protection ...for the morrow

When the problem of providing for the future has to be faced, it is no bad guide to remember the many who have solved it by turning to the Scottish Mutual. This firmly-established Society offers many advantages to the prudent . . . but the first among them is security.

To those about to insure, or to brokers and agents, the Scottish Mutual will be glad to give full details of its service.

The Scottish Mutual Assurance Society

HEAD OFFICE : 109 ST. VINCENT STREET • GLASGOW • C

THE BUSINESS WORLD

Backdoor Convertibility

LAST week's decision to allow the Exchange Equalisation Account to intervene in the overseas markets for transferable sterling has been followed by appropriately vigorous action, which has been duly reflected in the exchange rate. The quotation for transferable sterling in terms of US dollars, which stood at \$2.71½ before the authorities intervened, has since risen to \$2.75¾. This response has not indeed been wholly due to official support. To some extent it has been simply a part of the general improvement in sterling exchange that has resulted from the higher Bank rate and its reinforcement of confidence in sterling. Since the beginning of last week sterling in the official market has risen from \$2.78½ to close on \$2.79, the rate for sterling notes in Zurich from Sw. frs. 11.34 to Sw. frs. 11.37, and that for security sterling from \$2.71 to \$2.75½, while the premium on dollar securities quoted in the London Stock Exchange has narrowed from 2½ to ½ per cent.

The improvement in the transferable rate is, however, much more than the reflection of the strengthening of confidence. It is also the result of active intervention by the authorities. Their supporting operations have been conducted mainly through agents in Zurich, but also through the less important markets in transferable sterling, including New York, Amsterdam, Brussels, Beirut and Kuwait. In most cases the agents have been chosen for the skill of their local dealers. The approach to those agents from the Exchange Equalisation Account is being made through the London correspondent of the overseas banks concerned. The first reports from the overseas centres confirm earlier impressions that the market in transferable sterling was substantial and active, and it would appear that the Exchange Account had to venture several million pounds' worth of dollars in the initial thrust which on Thursday

of last week brought the rate up from \$2.71½ to over \$2.74. The cost of the first four days' supporting operations is already reflected in the end-February statement, issued this week, of the gold and dollar reserves. This showed that in the four weeks the reserves dropped by \$82 million after crediting \$15 million from defence aid and \$6 million from the settlement of Britain's surplus with the European Payments Union for the month of January. The so-called residual deficit, which is a rough measure of the losses through the exchange markets, both in London and abroad, amounted to \$103 million.

The initial intervention in the transferable sterling market has been mopping up such sterling, and it has incidentally jolted the dealers in that market. It has even caught a few bears. The foreign banks dealing in transferable sterling will henceforth be a little less ready to provide the facilities and make the very close prices that have been the basis for the operations of the commodity shunters and other users of this market. In any case, now that the discount on transferable sterling has been narrowed to just over one per cent on the rate quoted in the official market, the scope for most types of commodity shunting must have largely disappeared—for the time being at least.

It would be wrong, however, to dismiss this official intervention in the transferable sterling market as mere technical legerdemain, as an ingenious trick intended to close the door to commodity shunting and to the consequential losses of gold and dollars or as a coup with which to hammer the "wicked" foreign merchant and exchange dealer. Far more important and enduring issues of principle are involved in this move.

For the first time the Exchange Equalisation Account stands behind the transferable sterling rate. Previously, the *de facto* convertibility of transferable sterling into

dollars, at whatever rate the free market dictated, was achieved by the willingness of certain foreign merchants to exchange dollars for transferable sterling. To give an example of the two-way trade in this market, the seller of transferable sterling might have been a Belgian exporter of steel to Australia who had been paid in sterling but wanted dollars; while the buyer might have been a Dutch merchant "shunting" sterling tin to the United States and converting the dollars obtained for the tin back into sterling in order to cover his initial expenditure on the tin (either directly, or by repaying a London credit with which the original purchase had been financed). So long as the market functioned merely in this way, it could be argued that this *de facto* convertibility was no reason for proceeding to the formal convertibility of non-resident sterling since the cost of informal convertibility was not falling directly on the reserves. But the circumstances have now changed. From Thursday last week, transferable sterling can confer upon its holders an undefined but nonetheless direct claim upon the Exchange Account's resources, if the authorities decide to buy it.

TREND OF DOLLAR BALANCE
(\$ million)

	Gold payments (-) or receipts (+)		U.S. Aid	Reserves	
	Month's balance	E.P.U. settle- ments*		Change in month	Total
1954					
January ..	+ 14	- 4	+ 15	+ 25	2,543
February ..	+ 2	+ 7	+ 31	+ 40	2,583
March	+ 86	+ 2	+ 14	+ 102	2,685
April	+ 119	+ 7	+ 9	+ 135	2,820
May	+ 120	+ 39	+ 6	+ 165	2,985
June	+ 14	+ 15	+ 3	+ 32	3,017
July	+ 76	+ 4	+ 15	- 48	3,013
August ...	- 5	+ 11	+ 11	- 95	2,918
September ..	- 14	- 12	+ 9	- 17	2,901
October ..	+ 10	+ 8	+ 17	+ 35	2,936
November ..	- 32	+ 7	+ 14	- 11	2,925
December ..	+ 15	+ 3	+ 8	- 163†	2,762
1955					
January ..	- 2	- 10	+ 13	+ 1	2,763
February ..	- 103	+ 6	+ 15	- 82	2,681

* E.P.U. settlements depend on balance with Union in previous month. † After payments totalling \$189 million on United States and Canadian loans. ‡ After payment of \$112 million to IMF for "repurchase" of sterling. § After payments totalling \$99 million to E.P.U. creditors in initial settlement of part of UK's overdraft with the Union.

Non-resident sterling used in current transactions can therefore now be regarded as falling into two categories—both of them convertible. First there is American account sterling, which is convertible within the range of the "gold points" of \$2.78 and \$2.82. Then there is transferable sterling which is convertible at rates that will fluctuate within a wider range, with a ceiling but no fixed floor. The rate for transferable sterling cannot rise above the rate for sterling quoted in the official market. On the other hand there is no precise lower limit to the range of its fluctuations.

If it is the intention of the authorities, in their determination to remove the opportunities for shunting, to

bring the transferable sterling rate close to or even within the range of permissible fluctuations of official sterling, then in fact a situation will have been created in which the goal of convertibility for all non-resident and currently acquired sterling will have been effectively reached. If, on the other hand, the transferable sterling rate continues to fluctuate widely and at times shows a substantial discount on the official rate, it seems likely that in due course it is transferable sterling that will oust official sterling as the currency most widely used in trade between the sterling and non-sterling worlds—providing another instance in which bad money drives out the good.

*

Britain is in fact to operate and control a multiple rate system—as contrasted with the previous state of affairs in which the rates for "cheap" sterling were made in markets outside Britain and free from the intervention of British operators, whether official or private. It will, however, be a unique system of differential rates, since it will involve most of the disadvantages yet will exclude most of the advantages that are normally conferred by such practices. Usually they are designed to encourage exports and discourage imports. If, however, substantial disparities between the official and the transferable rates remain, the British differential system will work in precisely the opposite direction. It will encourage imports from the dollar world, since these will naturally be financed with "cheap dollars" made available through the official market. For the same reason it will discourage direct exports from the sterling to the dollar area, since payments for these also pass through the official market. The multiple rate system will help sterling area exports only in so far as they are routed through foreign merchants who have the advantage of transferable sterling.

There can be no permanence about a system of this kind. In the first place, it is a moot point whether by dealing in dollars at the transferable sterling rate the British Government is not in conflict with its International Monetary Fund obligations. Secondly, and far more important, is the fact that this dual rate system lacks all logic or practical justification. Transferable sterling must therefore, either be brought within or very near the range of permissible fluctuations for official sterling, or the authorities must merge the two types of convertible non-resident sterling by letting official sterling fluctuate with the same measure of freedom as that commanded by transferable sterling. In either case the goal of convertibility for all non-resident sterling used in commercial transactions will have been reached. The first alternative is clearly preferable if it is also permanently attainable. But it is likely to be very expensive, in terms of dollar reserves, whenever sterling is under pressure.

The choice is therefore ultimately one of what can be afforded. The initial manoeuvre required to lift the transferable sterling rate was unquestionably costly.

What hope is there of holding this rate reasonably near the official market rate without incurring undue expense? The answer must naturally depend upon the extent of the supply of non-resident sterling that reaches the world markets. It is true that, if the support of transferable sterling proves too expensive, the rate can always be allowed to drop; but this would merely recreate the opportunities for commodity shunting and the resulting losses of dollar income and distortion of trading patterns that the intervention was intended to remove. The continuing intervention, whether in the official or transferable sterling markets, will be costly if sterling is inherently weak, if too much of the currency is being offered in the exchange markets as a result of deficits on the balance of payment whether of the United Kingdom or the overseas sterling area.

Measures are being taken in Britain to check the deterioration in the balance of payments. But there is good reason to believe that one of the main channels feeding the supply of transferable sterling has been the tendency to overspending by other sterling countries. The defence of sterling is a problem in which the responsibility of every member of the sterling area is involved. That may be the tritest truism; but the

truth of it is not always reflected in the reaction of individual members to common difficulties such as those that afflict sterling today. The need for a collective sterling area policy, though it has always existed, is rendered more urgent by reason of the decision taken last week to pledge the reserves of the sterling area not only behind official sterling but behind transferable sterling. Previously the market in cheap sterling could be allowed to fend for itself. Recent experience of its disturbing effect on the trade and the dollar income of the sterling area made it impossible, or at least unwise, to allow this market to flourish independently of the intervention and control of the authorities. Now the Exchange Equalisation Account stands behind all non-resident sterling used in current international trade. Technical convertibility of all such sterling has been introduced by the back door. It cannot possibly be maintained if the sterling area countries as a whole are feeding the supply of sterling by running heavy deficits on their external payments accounts and digging deeply into their currency reserves. If ever transferable sterling falls again to an appreciable discount on the official rate the world will draw its own damning conclusions.

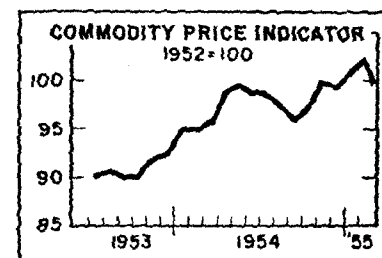
War on the Terms of Trade

FOR the first time since the war the authorities are trying to correct a deterioration in Britain's balance of payments almost exclusively by means of dearer and tighter money. The prescription is to an extent novel, but the symptoms are to an extent familiar, though it is a long time since the British economy was in such rude health that it was threatened with blood pressure. The previous affliction of 1951 struck a still convalescing patient. The inflation of commodity prices set off by the Korean war was allowed to surge like a fever through the economy: the terms of trade moved sharply against this country and the visible trade deficit gaped wider month by month. Action on the monetary front had to be reinforced by swingeing restrictions on imports, and even those took months to become effective.

The danger today appears much less menacing. The terms of trade have swung adversely again, but they could not be expected to stick at the favourable point reached after the collapse of the Korean boom. World commodity prices began to recover towards the end of 1953, though that was not reflected in the official index of import prices until last April. That index, which includes a freight element, rose very gradually until December last year, when it jumped two points to 103 (1954=100), and it rose again in January to 104. A rise of 6 per cent in the index adds nearly £200 million a year to Britain's import bill. The prices at which Britain sells its exports, on the other hand, have remained unchanged at 100 since

November, 1953; hence the importing power of British exports has declined. The measure of that decline is shown in the index of the terms of trade—an upside-down affair in which a rise means a deterioration from the British standpoint—which has risen from 98 last March to 104 in January.

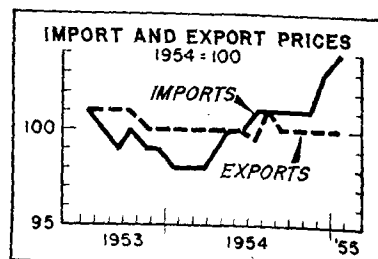
The effect of that deterioration on the visible balance of trade has recently been accentuated by the relapse in exports and by the slight rise in the volume of imports. The reasons for that rise in imports leave room for argument. Expansion of industrial production has certainly called for larger imports of some materials, such as steel and coal, and imports of certain items reflect increased consumption of foods, the using up of official stocks and—in grains—the poor domestic harvest. In some industries, stocks of raw materials had perhaps been allowed to fall too low, and demand generally may have been stimulated by fears that the troubles over Formosa might develop into another Korea.



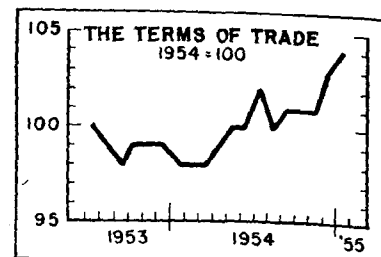
Though the motives may be difficult to pinpoint, the result is not. The visible trade deficit rose sharply to £63 million for the average of the months October to

830

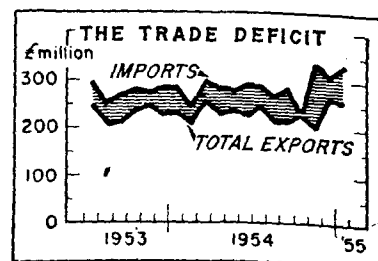
January, which was £24 million higher than the same average twelve months earlier, and the deficit with the dollar and other non-sterling countries leaped to nearly £50 million a month. Plainly that trend would leave a disastrous gap in Britain's balance of payments this year if it were allowed to continue. There is little concrete evidence as yet that industry is hoarding materials, or that domestic demand is plundering resources destined for export, but it cannot be wholly accidental that the recent boom in demand at home has been for manufactures that have been doing less well than they might in export markets.



By letting some of the steam out of domestic demand, tighter and dearer money should encourage exports and discourage imports. Now that all the major commodity markets in Britain are functioning again, monetary policy can exercise a more direct influence on world prices. Throughout the chain of manufacture and distribution, it has become more expensive to hold stock. That does not mean that everyone will hold less stock. Monetary policy works at the margin, the margin here being all merchanting and other firms who do not possess a firm order or a generous vision of profits to be earned. Such firms will have to pay more in future for accommodation, marginal profits will disappear, and the overdrafts of all firms may be scrutinised more closely.



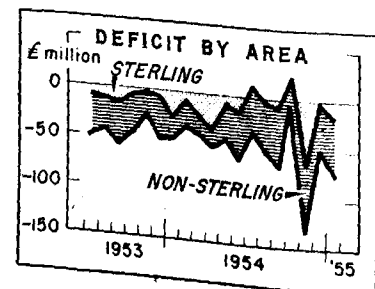
The effect on world prices of a more cautious attitude by British buyers must be uneven as well as marginal. Britain's influence in commodity markets is usually strongest among sterling commodities such as raw wool, and weakest among "dollar" commodities, though some of these, such as copper, are also produced in the sterling area. Some relief in the prices that Britain pays for imports may be coming. The commodities that have been mainly accountable for the rising import bill have passed their peaks, though several months may pass before a decline is reflected in the indices, for these reflect market prices before the time of shipment. Rubber, which doubled in



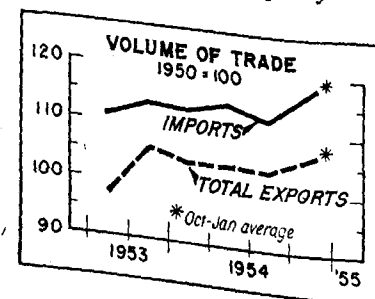
peaks, though several months may pass before a decline is reflected in the indices, for these reflect market prices before the time of shipment. Rubber, which doubled in

THE ECONOMIST, MARCH 5, 1955

price between March last year and January this year, has since fallen by about 5d. to 26d. a lb., and copper,



which shot up by one-third to £360 a ton between August and February, is now a shade cheaper at about £340 a ton; provided that the end of the strike in Rhodesia is not followed by strikes elsewhere, copper should gradually become cheaper. Tea prices have dropped in the last month, and coffee and cocoa are far below their peaks. Wheat is a little dearer, but barley and maize are cheaper. Lead and zinc prices, which are supported by American strategic purchases, may change little, and the outlook for tin is obscure. Prices of many farm commodities, however, will depend partly on the coming harvests and, like the metals, partly on the level of industrial production in the world as a whole.



Last year the expansion in European demand took up the slack in markets left by the American recession. So far there is nothing to suggest that the recovery in the American economy may be offset by any falling off in European demand. Hence there is no reason to expect drastic breaks in prices, though the action of the British authorities can hardly fail to be bearish in time.

The new monetary policy should bring about a modest correction in British trade, and that is needed

COMMODITY PRICES		
	Percentage Change	
	End 1954 compared with End 1953	End Feb., 1955 compared with End 1954
Copper...	+20	+22
Tin...	+5	+3
Rubber...	+63	-6
Tea...	+74	-15
Cocoa...	-2	-8
Cotton...	+7	-1
Wool...	-9	+6
Wheat...	-8	+1

As the Chancellor has emphasised, the changes in trade have not been violent, and the economy is fundamentally sound. The improvement in the terms of trade two years ago brought substantial gains to the balance of payments, and some part of this must now be surrendered. The important needs are not to surrender too much and to ensure that prices of British exports do not become uncompetitive. If these dangers are avoided the recent improvement in the purchasing power of Britain's customers will help to maintain exports.

Steel Three-fifths Unscrambled

THE marketing of the shares of the nationalised steel companies is an epic of untried techniques in the markets, of the mobilisation of vast investment potential, and of successes snatched from the jaws of defeat. This impressive story is smothered by the bleak language of the first report of the Iron and Steel Holding Realisation Agency* for the period July 13, 1953, to September 30, 1954. To the general public to whom it should be addressed it makes impossible reading. The story stops just before the sale to the public of the ordinary capital of John Summers, Dorman Long, Colvilles and Whitehead. At that point of time about one-third of the nationalised steel industry had ceased to be subsidiary companies of the agency; today the unscrambled portion reaches nearly three-fifths of the total, measured either by steel production or by numbers employed.

The ordinary man will wish to know whether the operations of the agency's first period have produced a capital profit compared with the sums paid for the companies when they were nationalised in 1951 and how that profit or loss has impinged on the nation's accounts. The answer is most complicated, partly because the agency has first concentrated on selling ordinary shares only. Of the thirteen leading companies (with their 126 subsidiaries) that had been handled by September 30, 1954, only seven had been entirely sold. Of the other, and on the whole the bigger, six, the equities only had been sold and the agency retained the prior charges. The value of those prior charges in a fluctuating security market has yet to be established.

★

The agency also has two other functions besides being a seller of securities. It is a big shareholder drawing substantial dividend income from the companies not yet sold. Moreover it provides capital for the development of the retained companies and to a limited extent (through the medium of partly paid capital) for the companies that have been partly sold. In its function as a holding agency the agency drew interest and dividends of £10.3 million; after deducting £1.3 million for loans written off and £1.4 million for the agency's expenses, there remained an income of £7.6 million, of which the government took the whole—£4.6 million in tax and £3.0 million as net revenue paid over to the Treasury and used presumably to offset the interest cost on the £240 million of Treasury 3½ per cent stock (1979-81)—the old British Iron and Steel stock.

The interest on that stock costs around £8.4 million a year. It is no longer fully covered by the revenue

* H of C, 70, 2s.

of the agency. But it is probably fair and certainly necessary to disregard the revenue account. The corpus of the nationalised steel industry is shrinking, and the service of the Treasury 1978-81 stock is no longer the concern of the nationalised steel industry.

It is on the capital side of the accounts that attention will be focused—on the capital receipts from the sale of steel undertakings and on the investment of public funds in further capital for the industry. The provision of the industry's capital needs has placed no burden on the national finances. From sales to the date of the accounts nearly £78 million had been realised—a mere £17 million of it in government securities (automatically taken out of issue), £51½ million in cash from the public and £9½ million from the companies by way of special distributions before sale. Of this £78 million, £63 million net has been paid into the government's Iron and Steel Realisation Account and just under £15 million has been retained by the agency and used for investment in the companies it still owns. No use at all has been made of the agency's power to borrow £150 million on the security of the Consolidated Fund of the United Kingdom. Instead a substantial repayment of capital has been made. Save to the small extent that that repayment has consisted of Government stock, this is a funding operation just as much as an issue of Government stock in the market. The public has the steel shares; the Government has the money, and the public debt is reduced.

If no exact answer emerges as to the extent of the agency's capital profit, it remains certain that there has been a profit and that it is substantial but not enormous. The seven companies that were wholly sold realised £15 million, including a capital profit of £1.6 million. The six companies that were partly sold stood in the books at £96.1 million after making allowance for the agency's additional investment in them. Sale of the ordinary shares has realised £63 million. The agency keeps £33.1 million on its books and holds against it good prior charges (like the 5½ per cent preferences and 4½ per cent (1964) loan stock of Stewarts and Lloyds) to the nominal amount of £51.8 million. These stocks often changed in form in the process of preparing the steel companies for the market and were evidently intended to realise an average of about par. The institutions are ready to buy them, and many of the dates appear tailored for that market.

If Britain is headed for a longish period of dearer money it is no longer certain that this list will indeed command an average of par after allowing for the costs of selling (a 4½ per cent preference stock of United Steel companies, for example, might be worth a shade below its face value). But it seems certain that nothing so drastic can happen as would induce the price for all

this portfolio from £51.8 million to £33.1 million. A profit can be counted from the sales made up to last September, and doubtless from the sales that have been made between September and now.

The agency took over from its predecessor—the nationalised Corporation—with steel assets at a book value of £246.1 million—not a very different total from the compensation of £245.8 million paid for the nationalised companies. It has worked that down to £183.0 million, and if the retained investments in the

THE ECONOMIST, MARCH 5, 1955

partly sold companies realised no better than their book value there was still £151.7 million invested in companies that on September 30th were waiting to be sold. It is necessary that the first accounts of the agency should show a substantial profit. For the residual list contains some companies that will be more difficult to sell and the job may have to be tackled in an atmosphere of dearer money. But a good start has been made and the agency and the City consortium deserve full credit.

Business Notes

Is Bank Rate Working?

A CASUAL observer of events in the markets during the week since Bank rate went up from 3½ per cent to 4½ per cent could be pardoned for jumping to the conclusion that the momentum behind the market was still much too strong for the forces trying to control it, that the 1 per cent rise of February 24th was proving little more effective than the ½ per cent rise of January 27th. Some part of the inevitable fall in security prices had admittedly taken place before the event. But a stormy Stock Exchange account in the early stages of which nasty losses on the more speculative groups had been uncovered ended on Tuesday with gilt-edged securities only a little below the level at which they had stood immediately before the increase and industrials actually higher than they then were. So far from signs of distress selling still being in evidence, there was in the earlier days of this week a fair amount of renewed buying. It was mostly small, though in the gilt-edged market some of the institutions that had been holding off as long as they dared felt obliged to resume buying, and on Monday the market had to go to the Government broker for a little stock. That buying died down again on Wednesday when the February gold loss was shown to be bigger than wishful investors had cared to foresee.

To most dealers in the gilt-edged market, and to some in the industrial market, prices seemed more optimistic than realistic, for they make little allowance for the really sharp tightening of short term money rates, for the fact that at that end of the money machine the reins are firmly held and had driven the discount market persistently into the Bank. Moreover new borrowers in both fixed interest and equity fields have still to test the rate at which they can borrow. But the market does not dictate the prices; the buyers and the sellers do that. And far beyond the strict confines of the security markets—in the fields of building society finance and hire purchase finance—there is also a disposition to feel and behave as though the dearer money policy is transient, as though a firm financial policy has dealt with inflation so that the business of "inflation as usual" can be quietly resumed.

The New Bill Rates

IN Lombard Street the response to the shock of the 1 per cent increase in Bank rate proved to be even sharper than was first expected. At last week's Treasury bill tender the discount houses' bid was equivalent to a discount rate of only a fraction below 3 per cent, or almost exactly 1½ per cent above the rate for their tenders in the previous week. Other applicants for the bills paid rather more than did the discount houses, so that the average discount rate for the whole allotment did not rise quite so sharply—it was £3 15s. 5.32d. per cent, compared with £2 6s. 3.97d. per cent. The market was naturally influenced in its tenders by the desire to try to recoup some of the loss that it has sustained on the financing of its existing portfolios by reason of the steep rise in rates, and its determination to make the attempt was certainly stiffened by the tight policy that the authorities had been pursuing in the short loan market on the eve of the 1 per cent rise in Bank rate. The reins have been kept taut in this past week, but not so tight as to prevent most discount houses from repaying the sums they had borrowed from the Bank in the previous week. Only on one day—last Monday—was there any need to take new money or to re-borrow at the Bank, and only two or three houses were thus affected. At the date of the Bank return, however, some of the original lendings were still outstanding because most of the sums lent on the day before the increase in Bank rate had to be taken for eight days.

THE ECONOMIST, MARCH 5, 1955

At the new level of bill rates a wide margin is opened up for profitable switches of mobile foreign funds to London, even after allowing for the cost of obtaining forward exchange cover now that forward sterling, as expected, has gone to a discount. The overseas interest in bills appears to have been considerable, and business has been done with Canadian and Dutch buyers at rates down to 3½-½ per cent.

Bank Lending Unrestrained

IN the four weeks to February 16, a period that began eight days before the increase in Bank rate by ½ per cent and ended eight days before the jump to 4½ per cent, bank advances rocketed up by £107 million. This expansion is without parallel in Britain; and even the previous record increase of £89 million shown in the return for June, 1951, related to a period of six weeks.

Private industry and trade has admittedly secured virtually no new finance in recent weeks from new market issues, but its borrowing from the banks has been rising fast ever since the early autumn—when activity in the new issue market was exceptionally large. The rise in bank advances, which has carried the total outstanding beyond the previous peak of April, 1952, to close on £2,000 million, clearly reflects for the most part the drying up of business liquidity that has resulted from many months of high and often strained levels of activity. It is the clearest domestic indicator yet of inflation.

The question now is whether credit inflation will be checked by the restraints of the 4½ per cent Bank rate. The reaction of borrowers to the increase of up to 1 per cent in advances rates is difficult to predict; but it does seem

possible that the banks themselves may be forced to impose tighter standards of lending than have been applied in recent months — by the classic restraint of a squeeze on their liquidity. The government's repayments to the banks in the February banking period from seasonally buoyant tax revenue made a big inroad into the banks' liquid assets—

LONDON CLEARING BANKS

	February 16, 1955		Change on	
	£ million	Month £ million	Year £ million	
Deposits	6,524.9	-193.4	+287.7	
"Net" Deposits	6,257.0	-217.4	+246.9	
Liquid Assets	2,041.7	31.3	-273.5	-29.7
Cash	524.9	8.0	-21.0	+20.4
Call Money	444.6	6.8	-41.7	-9.1
Treasury Bills	950.7	14.6	-211.6	-83.3
Other bills	121.5	1.9	+0.8	+42.3
Investments plus advances ..	4,298.1	65.9	+55.0	+282.6
Investments	2,298.4	35.2	-52.3	+23.5
Advances	1,999.7	30.7	+107.3	+259.1

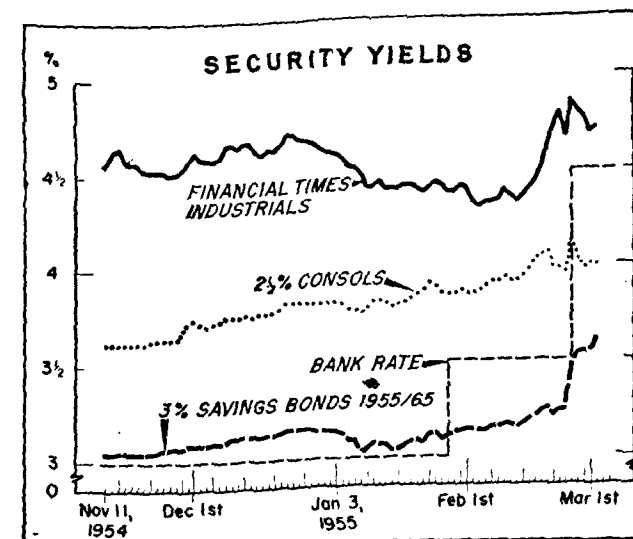
* After deducting items in course of collection.

† Ratio of assets to published deposits.

holdings of cash, call money and Treasury bills fell by £274.3 million. The simultaneous upsurge in advances thus reduced the liquidity of most banks quite sharply; and three banks whose liquidity was already strained appear to have been forced to reduce their investment portfolios in consequence. Total investment holdings fell by £52 million; the Westminster alone shows a decline of £25½ million and the District and Martins account for most of the remaining fall. Despite this corrective action, the average liquidity ratio dropped from 34.4 to 31.3 per cent, its lowest since the war. Only the National Provincial had

How Yields Have Moved

Gilt-edged prices have been falling and yields rising since last November. In industrials the move towards dearer money did not come until well after the January Bank rate increase. Even now it is mainly in short-dated stocks that the rise in yields is most marked.



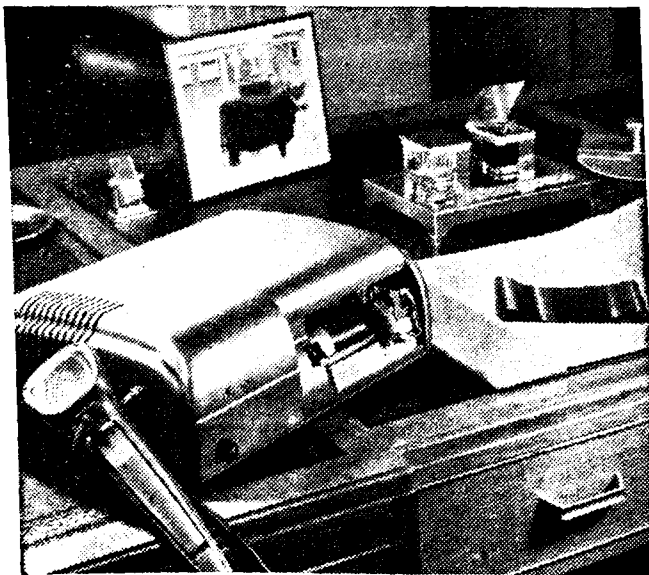
GROSS REDEMPTION YIELDS

	Jan. 26, 1955	Jan. 28, 1955	Feb. 23, 1955	Feb. 24, 1955	Mar. 2, 1955
N.W.B. 2½% '54-56*	2 8 6	2 8 11	2 18 0	3 4 3	3 4 4
Conversion 2% '58-59*	2 6 6	2 8 3	2 15 9	3 2 1	2 18 8
Sav. Bds. 3% '55-65*	3 1 8	3 2 4	3 4 9	3 9 6	3 11 11
Sav. Bds. 3% '65-75*	3 11 9	3 12 6	3 15 6	4 0 4	3 17 8
Br. Elec. 3% '74-77*	3 11 10	3 12 3	3 15 5	3 19 9	3 17 2
Transport 3% '78-88*	3 14 7	3 14 8	3 17 6	4 1 10	3 19 4
Br. Gas 3% '90-95*	3 12 8	3 13 0	3 16 7	4 0 5	3 18 1
War Loan 3½%*	4 1 4	4 1 7	4 3 6	4 8 2	4 4 9
Treasury 2½%*	3 17 7	3 17 8	3 19 8	4 3 0	4 0 5
Consols 2½%*	3 17 1	3 17 3	3 19 6	4 3 10	4 0 4

* To latest date. † Flat yield.

GROSS EQUITY YIELDS

	Jan. 26, 1955	Jan. 28, 1955	Feb. 23, 1955	Feb. 24, 1955	Mar. 2, 1955
Imp. Tobacco £1.....	6 16 9	6 17 11	6 17 9	6 15 6	6 13 4
ICI £1.....	3 15 7	3 16 0	4 4 6	4 3 11	4 1 5
Unilever £1.....	3 4 8	3 4 8	3 10 0	3 10 0	3 5 6
Courtaulds £1.....	3 16 2	3 17 1	4 5 11	4 5 11	4 4 3
Turner & Newall £1.....	4 0 11	4 0 0	4 4 11	4 8 11	4 7 10
Vickers £1.....	3 11 10	3 10 7	3 19 6	3 19 6	3 17 5
GUS 5%.....	3 2 6	3 3 1	3 9 6	3 18 11	3 11 5
Marks & Spencer 'A' 5%.....	2 11 4	2 11 11	2 18 7	3 2 6	2 17 8
Brit. Petroleum £1.....	2 0 7	2 0 3	2 6 11	2 7 9	2 5 4
P & O £1.....	3 2 5	3 2 5	3 9 10	3 11 0	3 9 10



Lord Luke of Pavenham, T.D., D.L., J.P. As Chairman of Bovril Ltd. and also of the National Playing Fields Association, his time is at a premium. So, on his desk, always ready, you will notice his Dictaphone Time-Master dictating machine.

Dictaphone goes to work for Lord Luke

TO MEN of Lord Luke's calibre, *time* is perhaps the most valuable commodity of all. And it is for men whose time is precious that the Dictaphone Time-Master is made. This high-quality precision dictating machine is the most efficient office time-saver ever devised. By cutting routine in half, it makes possible astonishing increases in executive accomplishment. The executive—and his secretary—gets far more done, in far less time, with far less effort. The Dictaphone Time-Master dictating machine can save time in *your* office, too. For a demonstration and a free trial, write to Dictaphone Company Ltd., 17-19 Stratford Place, London, W.1.



Revolutionary plastic Dictabelt records give permanent, visible recording; are the "inside secret" of the Time-Master.

Some features of the Time-Master

- ★ Only 4½" high, and scarcely larger than a sheet of typing paper.
- ★ Completely portable—and you can mail Dictabelt recordings in an ordinary envelope.
- ★ Amazingly simple—just pick up the microphone and talk.
- ★ Quick play back by simply pressing a button on the microphone.
- ★ Secretary can see corrections, letter lengths.

DICTAPHONE
REGD. TRADE MARK
TIME-MASTER
GREATEST NAME IN DICTATION

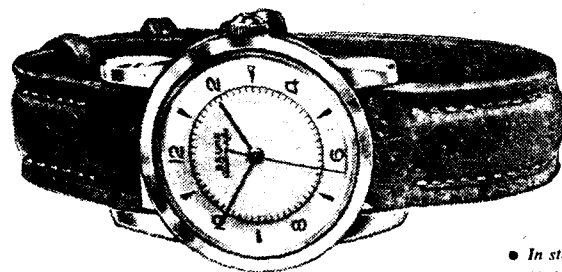
MADE IN GREAT BRITAIN. Branch Offices: BELFAST BIRMINGHAM BRISTOL, CORK DUBLIN EDINBURGH GLASGOW LEEDS LIVERPOOL MANCHESTER NEWCASTLE



The watch in his life...

He's frantically busy. Only by the strictest deployment of his time is he able to get through everything. A man like this *has* to have a good watch. If he bought the Baume watch illustrated here he could forget about it. He wouldn't even have to wind it... seldom have to re-set it... probably never, throughout its long life, have to take it to a watchmaker for anything more than a yearly oiling. It's very robust and pleasant to look at.

Ref. 423. 17 jewels. Shock absorbent. Anti-magnetic. Waterproof. Automatic wind.

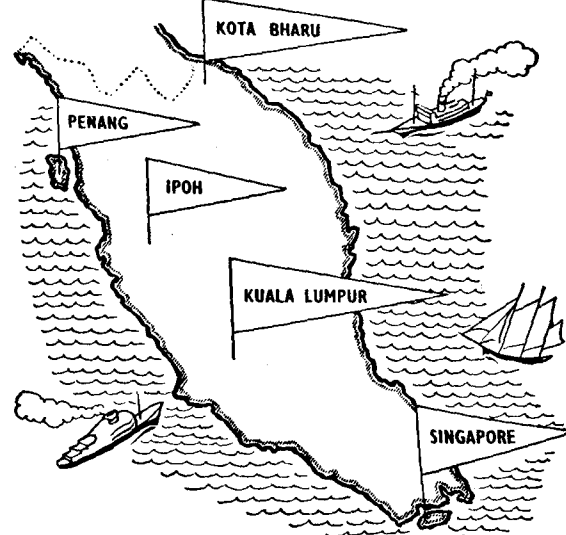


• In stainless steel case from £19.

BAUME *the good watch*

BAUME & CO. LTD. (ESTABLISHED 1834) LONDON AND LA CHAUX-DE-FONDS

SANDILANDS BUTTERY AND COMPANY LIMITED



Established over 100 years, Sandilands Buttery & Co. Ltd., with branches throughout Malaya, will be pleased to help in any problems concerning trade with:— **MALAYA**

SANDILANDS BUTTERY & CO. LTD., 2 Metal Exchange Buildings, Leadenhall Avenue, London, E.C.3. Tel: MANSION House 4521
Branches at: PENANG, SINGAPORE, KOTA BHARU, IPOH, KUALA LUMPUR AND MEDAN, INDONESIA

most reputable stores have been advertising 10 per cent initial payments; they will have to change to 15 per cent, but few have been offering contracts much longer than two years. Reputable traders are not sorry that competition will no longer force them towards offering easier terms. The Board of Trade's new shoe will pinch in particular places. The radio and television trades will feel it. A fraction—but only a small fraction—of the furniture trade will have to modify its terms; so will the part of the new car market that has been offering three-year contracts. But private industry sheds no tears because the nationalised area boards, both gas and electricity, have been forced to accept a quick change in policy.

On the purely financial controls hire traders have no cause for jubilation, but none yet for fear. Much remains obscure; in so far as the finance houses use bank money they will have to pay more for it—possibly about 5½ per cent, though some finance houses still hope to get overdrafts at 5½ per cent. Nor is it yet clear how the banks will interpret the new request for rigour towards HP advances. Traders and finance houses have seen nothing yet that alarms them, nor have they yet altered their scales of charges. The electricity boards using government guaranteed money have made no change, and those companies that advertise for public deposits are still offering the same rates. There is no incentive in market rates yet to cause depositors in the finance houses to take their money elsewhere.

Traders concerned with hire purchase are quietly confident, making two assumptions: first that the redrafted Board of Trade regulations will not be widely evaded for some months. In particular that trick of cutting a loophole in the regulations by making a hire purchase agreement into a hiring agreement with an option to purchase has been closed. Secondly, it is being widely assumed that the present phase of dearer money is also transient. Difficulties there are; the mixed contract comprising some controlled and some non-controlled articles is no longer permissible. It may also be more difficult—though it should not be impossible—to help out the customer caught by strikes or unemployment. And there is a tinge of regret that the nationalised industries are allowed four-year contracts for most of their products while broadly private industry is limited to two years. Figures for February just issued by HP Information show the strong momentum still behind hire purchase. Total contracts reported for February numbered 53,322 compared with 31,215 in February last year. Motor contracts numbered 34,261 compared with 24,095 in January and 17,180 in February last year.

Lancashire's Bitter Pills

THE cotton industry has found little pleasure in two announcements from London and Delhi. Last week the President of the Board of Trade announced that the government had accepted the report of the Monopolies Commission on restrictive practices in the calico printing industry. The report concluded that those practices operated against the public interest, and the government will now discuss with the industry how the Commission's recommendations are to be carried out. The restrictive

practices of other sections of the cotton industry have not yet been referred to the Commission, but their progenitors will no doubt feel that their turn must come.

This week the Indian Finance Minister announced that he proposed to reduce the export duty on coarse cloth from 10 to 6½ per cent *ad valorem*, and to raise the domestic tax on cloth. This reduction may have little effect on exports of cloth to Britain, for the bulk of that trade lies in the medium grade, on which the export duty was abolished in 1953. But it will strengthen Indian competition in world markets, and if the higher internal tax on cloth discourages domestic demand, the Indian mills will have another incentive to increase their exports.

It was always a pious hope that the Indian government would restrict exports to the British market, but there was some hope, on grounds of equity, that it might be persuaded to reduce the preferential yet penal import duty on British cotton textiles. That hope has also gone, and the import duty on wool textiles and other goods may be increased by an amount corresponding to the internal tax that is proposed for similar Indian-made goods. Lancashire can now look only to the British Government for protection against imports of Indian cloth. It has been given no immediate encouragement, but the President of the Board of Trade has recently asked the Cotton Board to submit recommendations on the action that would be most appropriate, if the government should decide that action was necessary.

Halifax Hauls the Flag Down

THE Halifax Building Society has stepped into line with other building societies in paying 2½ per cent net on shares and charging 4½ per cent on new mortgages. Those who have mortgages with the society at lower rates—and there is a lot of 4 per cent money outstanding—are also being brought into line, but with a generous delay. The 4½ per cent rate on existing owner occupier mortgages will not operate until October 1. The decision is necessary both because of the change in money rates generally, and for the good health of the Halifax Society itself.

Halifax remains the biggest building society in the world with record total assets of £237.8 million at January 31 showing a record increase of £23.5 million in the year. But records are two a penny in the building society movement. The rate of increase is only around 10 per cent compared with a larger general increase, in particular with one of 17½ per cent to £213.5 million in the Society's next competitor, the Abbey National, and since it restored the 4 per cent mortgage rate last year, the Halifax society has been overburdened with applications and has had to ration money. A long term lending rate for mortgages of up to 25 years ½ per cent below the Bank of England's lending rate for 7-day money had become anomalous.

The issue was not whether the Halifax Society should come into line, but whether the line itself should be held at the general level of 2½ per cent net paid on shares and 4½ per cent net charged on mortgages. For the moment, evidently, building societies think that it can. That is the burden of the Association's recent statement, and Sir Harold Bellman's remarks at last week's meeting of the Abbey

National Society support the view that the societies should more than ever seek to maintain reasonable stability on interest rates over considerable periods.

That worked well in 1954, when housebuilding was booming. The 1954 estimates of the Building Societies' Gazette are now issued. They show a formidable achievement. Total assets of the movement are thought to have risen by £228 million to the record level of £1,870 million; mortgage advances to have risen by £71 million to £370 million during the year, and balances due to shareholders and depositors by £219 million to £1,760 million. Those figures spring from a period predominantly of cheap money and the societies have ended up liquid, some of them with funds to spare. Trial, and it is to be hoped not too much error, will show whether the same rate structure will hold against a background of dearer money. Building society interest paid and charged may not move with the Bank rate, it has to conform to the major trends. A movement which stands out from conforming to incidental changes in the Bank rate must not fail to spot changes in the main trend.

BOAC's Seven Seas

AFTER a good deal of uncertainty, the Government decided last week to permit the British Overseas Airways Corporation to buy ten Douglas Seven Seas airliners out of the 19 originally requested. The cost is put at £13 million with spares and the ten aircraft will be just adequate to operate a non-stop service between London and New York. On routes to Canada and to South America, where the other nine aircraft would have flown, BOAC will make do with Stratocruisers. The government has recognised that BOAC would lose traffic and repute if the corporation were unable to offer non-stop trans-Atlantic services when its competitors do. The Seven Seas is the first airliner to promise this range, and the first of them is due for delivery to Pan-American in the spring of 1956 while BOAC will wait until the autumn. It is a condition of the arrangement that BOAC will sell these American airliners as soon as a trans-Atlantic version of the Bristol Britannia becomes available; in this way the Seven Seas can be presented as a stop-gap until British aircraft of similar performance become available.

The Douglas company can claim a remarkable technical achievement in designing the Seven Seas. It has given the piston-engined airliner a new lease of life and upset the plans for its British and its American competitors. In America, Lockheed has had to press forward with an interim turbo-prop version of the super-Constellation in order to compete with speed and range of the Seven Seas. This may be ready to go into service with the first buyer, TWA, in a year to 18 months after BOAC take delivery of the ten Douglas airliners.

Britannia on the Move

THE Bristol Aeroplane Company has come out of the recent negotiations with considerable advantage. BOAC has confirmed its order for eight of the long-range Britannias for non-stop trans-Atlantic services, and two of

THE ECONOMIST, MARCH 5, 1955

the 25 shorter-range Britannias already on order are being converted to this more advanced mark. Further, 60 of the new BE 25 engines are being ordered and, when they become available, they will replace the Britannia's Proteus engines. Finally, a contract for three trooping Britannias is being placed in Belfast with Short Brothers and Harland, in which Bristol has an interest and for which it will build the main components.

On the heels of this comes the first overseas order for Britannias. Negotiations with foreign operators received a sharp check when Douglas brought the Seven Seas on to the market, since this enabled airline operators to postpone a decision on new types of aircraft—and particularly new engines—until more was known about their performance in service. Bristol is in the process of negotiating an order for five of the long-range Britannias from the Israeli airline, El Al. The importance of the order is not so much in its size as in the fact that El Al has a substantial network in Europe and the North Atlantic, and a strong patriotic appeal for Jewish passengers. The most pressing task before Bristol is to complete the development of the aircraft; the chairman of BOAC has expressed his disquiet with the progress of test flying in plain language and has not concealed his concern about the company's ability to meet its delivery dates. Bristol has plans to use four aircraft flying simultaneously to catch up on the test programme, but since some technical modifications have still to be done, it now seems unlikely that the Britannia can receive its certificate of airworthiness before September, and further delays would threaten the company's delivery dates for the entire Britannia series.

Shell Buys Petrochemicals

SHELL CHEMICALS is to buy Petrochemicals for £5 million, though £360,000 of that sum will be held back for a year to cover the cost of putting right any undetected defects in the complicated plant at Partington. The technicians of Shell have examined every inch of that plant. They know that it cost far more to build than was planned. They know of its painful teething troubles and its record of trading losses. They know that a plant built to-day to manufacture the same specialised products (notably ethylene glycol and styrene, neither of which Shell produces) would be different in parts of its design from the Partington plant. They know that further capital—an initial £750,000 and an unknown ultimate sum—will be needed to make the plant profitable. Yet they have recommended its purchase. That purchase must have seemed like manna from heaven to Finance Corporation for Industry which has fed £9½ million of capital into this expensive venture. Had the bid not come Lord Bruce and FCI would have had the choice either of sinking big further funds or winding up. The link-up with one of the oil giants provides the opportunity for integration, for new money and for using the research and development facilities that Shell possesses. The purchase should also commend itself to the employees of Petrochemicals who seem to be ensured of continuity of employment. Why does it commend itself to Shell? In addition to a useful tax loss Shell is buying personnel that are gold dust, a market for some of the products of its Stanlow Refinery and good industrial land for further development when Stanlow eventually

THE ECONOMIST, MARCH 5, 1955

becomes overcrowded. Moreover, Shell takes over on the basis of a capitalisation that is roughly halved. Profit making will be much less difficult.

The terms of the purchase agreement will recommend themselves to the junior stockholders, who are largely institutions. Generously, the Finance Corporation for Industry, which was facing a heavy loss on its investments in Petrochemicals whatever steps were taken to salvage that company, has agreed to some payment on the junior stocks. More than all that junior capital was already lost. The institutional stockholders, who have been consulted about the scheme, agree that the terms are remarkably favourable to them. The owners of the 90,000 preference shares will receive 4s. per £1 share and the holders of the 2,612,500 ordinary shares (of which FCI owns 550,000) will get 2s. per £1 share. On the second secured loan stock, of which FCI holds £2,396,400 out of £2,500,000 in issue, 10s. will be paid on each £1 stock. For all its holdings FCI will receive £4,352,935 and any part of the retained £360,000 that remains to be released at the end of March next year—in all a little more than half the outstanding debt to FCI will be repaid.

Airwork over the Atlantic

THE first British trans-Atlantic air freighter left London airport for New York on Tuesday morning to start a twice-weekly scheduled air cargo service between Europe and North America. The freighter belonged to Airwork, one of the leading independent airlines, and its departure marked a major achievement of the new civil aviation policy introduced two years ago, which offered new opportunities for independent airlines, especially in the field of air freighting.

Airwork has chosen to pioneer a route that may promise rich rewards, but is also among the most difficult and most competitive of the world's air lanes. Air freighting is in its infancy. Hitherto freight has been regarded largely as a make-weight for passenger-carrying aircraft; the shape of the cargo holds and the size of their loading doors have put strict limits to the freight that could be carried. Airwork has put on the North Atlantic routes aircraft planned for cargo only, and the mixed freight on the service's first flight included a cigarette-making machine, two George II chairs and three packing cases containing a "sequential image converter" for the American government's rocket proving ground. It is a typical sample of the freight that can be flown in aircraft designed for freighting.

Scheduled freight services must be made to offer special advantages over the cheaper surface transport. Airwork maintains that the higher carriage is more than offset by lower insurance, the elimination of port dues, other dock expenses and delays, and by the use of cheaper packing. Machines are already being carried by air lashed to the floor of freighters without any packing, just as cars are carried on air ferries. Airwork is also offering standard containers to air shippers that will cut packing charges (and in the case of clothing, probably eliminate them) and cut carriage because their weight is not charged to the shipper. It will take time to build up sufficient freight in both directions to make the service pay in competition with similar services already

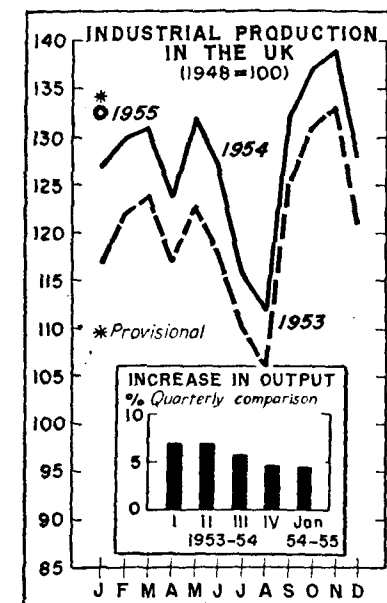
operated by Pan-American and KLM; but Airwork's plans, both for moving the freight and for collecting it from a wide number of points in Europe and North America, have been engineered with skill and with a commendable dash of enterprise.

Output Rises More Slowly

INDUSTRIAL output rose again in January. Provisional figures show that production was about 4½ per cent higher than a year ago. But the pace of advance is still slowly declining. For 1954 as a whole the increase in industrial production amounted to about 6 per cent, with a 7 per cent advance in the first and second quarters, 5½ per cent in the third, and a revised 4½ per cent increase in the fourth quarter. The general trend of a slowly declining margin of increase must be expected, for the labour force is more than "fully employed" for the time of the year and plant capacity, under the present system of shift working, is almost equally extended. The prospect of progress this year depends therefore upon a further improvement in productivity and the speed with which new capacity is opened up and filled with a very moderate normal increase in the labour force.

On a crude measure, productivity last year appears to have risen between 4 and 5 per cent. It thus maintained the annual rate lost in 1951 and regained towards the end of 1953. With order books filling up at an impressive rate and much new plant and machinery recently installed—and more

on order—most industries are confident that they can achieve a similar performance in 1955, though the tightness of supplies of certain materials is worrying some of them. The full impact of the large increase in factory space that appears to have been planned last year, however, will not be felt before 1956 at the earliest. The Board of Trade granted in 1954 nearly twice as



new factories as in 1953, measured in working area. But the Board's preliminary information about the actual rate of building (these figures are liable to heavy correction as the returns are received) suggests that a start was made last year on only a third more factory space than in the previous year and completions were only a tenth higher. Similarly with machine tools; home orders have jumped by three-quarters since last July, but most of these tools will be delivered towards the end of this year or in 1956. The machinery and factory

equipment makers are enjoying record business now that most firms have realised that the bottom of the labour barrel has been scraped; the unemployment rate, which includes a large number of married women, is well under 1½ per cent and the number of notified vacancies still waiting to be filled almost equals the total increase in the civilian labour force during the whole of last year.

Profits from the Stores

PURSE-STRINGS were much looser last year. But the department and multiple stores attracted the customers more than the independent retailers. Sales by the department stores in money terms for all types of goods except food went up by about 8 per cent last year, compared with a increase of 10 per cent by the multiples and 5 per cent by the independent retailers. By far the biggest increases in sales reported by the department stores came from their hardware, radio and electrical departments. Those departments had to say "Me, too," on hire purchase in order to keep their share of an expanding market, and they said it effectively.

Years to January 31 (£,000s)	Harrods		Lewis's Investment Trust	
	1954	1955	1954	1955
Gross profit	1,984	2,321	4,498	4,815
Taxation	1,112	1,248	2,281	2,385
Net profit	664	741	1,437	1,545
Ordinary divs.	274	316	353	410
Ordinary divs. per cent	15	17½	32½	40
	Selfridge (Holdings)*		Lewis's*	
Gross profit	1,190	1,290	2,735	2,837
Taxation	561	622	1,405	1,435
Net profit	425	442	1,056	1,151
Ordinary dividends	144	168	210	365

* Wholly owned subsidiaries of Lewis's Investment Trust.

It is this general expansion in sales, particularly at the hire purchase end, that lies behind the higher profits just reported by two of the big department store groups. Harrods, trading largely in London but with subsidiary stores in other big towns, have reported an increase of about 17 per cent in gross profits. That increase was followed by a rise in the ordinary dividend, from 15 to 17½ per cent. Lewis's Investment Trust has reported a smaller rise—about 7 per cent—in its gross earnings, but it, too, has raised its dividend, from 32½ to 40 per cent. Its two wholly owned subsidiaries, Selfridge (Holdings) and Lewis's, Ltd., have both reported higher profits, but while Selfridge (Holdings), the London group of stores, has reported an increase of about 8 per cent, Lewis's, Ltd., whose stores are in the North and the Midlands, has managed a rise of only 4 per cent. The better trend in profits in the London area is in keeping with the regional pattern of retail sales. Sales of non-food goods in London and the suburbs have been just a little better than those in the North of England, while food sales have been noticeably better.

More Cars for South Africa

BRITISH, American and German motor manufacturers who supply vehicles to South Africa are hopefully regarding the recent increase of £4½ million in the total value of licences to be granted this year as the beginning of the end of licensing for the South African market. They hope the process may be completed in about 18 months, though they do not expect any change in the preferential duties for completely knocked down vehicles by which the Union ensures that its local assembly plants are kept fairly busy. Duties based on a ladder of values at present keep certain cars of medium price, for example, the Jaguar, right out of South Africa; but even if these duties are eventually modified, the Union is becoming a very price-conscious market.

The increase of £4½ million relates to completely knocked down vehicles and is expected to provide an increase of 40 per cent in the volume of last year's imports. But its main effect is expected to be felt in the second half of the year. The South Africa Government generally announces its quotas every six months, and the motor companies have some hope that it may be repeated in the following six months. Allocations to individual makers have not yet been fixed, but these are based roughly on past sales; and British makes accounted for over 50 of car registrations in 1953. The quotas are negotiated between the Government and the assemblers, and depend partly upon plant capacity. In this respect, individual manufacturers differ; Ford and Vauxhall, assembled in directly owned plants, each have a direct voice, while the British Motor Corporation, which so far is assembled in locally owned factories, at the moment has not.

It soon will have one. By May or June its new assembly plant at Blackheath, just outside Cape Town, will be turning out trial cars; by October, quotas permitting, it should be turning out 30-50 cars a day—all Austins at first. The Austin company decided upon the plant in 1949, built it by the end of 1953, and had it empty when import restrictions cut its quota of vehicles for the South African market. Sir Leonard Lord, speaking at Cape Town a fortnight ago, said that eventually BMC may bring together Austin and Nuffield assembly there; and that he is expecting that with the years South Africa will insist on a higher proportion of local manufacture than the moderate amount of local glass, tyres and trim that vehicles imported CKD now have to use.

SHORTER NOTES

The Electrical Lamp Manufacturers' Association has taken steps to meet criticisms of its operations by the Monopolies Commission. The sales quota system, arrangements for exclusive dealing, payments to distributors, and the use of the stop-list to maintain resale prices have all been dropped; lamp components will in future be sold to non-ELMA members at prices no higher than those at which they are supplied to members; and controlled companies marketing cheap lamps will not be used as fighting companies.

FOCUSING ON NEXT YEAR'S AIRLINER, MR. ARNOLD?



Mr. Arnold (busy news photographer) is himself a very tricky person to get in focus. No sooner here . . . he's got to be somewhere else . . . and fast. Of course he always gets there — by air; and he invariably flies British. Which is where next year's airliner comes in. For Mr. Arnold's fares are helping to put yet another British world-beater on the stocks. Helping to pay the men who design and build her; and helping BEA to send air line technicians to advise on the operational aspects. Mr. Arnold was one of nearly 2 million people who flew BEA last year. That's why British Civil Aviation is on top. And passengers who fly British this year — and next — are making sure we stay there.

 *fly* **BEA**
fly British with BRITISH EUROPEAN AIRWAYS

EUROPE'S FAVOURITE AIRLINE



A gracious welcome to your guests

20/- bottle • 10/6 half-bottle
Also Magnams 40/-

New York Agents: REICHLER WINE & SPIRITS, 150 BROADWAY



Their Future

like nearly 5,000 other boys and girls depend on YOUR HELP

70,000 children already provided for

A VOLUNTARY SOCIETY—NOT STATE SUPPORTED

LEGACIES can help us to continue our work in the years to come. DONATIONS can help us NOW

CHURCH OF ENGLAND

CHILDREN'S SOCIETY

Formerly WAIFS & STRAYS
OLD TOWN HALL, KENNINGTON, S.E.11

Division

without

Schism

The House of Crompton is a house divided, but not in the accepted sense of the phrase. From the original small company formed more than three-quarters of a century ago has sprung a mighty organisation with twelve different sections dealing with every aspect of electrical equipment and installation. But each section forms an integral part of the whole.

It is this close co-operation between sections that has gained for the Crompton Parkinson organisation the world-wide reputation it holds today. For when a new development in electricity has to be studied and pursued, the sections work together for the common good. The results are the fruit of an experience second to none.

When it comes to electrical equipment . . .

you've got to hand it to **Crompton Parkinson**
LIMITED



MAKERS OF ELECTRIC MOTORS OF ALL KINDS · ALTERNATORS · GENERATORS · SWITCHGEAR · B.E.T. TRANSFORMERS · CABLES
INSTRUMENTS · LAMPS · LIGHTING EQUIPMENT · BATTERIES · STUD WELDING EQUIPMENT · TRACTION EQUIPMENT

CROMPTON PARKINSON LTD., CROMPTON HOUSE, ALDWYCH, LONDON W.C.2. TEL: CHANCERY 3333

Figures given last week for Imperial Tobacco Company's annual turnover at wholesale prices including duty need correction. Imperial Tobacco's turnover exceeds £600 million, compared with about £850 million for the British tobacco trade as a whole.

★

This week's agreement between Skyways, Ltd., and Bibby Line, Ltd., is the fourth air-sea linking of the past two years. The capital of Skyways is being increased from £150,000 to £315,000, most of the new shares being taken up by Bibby, though it does not acquire a controlling interest. Of the earlier agreements, Furness Withy and Clan Line have interests (non-controlling) in, respectively, Airwork and what was formerly Hunting Air Transport, while P & O has a controlling interest in the holding company of the Silver City car ferry.

★

Depositors in the Post Office Savings Bank may now make withdrawals on demand up to £10. The previous limit of £3 had been unchanged since 1929. The amount that may now be withdrawn by the telegram service has also been raised, from £10 to £25.

Company Notes

ASSOCIATED ELECTRICAL INDUSTRIES. It was a safe guess for 1954 that higher profits would come from the giants of the electrical industry, which concentrate upon the production of capital goods but which have profitable interests in durable consumer goods in the home market. The shares came down in the slide in the market, but they did not suffer so badly as the more speculative counters, for investors knew the size of the dividend warrants from English Electric and Associated Electrical Industries, though not the full extent of the earnings.

Associated Electrical Industries fore-

	Years to Dec. 31, 1953	1954
Consolidated earnings :-		
Trading profit	13,674,000	15,023,000
Depreciation	1,249,000	1,466,000
Replacement reserve ..	1,377,000	1,404,000
Taxation	7,812,000	7,224,000
Net profit	3,219,000	4,753,000
Ordinary dividends	1,097,000	1,365,000
Retained by subsidiaries ..	1,433,000	2,368,000
Retained by Parent Co. ..	553,000	935,000

Ordinary stock at 68s. 6d. yields £4 2s. per cent.

shadowed a 14 per cent ordinary dividend for 1954, compared with the equivalent of 11½ per cent, when they made their successful offer for the Siemens ordinary shares, though the AEP's ordinary stock units offered in exchange for Siemens did not rank for this dividend. That forecast, and the announcement of a bigger dividend backed by increased earnings by English Electric, left investors in no doubt that AEI must have enjoyed a sharp increase in profits. Gross trading profits rose by a shade under 10 per cent—from £13,764,000 to £15,023,000. Out of that profit the directors have appropriated

to fixed assets replacement reserves as well as the statutory depreciation charge before striking the balance of net profits. But net profits have still risen sharply—from £3,219,000 to £4,753,000, thanks in part to the fall in the tax provision from £7,812,000 to £7,224,000. Income and profits taxes rose with earnings but there was nothing to find for EPL, which absorbed £1,340,000 in 1953. The new dividend is thus covered more than three times by net earnings, even after providing for depreciation on the replacement cost of fixed assets.

★

RUGBY PORTLAND CEMENT.

The building programme, the railway programme, the road programme, new equipment at Rugby and the opening of the Trinidad plant set Rugby Portland Cement last year along the road to the goal of a gross profit (before tax and after depreciation) of £900,000. Once that level has been passed, and provided that the gross ordinary dividend takes no less than £300,000 (as it surely will at that level of profit), dividends are payable on the "A" ordinary shares that were issued in November. In fact the group earned a profit of £720,921 after depreciation but before tax, which was about 14 per cent higher than the 1953 profit of £632,966. Net ordinary earnings, thanks in large measure to the cessation of EPL, expanded more vigorously by about 67 per cent from £186,241 to £311,696.

Mr Halford Reddish and his fellow directors have declared an ordinary dividend of 1s. on each 5s. share. The dividend is payable on a capital of

£1,000,000 as increased, first, by the exercise of £250,000 of ordinary share options and, secondly, by a one for three free scrip issue. The 1,000,000 5s. ordinary shares issued at 20s. each at the end of last year do not rank for this dividend. In 1953 a similar dividend of 1s. a share, plus a tax free distribution of 3d. a share, was paid on a capital of £500,000. This year £1,250,000 of ordinary shares will rank and there can be little, or no, doubt that the directors will be able at least to maintain the present rate of payments on the new capital. It was this conclusion—and a little thinking about the possibilities of current profits and hence the prospects on the highly geared "A"

	1953	1954
Consolidated earnings :-		
Trading Surplus	768,772	931,028
Depreciation	135,806	210,107
Gross profit	632,966	720,921
Taxation	425,000	387,500
Net profit	207,966	333,421
Preference dividends ..	21,275	21,275
Net equity earnings	186,241	311,696
Net ordinary dividends ..	55,000	110,000

shares in which ordinary shareholders, the employees and especially the executive directors all have an interest—which led to a rally in the ordinary shares to 29s. 6d. after an initial fall on the announcement.

★

OLDS DISCOUNT AND BOW-MAKER.

It was roses all the way for the hire purchase finance houses in 1954, with more consumer durables for the home market and better wage packets to pay the instalments. Loss ratios were tiny; but earnings were not, and in the summer the clouds of official disapproval dispersed and the doors of the banks and the issue market were thrown open. Two of the finance houses now produce the sort of figures that might be expected. Olds Discount of Nottingham show group

The Federal government of Rhodesia and Nyasaland has decided to proceed with the scheme for producing hydro-electric power from the waters of the Zambesi at Kariba Gorge, instead of the Kafue river scheme. The cost of the first stage, to produce 462 megawatts, will be about £54 million. Much of the power will be needed for the Rhodesian copperbelt.

★

The Transport Act, 1953, instructed the Transport Commission to sell 2,600 of the vehicles it operates on contract hire but made no provision for the automatic transfer of the traffic carried in these lorries. The Commission is hoping to overcome this difficulty by ending all its contracts as opportunity permits, thus enabling independent hauliers and the nationalised fleet to compete for new ones. As the vehicles are freed they will be sold "as chattels" in the second-hand market without "A" licences (no "A" licences are required for contract hire vehicles). Any new contract hire business the Commission obtains will be undertaken through a new company, called BRS (Contracts), Ltd.

profits before tax of £477,131 for 1954, against £358,072 in 1953. The net profit attributable to the parent company after tax was £205,795, compared with £129,851.

Olds was one of the companies that took prompt advantage of the lifting of the ban by raising its ordinary capital from £400,000 to £840,000. On that increased capital the final dividend is 15 per cent. The interim dividend of 10 per cent was paid on the old capital. The unchanged ordinary distribution for the year of 25 per cent therefore much understates the true benefits that shareholders have gained. They have also received free issues of one £1 5 per cent preference share for every 8 ss. ordinary shares held and one ordinary share for every two held. They have also enjoyed a 4 for 11 rights issue. The total amount to be distributed net to ordinary and preference shareholders of £106,700 (against £67,500) absorbs about half the available profit.

Just as the gates of the new issue market were shutting in the faces of the hire purchase finance houses, Bowmaker of Bournemouth slipped through. Permission has been granted to issue 916,666 new ss. ordinary shares as a free scrip issue apparently on a two for three basis and a further 708,333 at a price to be fixed on March 25th. The profit and dividend figures for the year ended October 31st follow the pattern of the hire purchase trade. Group profits before tax were £418,915, compared with £384,778, and the net figure after tax £180,091, compared with £143,660. The final dividend is 20 per cent, making 25 per cent for the year, compared with 17½ per cent in all for the previous year. Moreover a 5 per cent tax free cash distribution is promised out of the capital profit of £265,000 resulting from the sale of a subsidiary—Norcon Ltd.

BORAX CONSOLIDATED.

With no single word do the directors of Borax refer to the recent struggle for control of the company either in the report or in the accounts. The omission is excusable. The controversy was fully ventilated at the time. Again and again since then the chairman, Mr D. Abel Smith, has circulated shareholders with supporting statements underlining the value of the group's undertaking. And he has still to make his speech at the meeting on March 23rd. Shareholders nevertheless have the controversy still fresh in their minds and know what to look for in the accounts. They will seek support for the view that the deferred units are worth substantially more than £5.

There is evidence to support that view: the trading profit for the year ended September 30th is £1,712,834, compared with £1,385,539; this produces a group net profit after tax of £839,420 compared with £699,192. Not only is the figure rising rapidly but the total distribution for the year of 18 per cent, compared with 11 per cent, absorbs less than half the net profit. With the preference and preferred dividend and profits tax it takes £465,000. If the budget were to meet the special arguments of the overseas mining companies that they lose depletion allowances granted in overseas countries because of the severities of the British tax system, it would be possible to take an even more cheerful view of future dividend prospects. The consolidated balance sheet adds little to the earlier statement that showed the company to have net assets in the region of £14 million excluding its undoubtedly valuable mines. Borax is an exceedingly wealthy company with a varied and interesting prospect. Thanks, in part at least, are due to the share bidders for bringing the facts to light.

LONDON STOCK EXCHANGE

Next Account begins: March 16th
Next Contango Day: March 16th
Next Settlement Day: March 8th

The end of the old account witnessed a rally in Throgmorton Street from the trough recorded on the Thursday that Bank rate was increased. That day the *Financial Times* ordinary share index was down to 177.0. By the end of the account on Tuesday it had climbed back to 185.7. But with the new account came the news of the loss in the gold and dollar reserves. Hence, on Wednesday the index fell to 184.7 and on Thursday prices held steady in a narrower market. Gilt-edged continued to move up after the week-end, but the impetus gradually died away, and on the publication of the gold and dollar figure minus signs appeared once more in the gilt-edged list. The foreign bond market was rather quiet, but Japanese issues, both at the end of the old and the beginning of the new account, made a sturdy advance on the election results. Greek issues were also firm on renewed suggestions of a debt settlement.

Industrial equities took their cue from the gilt-edged market. These stocks followed the gilt-edged rally, but the most impressive increases were not recorded in industrials until Monday. After that this rally, too, lost its momentum. And on the first day of the new account net changes in prices were mostly small and usually downwards. The strongest advances in the rally were reported among the store, electrical equipment and steel issues. And, serving as a comment in itself on the hire purchase restrictions, the equities of the leading hire purchase finance companies were quite strong.

Oil shares moved up at the end of the old account. Shell led the way when buying orders came in from the Continent. And unlike other equities, the oil issues continued to go ahead when the new account opened. Rubber shares were firm at the end of the old account, and then turned dull on the fall in the price of the commodity. Tea shares remained quite strong. Renewed support from the Cape and the Continent brought about a brisk advance in Kaffirs and Rhodesian copper shares improved on the ending of the strike.

FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Feb. 23...	184.0	110.25	3.96	4.67
" 24...	177.0	107.61	4.13	4.86
" 25...	178.9	107.87	4.02	4.80
" 28...	182.8	108.10	3.98	4.76
Mar. 1...	185.7	108.49	4.02	4.69
" 2...	184.7	108.80	4.03	4.71
Total bargains				
1955, High...	197.5	115.97	Feb. 23	13,546
" Low...	177.0	107.61	" 24	14,018
" High...	184.0	118.10	" 25	14,534
1954, High...	181.1	111.78	Mar. 1	12,368
" Low...	131.1	111.78	" 2	12,929

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1955 Jan. 1 to Mar. 2		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Feb. 23, 1955	Price, Mar. 2, 1955	Net Yield, Mar. 2, 1955 %	Gross Yield, Mar. 2, 1955 %	Prices, 1955 Jan. 1 to Mar. 2		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Feb. 23, 1955	Price, Mar. 2, 1955	Yield, Mar. 2, 1955 %
High	Low							High	Low						
97½	94½	Exchequer 2% 1960	96½	95½	£ s. d.	£ s. d.	42/9	35/9	15 c	17½	STEEL & ENGINEERING	37/6	38/-	4 12 1p	
99½	93½	Exchequer 2½% '63-64	96½	94½	2 0 6	2 19 2	13/10½	10/-	15 c	34½	B.S.A. (1)	12/3	12/7½	5 17 3	
104½	98½	Exchequer 3% 1960	100½	99½	1 15 1	3 2 1	28/10½	27/3	15 c	...	Colvilles (1)	28/-	28/-	...	
102½	98½	Exchequer 3½% '62-63	100½	99½	1 17 3	3 5 3	27/11	23/-	10 c	8 c	Dorman Long (1)	24/9*	25/3	6 6 9	
100½	96½	Serial Funding 2½% 1957	98½	97½	1 18 8	3 1 7	74/3	63/6	10 c	5 a	Guest Keen N'fold (1)	66/3	68/9	4 7 4	
100½	99½	Serial Funding 3% 1955	100½	99½	1 10 3	3 8 11	50/3	42/-	...	12½	Stewarts & Lloyds (1)	44/4½	46/10½	5 6 8	
100½	98½	War Bonds 2½% '54-56	99½	99	2 0 11	3 4 4½	31/7½	28/1½	3 a	6½	Summers (John) (1)	28/6	30/6	6 8 11	
100½	98½	Funding 2½% '52-57	99½	98½	1 19 1	3 6 5½	32/6	27/6	4 a	6 b	United Steel (1)	29/4½	31/3	6 8 0	
100½	98½	War Loan 3% '55-59	99½	98½	1 15 9	3 5 3½	43/10½	36/-	15 c	2½	Vickers (1)	37/9	38/9	3 17 5v	
100½	95½	Savings Bonds 3% '55-65	98½	95½	2 3 11	3 11 11½	30/4½	25/9	15 c	4 a	Bradford Dyes (1)	26/6	28/3	7 1 7m	
100½	96½	Funding 2½% '56-61	98½	97½	1 19 4	3 3 11½	30/4½	25/9	15 c	3 a	Brit. Celanese (1)	28/-	30/3	5 19 0o	
97	90	Funding 3% '59-69	93	91½	2 7 11	3 17 5½	33/4½	27/3	12 b	10 b	Coats (J. & P.) (1)	25/6	26/-	5 15 5v	
98½	90½	Funding 3% '66-68	94½	92½	2 6 4	3 14 10½	29/6	24/1½	10 b	4 b	Courtaulds (1)	37/3	38/-	4 4 3½	
95½	88½	Funding 3½% 1999-2004	91½	90½	2 5 4	3 19 7	43/6	38/6	4 b	10 a	Lancs. Cotton (1)	29/-	31/6	7 18 9x	
103½	98½	Funding 4% '60-90	101½	101	2 3 0	4 1 7	32/6	28/7½	10 a	15 b	Patons & Baldwins (1)	30/9	31/-	6 9 0m	
96½	87½	Savings Bonds 3% '60-70	91½	89½	2 8 7	3 17 4½	36/0½	29/6	15 b	...	...	...	...	...	
95½	87½	Savings Bonds 2½% '64-67	91½	89½	2 7 11	3 12 9½	...	...	...	...	...	...	...	...	
105½	98½	Victory 4% '20-76	101½	100½	2 2 7	3 18 4½	20/10½	17/4½	6½	3½	Bristol Aeroplane 10/-	19/-	19/6	5 2 7	
94½	85½	Savings Bonds 3% '65-75	89½	87½	2 8 4	3 17 8½	12/9	9/10½	4 a	8½	British Motor 5/-	10/9	11/3	5 11 2	
97½	90½	Consols 4% aft. Feb. '57	94½	93½	2 7 3	4 6 0½	27/3	25/-	7½	7½	De Havilland (1)	24/3	25/-	6 0 0	
89½	79½	Conv. 3½% aft. April '61	84½	83½	2 6 2	4 3 10½	90/6	74/4½	12 c	5 a	Ford Motor (1)	79/4½	78/9	3 1 0	
103½	95½	Conv. 3½% 1969	98½	96½	2 3 11	3 16 1	57/6	43/1½	3 a	7½	Hawker Siddeley (1)	48/-	49/9	4 4 5	
99½	95	Conv. 2½% 1958-59	97½	96½	1 19 7	2 18 8½	131/-	100/6	25 c	30 c	Leyland Motors (1)	122/6	122/6*	4 18 0	
66½	59½	Treas. 2½% aft. April '75	62½	62*	2 4 3	4 0 5½	88/6	71/3	12½	5 a	Rolls Royce (1)	77/6	77/6	3 0 3j	
78½	70½	Treas. 3% aft. April '66	74½	72*	2 5 9	4 3 0½	8/-	6/10½	12 c	12 c	Standard Motor 5/-	7/3	7/3	8 5 6	
98½	91	Treas. 3½% '77-80	94½	92½	2 6 8	4 0 4½	...	...	...	...	...	...	...	...	
99½	91	Treas. 3½% '79-81	95½	92½	2 6 6	3 19 8	32/6	25/-	22½	10 a	Boots Pure Drug 5/-	25/9	27/9*	4 1 1	
88½	78	Redemption 3% '86-96	82½	81½	2 6 11	3 17 10½	45/3	36/9	7½	20 b	Debenhams 10/-	39/4½	38/9	7 1 10	
88½	79½	War L'n 3½% aft. Dec. '52	84½	83½	2 6 5	4 4 9½	62/6	43/9	45 b	15 a	Gt. Universal 5/-	54/-	52/6	3 11 5r	
66½	60	Consols 2½%	63½	62*	2 4 3	4 0 4½	114/-	97/6	17½	5 a	Lyons (J.) 'A' (1)	103/9	103/9	4 6 9	
94½	86	Br. Elec. 3% '68-73	88½	87½	2 8 10	3 17 8½	76/-	58/6	45 b	15 a	Marks & Spen. 'A' 5/-	64/-	65/-	2 17 8r	
93½	85½	Br. Elec. 3% '74-77	88½	87½	2 7 11	3 17 2½	71/9	57/-	20 a	36½	Woolworth 5/-	60/3	60/3	4 3 0d	
109½	100½	Br. Elec. 4½% '74-79	103½	102½	2 3 9	4 1 3½	...	...	...	...	...	...	...	...	
98½	91	Br. Elec. 3½% '76-79	94½	92½	2 6 9	4 0 6½	88/9	68/6	37½	5 a	British Petroleum (1)	72/6	75/-	2 5 4z	
88½	79½	Br. Trans. 3% '78-88	84½	82½	2 8 5	3 19 4½	138/-	100/-	17½	7½	Burmah (1)	108/9	111/3	3 2 11	
94½	86½	Br. Trans. 3% '68-73	89½	88½	2 8 8	3 17 5½	54½	50½	12 b	6 a	Royal Dutch 100 fl.	52½	52	2 8 2½	
105½	98½	Br. Trans. 4% '72-77	101½	99½	2 4 9	4 1 5½	132/-	109/9	10½	5½	Shell Reg. (1)	118/1½	118/9	3 16 6s	
88½	79½	Br. Gas 3% '90-95	84½	82½	2 6 9	3 18 1½	35/1½	26/9	5½	15½	Trinidad L'holds 5/-	29/-	31/3	5 16 4	
102½	94½	Br. Gas 3½% '69-71	97½	96*	2 4 3	3 16 6½	...	...	...	...	...	...	...	...	
105½	99	Br. Gas 4% '69-72	101½	100	2 4 3	4 0 6½	37/3	30/-	16 c	5 a	Cunard (1)	31/6	33/6	5 14 7n	
							57/-	45/6	12 c	12 c	Furness Withy (1)	50/6	50/6	4 15 1	
							76/-	55/-	16 b	3 a	P. & O. Def. (1)	63/-	63/-	3 9 10y	

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

Prices, 1954		Prices, 1955 Jan. 1 to Mar. 2		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Feb. 23, 1955	Price, Mar. 2, 1955	Yield, Mar. 2, 1955
High	Low	High	Low					
97½	90½	94½	87½	Aust. 3½% '65-69	92½	90½	£ s. d.	4 3 0½
101½	97½	101½	96	Ceylon 4% '73-75	98½	96½	4 5 3½	61/9
106½	98½	103½	98½	N. Zealand 4% '76-78	100½	98½	4 2 3½	45/4½
79½	71½	75½	66½	L.C.C. 3% aft. 1920	70½	67½	4 8 11	63/10½
99½	95	99½	91	Liverpool 3% '54-64	95½	92½	4 0 0½	£121½
87½	80½	84	75	M.Wtr. 'B' 3% '34-2003	78½	75½	4 3 9½	69/-
104½	100	102	100	Agric. Mort. 5% '59-89	100	100	5 0 0½	34/9
109½	71½	102½	91	German 7%.....	95½	95½	...	86/3
168½	102	164	149	German 5½%.....	152½	151½	...	85/9
170½	132½	169½	160	Japan 5% 1907.....	163½	167½	...	114/9
198½	167	194½	190½	Japan 5½% Conv. 1930	191½	193½	...	82/-
Prices, 1955 Jan. 1 to Mar. 2		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Feb. 23, 1955	Price, Mar. 2, 1955	Yield, Mar. 2, 1955
High	Low							
58/6	48/9	5 a	7 b	BANKS & DISCOUNT	53/6	54/-	£ s. d.	4 8 11
76/7½	64.3	7 a	8 b	Barclays (1)	66/6	66/6	4 10 3	66/6
89/3	82/-	8 a	10 b	Lloyds 'A' (1) pd.	85/-	83/-	4 6 9	8/-
87/-	80/-	8½ a	9½ b	Midland (1), fully pd.	82/6	82/6	4 7 3	37½
96/10½	87/-	8 a	8 b	Westmstr 'B' (1) pd.	89/-	89/6	4 9 5	...
53/-	53/-	7½ a	8½ b	Alexanders (1)	55/6	53/6	4 13 5v	...
58/6	49/6	5 a	7 b	Nat. Disc. 'B' (1)	52/-	52/-	4 12 4	...
60/-	52/6	5 a	7½ b	Union Disc. (1)	56/-	55/-	4 10 11	...
48/10½	39/6	4 a	4 b	Barc. (D.C.O.) (1)	42/6	43/6	3 13 7	...
51/9	43.3	7½ a	7½ b	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
Prices, 1955 Jan. 1 to Mar. 2		Last Two Dividends (a) (b) (c)		BANKS & DISCOUNT		Price, Feb. 23, 1955	Price, Mar. 2, 1955	Yield, Mar. 2, 1955
High	Low							
17½	14½	50 a	85 b	L'g. & Gen. (1) 5/- pd.	15	15½	2 2 3	Balt. & Ohio...
23½	20½	40½ b	20½ a	Pearl (1) fully pd.	22	23	4 10 10	N. Y. Cent. ...
46½	41½	105½ b	112½ c	Prudential 'A' (1)	42	44	4 12 11	Pennsylv. ...
141/-	132/-	10 a	33 b	Bass (1)	135/-	136/3	6 6 4	Amer. Tel. ...
29/0½	22/-	25 c	10	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
48/10½	39/6	4 a	4 b	Barc. (D.C.O.) (1)	42/6	43/6	3 13 7	...
51/9	43.3	7½ a	7½ b	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
Prices, 1955 Jan. 1 to Mar. 2		Last Two Dividends (a) (b) (c)		BANKS & DISCOUNT		Price, Feb. 23, 1955	Price, Mar. 2, 1955	Yield, Mar. 2, 1955
High	Low							
17½	14½	50 a	85 b	L'g. & Gen. (1) 5/- pd.	15	15½	2 2 3	Balt. & Ohio...
23½	20½	40½ b	20½ a	Pearl (1) fully pd.	22	23	4 10 10	N. Y. Cent. ...
46½	41½	105½ b	112½ c	Prudential 'A' (1)	42	44	4 12 11	Pennsylv. ...
141/-	132/-	10 a	33 b	Bass (1)	135/-	136/3	6 6 4	Amer. Tel. ...
29/0½	22/-	25 c	10	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
48/10½	39/6	4 a	4 b	Barc. (D.C.O.) (1)	42/6	43/6	3 13 7	...
51/9	43.3	7½ a	7½ b	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
Prices, 1955 Jan. 1 to Mar. 2		Last Two Dividends (a) (b) (c)		BANKS & DISCOUNT		Price, Feb. 23, 1955	Price, Mar. 2, 1955	Yield, Mar. 2, 1955
High	Low							
17½	14½	50 a	85 b	L'g. & Gen. (1) 5/- pd.	15	15½	2 2 3	Balt. & Ohio...
23½	20½	40½ b	20½ a	Pearl (1) fully pd.	22	23	4 10 10	N. Y. Cent. ...
46½	41½	105½ b	112½ c	Prudential 'A' (1)	42	44	4 12 11	Pennsylv. ...
141/-	132/-	10 a	33 b	Bass (1)	135/-	136/3	6 6 4	Amer. Tel. ...
29/0½	22/-	25 c	10	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
48/10½	39/6	4 a	4 b	Barc. (D.C.O.) (1)	42/6	43/6	3 13 7	...
51/9	43.3	7½ a	7½ b	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
Prices, 1955 Jan. 1 to Mar. 2		Last Two Dividends (a) (b) (c)		BANKS & DISCOUNT		Price, Feb. 23, 1955	Price, Mar. 2, 1955	Yield, Mar. 2, 1955
High	Low							
17½	14½	50 a	85 b	L'g. & Gen. (1) 5/- pd.	15	15½	2 2 3	Balt. & Ohio...
23½	20½	40½ b	20½ a	Pearl (1) fully pd.	22	23	4 10 10	N. Y. Cent. ...
46½	41½	105½ b	112½ c	Prudential 'A' (1)	42	44	4 12 11	Pennsylv. ...
141/-	132/-	10 a	33 b	Bass (1)	135/-	136/3	6 6 4	Amer. Tel. ...
29/0½	22/-	25 c	10	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
48/10½	39/6	4 a	4 b	Barc. (D.C.O.) (1)	42/6	43/6	3 13 7	...
51/9	43.3	7½ a	7½ b	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
Prices, 1955 Jan. 1 to Mar. 2		Last Two Dividends (a) (b) (c)		BANKS & DISCOUNT		Price, Feb. 23, 1955	Price, Mar. 2, 1955	Yield, Mar. 2, 1955
High	Low							
17½	14½	50 a	85 b	L'g. & Gen. (1) 5/- pd.	15	15½	2 2 3	Balt. & Ohio...
23½	20½	40½ b	20½ a	Pearl (1) fully pd.	22	23	4 10 10	N. Y. Cent. ...
46½	41½	105½ b	112½ c	Prudential 'A' (1)	42	44	4 12 11	Pennsylv. ...
141/-	132/-	10 a	33 b	Bass (1)	135/-	136/3	6 6 4	Amer. Tel. ...
29/0½	22/-	25 c	10	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
48/10½	39/6	4 a	4 b	Barc. (D.C.O.) (1)	42/6	43/6	3 13 7	...
51/9	43.3	7½ a	7½ b	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
Prices, 1955 Jan. 1 to Mar. 2		Last Two Dividends (a) (b) (c)		BANKS & DISCOUNT		Price, Feb. 23, 1955	Price, Mar. 2, 1955	Yield, Mar. 2, 1955
High	Low							
17½	14½	50 a	85 b	L'g. & Gen. (1) 5/- pd.	15	15½	2 2 3	Balt. & Ohio...
23½	20½	40½ b	20½ a	Pearl (1) fully pd.	22	23	4 10 10	N. Y. Cent. ...
46½	41½	105½ b	112½ c	Prudential 'A' (1)	42	44	4 12 11	Pennsylv. ...
141/-	132/-	10 a	33 b	Bass (1)	135/-	136/3	6 6 4	Amer. Tel. ...
29/0½	22/-	25 c	10	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
48/10½	39/6	4 a	4 b	Barc. (D.C.O.) (1)	42/6	43/6	3 13 7	...
51/9	43.3	7½ a	7½ b	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
Prices, 1955 Jan. 1 to Mar. 2		Last Two Dividends (a) (b) (c)		BANKS & DISCOUNT		Price, Feb. 23, 1955	Price, Mar. 2, 1955	Yield, Mar. 2, 1955
High	Low							
17½	14½	50 a	85 b	L'g. & Gen. (1) 5/- pd.	15	15½	2 2 3	Balt. & Ohio...
23½	20½	40½ b	20½ a	Pearl (1) fully pd.	22	23	4 10 10	N. Y. Cent. ...
46½	41½	105½ b	112½ c	Prudential 'A' (1)	42	44	4 12 11	Pennsylv. ...
141/-	132/-	10 a	33 b	Bass (1)	135/-	136/3	6 6 4	Amer. Tel. ...
29/0½	22/-	25 c	10	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
48/10½	39/6	4 a	4 b	Barc. (D.C.O.) (1)	42/6	43/6	3 13 7	...
51/9	43.3	7½ a	7½ b	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
Prices, 1955 Jan. 1 to Mar. 2		Last Two Dividends (a) (b) (c)		BANKS & DISCOUNT		Price, Feb. 23, 1955	Price, Mar. 2, 1955	Yield, Mar. 2, 1955
High	Low							
17½	14½	50 a	85 b	L'g. & Gen. (1) 5/- pd.	15	15½	2 2 3	Balt. & Ohio...
23½	20½	40½ b	20½ a	Pearl (1) fully pd.	22	23	4 10 10	N. Y. Cent. ...
46½	41½	105½ b	112½ c	Prudential 'A' (1)	42	44	4 12 11	Pennsylv. ...
141/-	132/-	10 a	33 b	Bass (1)	135/-	136/3	6 6 4	Amer. Tel. ...
29/0½	22/-	25 c	10	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
48/10½	39/6	4 a	4 b	Barc. (D.C.O.) (1)	42/6	43/6	3 13 7	...
51/9	43.3	7½ a	7½ b	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
Prices, 1955 Jan. 1 to Mar. 2		Last Two Dividends (a) (b) (c)		BANKS & DISCOUNT		Price, Feb. 23, 1955	Price, Mar. 2, 1955	Yield, Mar. 2, 1955
High	Low							
17½	14½	50 a	85 b	L'g. & Gen. (1) 5/- pd.	15	15½	2 2 3	Balt. & Ohio...
23½	20½	40½ b	20½ a	Pearl (1) fully pd.	22	23	4 10 10	N. Y. Cent. ...
46½	41½	105½ b	112½ c	Prudential 'A' (1)	42	44	4 12 11	Pennsylv. ...
141/-	132/-	10 a	33 b	Bass (1)	135/-	136/3	6 6 4	Amer. Tel. ...
29/0½	22/-	25 c	10	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
48/10½	39/6	4 a	4 b	Barc. (D.C.O.) (1)	42/6	43/6	3 13 7	...
51/9	43.3	7½ a	7½ b	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
Prices, 1955 Jan. 1 to Mar. 2		Last Two Dividends (a) (b) (c)		BANKS & DISCOUNT		Price, Feb. 23, 1955	Price, Mar. 2, 1955	Yield, Mar. 2, 1955
High	Low							
17½	14½	50 a	85 b	L'g. & Gen. (1) 5/- pd.	15	15½	2 2 3	Balt. & Ohio...
23½	20½	40½ b	20½ a	Pearl (1) fully pd.	22	23	4 10 10	N. Y. Cent. ...
46½	41½	105½ b	112½ c	Prudential 'A' (1)	42	44	4 12 11	Pennsylv. ...
141/-	132/-	10 a	33 b	Bass (1)	135/-	136/3	6 6 4	Amer. Tel. ...
29/0½	22/-	25 c	10	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
48/10½	39/6	4 a	4 b	Barc. (D.C.O.) (1)	42/6	43/6	3 13 7	...
51/9	43.3	7½ a	7½ b	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
Prices, 1955 Jan. 1 to Mar. 2		Last Two Dividends (a) (b) (c)		BANKS & DISCOUNT		Price, Feb. 23, 1955	Price, Mar. 2, 1955	Yield, Mar. 2, 1955
High	Low							
17½	14½	50 a	85 b	L'g. & Gen. (1) 5/- pd.	15	15½	2 2 3	Balt. & Ohio...
23½	20½	40½ b	20½ a	Pearl (1) fully pd.	22	23	4 10 10	N. Y. Cent. ...
46½	41½	105½ b	112½ c	Prudential 'A' (1)	42	44	4 12 11	Pennsylv. ...
141/-	132/-	10 a	33 b	Bass (1)	135/-	136/3	6 6 4	Amer. Tel. ...
29/0½	22/-	25 c	10	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
48/10½	39/6	4 a	4 b	Barc. (D.C.O.) (1)	42/6	43/6	3 13 7	...
51/9	43.3	7½ a	7½ b	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
Prices, 1955 Jan. 1 to Mar. 2		Last Two Dividends (a) (b) (c)		BANKS & DISCOUNT		Price, Feb. 23, 1955	Price, Mar. 2, 1955	Yield, Mar. 2, 1955
High	Low							
17½	14½	50 a	85 b	L'g. & Gen. (1) 5/- pd.	15	15½	2 2 3	Balt. & Ohio...
23½	20½	40½ b	20½ a	Pearl (1) fully pd.	22	23	4 10 10	N. Y. Cent. ...
46½	41½	105½ b	112½ c	Prudential 'A' (1)	42	44	4 12 11	Pennsylv. ...
141/-	132/-	10 a	33 b	Bass (1)	135/-	136/3	6 6 4	Amer. Tel. ...
29/0½	22/-	25 c	10	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
48/10½	39/6	4 a	4 b	Barc. (D.C.O.) (1)	42/6	43/6	3 13 7	...
51/9	43.3	7½ a	7½ b	Chart. Bk. of India (1)	45/-	46/6	6 9 0	...
Prices, 1955 Jan. 1 to Mar. 2		Last Two Dividends (a) (b) (c)		BANKS & DISCOUNT		Price, Feb. 23, 1955	Price, Mar. 2, 1955	Yield, Mar. 2, 1955
High	Low							
17½	14½	50 a	85 b	L'g. & Gen. (1) 5/- pd.	15	15½	2 2 3	Balt. & Ohio...
23½	20½	40½ b	20½ a	Pearl (1) fully pd.	22	23	4 10 10	N. Y. Cent. ...
46½	41½	105½ b	112½ c	Prudential 'A' (1)	42	44	4 12 11	Pennsylv. ...
141/-	132/-	10 a	33 b	Bass (1)	135/-	136/3	6 6 4	Amer. Tel. ...

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	This week	Western Europe :	This week
Production and Consumption	Feb. 12th	Production and Trade.....	Feb. 12th
Manpower.....	Feb. 19th	British Commonwealth	Feb. 12th
External Trade.....	Feb. 26th	Western Europe :	Feb. 12th
Financial Statistics	This week	Prices and Money Supply	Feb. 19th
Industrial Profits.....	Jan. 15th	United States	Feb. 26th
World Trade.....	Jan. 15th		

Prices and Wages

Unit		1952	1953	1954	1954			1955				
		mid-June			Feb. 16	Feb. 23	Mar. 2	Feb. 8	Feb. 15	Feb. 22	Mar. 1	
WORLD PRICES												
Commodity Price Indicator : (1)												
All items.....	1952=100	99	89	99	95	96	95	103	102	100	98	
Food.....	"	99.5	93.2	119.6	111.4	115.4	114.5	103	102	100	98	
Fibres.....	"	98.5	87.0	88.7	86.6	86.1	85.1	88.9	89.7	89.4	89.0	
Metals.....	"	100.0	80.0	81.5	75.9	76.1	76.2	96.5	95.3	93.2	94.5	
Other items.....	"	96.3	95.9	93.5	97.8	97.1	94.9	106.4	107.2	102.6	100.2	
BRITISH WHOLESALE PRICES												
Old series :												
All articles.....	1938=100	323.3	323.5	325.3	322.9	321.4	321.2	324.4	326.2	330.8	332.6	
Food and tobacco.....	"	292.0	314.6	314.7	312.5	309.1	309.2	308.2	312.6	322.5	322.3	
Materials used in :												
Non-food manufacturing.....	June 30, 1949=100	162.1	145.8	143.5	142.4	141.7	140.8	144.6	144.1	146.4	149.3	
Mechanical engineering.....	"	149.9	145.7	150.4	147.3	147.6	147.1	154.4	154.4	155.8	159.0	
Electrical machinery.....	"	165.4	155.2	160.5	157.0	157.3	156.3	167.5	166.9	168.3	173.4	
Building and civil engineering.....	"	133.6	130.4	131.4	130.1	130.0	130.0	132.8	133.1	133.5	134.1	
House building.....	"	130.6	128.7	130.7	128.4	128.4	128.6	132.2	132.5	133.1	133.6	
Commodities :												
Cotton, raw (*).....	"	171.9	140.6	155.0	142.1	143.3	144.7	158.3	157.5	157.4	158.1	
Wool, raw.....	"	147.9	171.1	160.8	173.0	167.0	163.6	151.0	140.6	146.6	146.8	
Rubber, No. 1 RSS, one month future.....	"	282.8	199.1	197.9	167.3	173.1	167.5	225.8	244.3	250.8	289.0	
Softwood, imported.....	"	158.0	144.1	145.0	138.7	138.9	140.5	147.1	150.9	152.0	153.6	
Copper, ex-warehouse (2).....	"	220.7	217.6	213.4	203.6	199.6	195.1	242.0	236.8	240.8	260.0	
UK RETAIL PRICES												
Interim index :												
All items.....	June 17, 1947=100	136	140	143	140	140	140	144	145	145	146	
Food.....	Jan. 15, 1952=100	102.6	105.8	107.7	106.0	105.6	105.8	108.7	109.2	109.8	110.2	
Non-food.....	"	105.4	111.3	114.2	110.9	109.6	110.2	116.1	116.9	118.2	119.2	
Food.....	1938=100	221	228	232	228	227	228	234	235	236	237	
Rent and rates.....	"	221	233	239	232	230	231	243	245	248	250	
Clothing.....	"	122	129	134	131	131	132	135	135	136	136	
Fuel and light.....	"	259	253	255	255	255	254	255	255	254	253	
Household durable goods.....	"	197	207	216	213	214	215	215	221	222	223	
Drink.....	"	294	286	284	285	286	285	283	283	283	284	
Tobacco.....	"	255	256	257	257	257	257	257	257	260	260	
Purchasing power of £ (based on all consumer spending).....	"	386	387	387	387	387	387	387	387	387	387	
UK TERMS OF TRADE (2)												
Import prices :												
All items.....	1954=100	113	100	100	98	98	98	101	101	103	104	
Food, drink and tobacco.....	"	100	96	100	96	96	96	101	102	105	105	
Basic materials.....	"	123	102	100	99	100	99	101	101	101	102	
Export prices :												
All items.....	"	105	103	100	100	100	100	100	100	100	100	
All manufactures.....	"	105	103	100	99	99	100	100	100	100	100	
Metals.....	"	105	103	100	101	102	101	99	99	99	98	
Engineering products.....	"	105	102	100	100	99	100	101	101	100	101	
Textiles (excluding clothing).....	"	98	100	100	99	100	100	99	99	97	98	
Terms of trade :												
Ratio of import to export prices.....	"	108	98	100	98	98	98	101	101	103	104	
SHIPPING FREIGHTS												
Tramp shipping freights (fixed in sterling)												
All workers.....	1952=100	100.0	77.5	86.1	73.8	71.5	71.9	99.5	110.4	115.5	115.1	
UK WAGES												
Weekly wage rates :												
Men.....	June 30, 1947=100	130	136	142	137	138	139	143	144	144	146	
Women.....	"	129	134	140	136	136	137	142	142	142	144	
Weekly earnings : (3)	"	133	140	146	143	143	143	148	148	148	151	
All workers.....	s. d.	151 11	160 1	171 9	...	...	...	171 9	...	...	...	
Men.....	"	178 6	189 2	204 5	...	...	...	204 5	...	...	...	
Women.....	"	96 4	102 5	108 2	...	...	...	108 2	...	...	...	
All workers.....	Oct., 1938=100	285	301	323	...	...	...	323	...	...	...	
Men.....	"	259	274	296	...	...	...	296	...	...	...	
Women.....	"	296	315	333	...	...	...	333	...	...	...	

(1) From August 1952.

(1) From August, 1953, the index has been revised to show a more representative wheat price, and subsequently to ex-warehouse prices of H.C. electrolytic copper. (2) 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. (3) Annual figures are based on unit values and are influenced by changes in the composition of trade as well as price movements. (4) Surveys made twice a year; annual figures relate to October survey. (5) 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	Netherlands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION (1) (1948 = 100)												
1938.....	118	82	78	90	193	132	76	101	89	81	67	64
1952.....	181	114	117	131	231	170	130	147	130	135	111	133
1953.....	184	114	121	127	251	193	143	161	144	140	111	149
1954, July.....	211	112	88	134	272	236	149	188	155	104	62	...
August.....	213	122	130	110	271	236	...	148	150	146	114	...
September.....	237	126	139	141	296	245	...	186	164	160	121	...
October.....	226	129	136	144	304	253	...	189	167	159	121	...
November.....	...	...	140	145	321	251	...	...	171	161	123	...

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. kronor	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	554	132.64	1,350	432.8	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	681	124.3
1954, July.....	1,278	10,032	709	121.77	1,573	827.6	15.58	114.29	961	548	731	108.4
August.....	1,358	10,251	631	116.51	1,519	885.1	12.26	109.36	872	546	718	78.9
September.....	1,384	11,256	677	117.57	1,714	873.3	15.46	112.98	890	609	771	107.2
October.....	1,630	10,823	750	114.46	1,848	801.6	14.66	126.96	947	695	816	99.9
November.....	1,758	10,602	698	125.03	1,947	...	15.87	...	...	698	843	108.7

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	490	118.04	1,409	149.9	8.41	72.02	660	337	678	84.7
1953.....	1,099	9,414	508	117.24	1,542	282.1	9.50	77.50	672	303	637	92.4
1954, July.....	1,327	9,138	501	114.90	1,926	204.7	9.13	81.14	745	358	746	63.2
August.....	1,342	8,723	536	116.50	1,839	141.9	10.04	79.07	702	319	626	37.6
September.....	1,364	9,055	557	114.26	1,842	364.8	12.25	84.09	763	336	716	62.4
October.....	1,395	10,489	564	129.71	1,982	588.1	10.62	86.11	870	374	772	86.2
November.....	1,363	10,869	620	138.49	2,025	...	10.55	...	...	337	748	108.8

BALANCE

1938.....	- 20	- 116	- 7	- 1.29	- 37	- 0.3	- 1.43	- 0.06	- 31	- 33	- 20	- 0.4
1952.....	- 263	- 39	- 64	- 14.60	+ 59	- 282.9	- 5.94	- 48.46	- 34	- 183	- 68	- 45.0
1953.....	- 7	- 680	- 65	- 4.28	+ 208	- 310.5	- 5.78	- 47.25	- 66	- 240	- 44	- 31.9
1954, July.....	+ 49	- 894	- 208	- 6.87	+ 353	- 622.9	- 6.45	- 33.15	- 216	- 190	+ 15	- 45.2
" August.....	- 16	- 1,528	- 95	- 0.01	+ 320	- 743.2	- 2.22	- 30.29	- 170	- 227	- 92	- 41.3
" September.....	- 20	- 2,201	- 120	- 3.31	+ 128	- 508.5	- 3.21	- 28.89	- 126	- 273	- 55	- 44.8
" October.....	- 235	- 334	- 186	+ 15.25	+ 134	- 213.5	- 4.04	- 40.85	- 77	- 321	- 44	- 13.7
" November.....	- 395	+ 267	- 78	+ 13.46	+ 78	...	- 5.32	...	...	- 361	- 95	+ 0.1

Financial Statistics

EXCHEQUER RETURNS

For the week ended February 26th there was an "above-line" surplus (after allowing for Sinking Funds) of £29,170,000 compared with a deficit of £7,659,000 in the previous week and a surplus of £28,635,000 in the corresponding period of last year. This brought the cumulative account to a surplus of £488,217,000 (compared with a surplus of £201,597,000 in 1953-54). Net expenditure "below-line" last week reached £18,889,000, bringing the total cumulative surplus to £63,795,000 (compared with a deficit of £175,505,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to Feb. 27, 1954	April 1, 1954 to Feb. 26, 1955	Week ended Feb. 27, 1954	Week ended Feb. 26, 1955
Ord. Revenue					
Income Tax	1800,000	1538,067	1637,958	56,793	65,074
Sur-tax	132,000	113,800	115,600	4,500	5,700
Death Duties	164,375	148,900	169,500	3,600	4,100
Stamps	55,000	51,500	67,970	2,000	2,700
Profits Tax & E.P.T.	172,000	173,900	157,800	3,570	2,700
Excess Profits Levy	60,000	59,550	71,650	800	1,000
Special Contribution and other Inland Revenue	1,000	1,220	1,180	...	...
Total Inland Rev.	2384,375	2086,937	2221,658	71,193	78,574
Customs	1062,500	960,149	1011,288	20,498	20,385
Excise	719,000	697,535	734,219	16,935	15,996
Total Customs and Excise	1781,500	1657,684	1745,507	37,433	36,381
Motor Duties	77,000	72,165	78,238	382	...
PO (Net Receipt)	5,900	12,500	3,700	3,550	...
Broadcast Licences	21,000	15,050	20,100	1,500	1,500
Sundry Loans	24,000	35,018	22,915	...	...
Miscellaneous	245,000	105,950	171,126	421	230
Total	4532,875	3978,704	4272,044	106827	113517
Ord. Expenditure					
Debt Interest	570,000	536,464	521,671	2,500	3,822
Payments to N. Ireland Exchequer	51,000	44,928	44,732	2,668	2,621
Other Cons. Fund	10,000	9,006	8,479	198	36
Supply Services	3859,739	3156,852	3178,659	72,286	77,638
Total	4490,739	3747,251	3753,541	77,852	84,117
Sinking Funds	36,000	29,856	30,286	540	230
"Above-line" Surplus or Deficit		201,597	488,217	28,635	29,170
"Below-line" Net Expenditure		377,102	424,422	17,084	18,889
Total Surplus or Deficit*		175,505	63,795	11,551	10,281
Net Receipts from:					
Tax Reserve Certificates	38,938	25,957	6,094	434	...
Savings Certificates	16,110	41,450	600	100	...
Defence Bonds	34,799	19,200	149	394	...

* Since end September the capital expenditure of the Post Office has been charged directly on the Exchequer (instead of being financed from the Savings Funds) and is consequently included in "below-line" expenditure and the total deficit. As at February 26th this item stood at £37,400,000.

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1954					
Feb. 27	3,059.0	1,320.5	279.1	...	4,649.6
Nov. 20	3,480.0	1,548.1	291.8	...	5,319.8
" 27	3,480.0	1,571.7	271.2	...	5,322.8
Dec. 4	3,470.0	1,613.4	254.6	...	5,383.0
" 11	3,450.0	1,672.7	256.4	3.8	5,382.8
" 18	3,440.0	1,727.1	262.2	...	5,429.3
" 31	3,420.0	1,823.5	263.4	...	5,505.9
1955					
Jan. 8	3,400.0	1,771.4	264.7	...	5,436.0
" 15	3,350.0	1,719.2	260.4	...	5,330.0
" 22	3,310.0	1,662.7	262.3	...	5,235.0
" 29	3,270.0	1,642.2	243.2	...	5,155.4
Feb. 5	3,240.0	1,575.9	236.8	...	5,052.7
" 12	3,190.0	1,557.1	251.8	...	4,998.9
" 19	3,160.0	1,674.1	246.4	...	5,120.4
" 26	3,150.0	1,591.5	268.0	...	5,109.5

THE MONEY MARKET

The market reduced its bid for 91-day Treasury bills on offer last Friday by 7s. 5d. to £99 1s. per cent, that is by close on 1½ per cent to 3½ per cent; the average rate of discount came out at 3½ per cent. The increase was larger than had been expected, so that after the tender commercial bill rates were raised by ½ per cent beyond the 3½ per cent quoted immediately after the Bank rate change. Total applications at last week's tender rose by £15 million to £381.9 million, and the market's average allotment of all bills—some 92-day bills were on offer on account of the incidence of Whit Monday—fell back from 60 to 50 per cent.

Demand for bills in Lombard Street has been stimulated by the high rates, despite the fact that credit has remained in fairly short supply. Most houses have had to make substantial repayments to the Bank of last week's "penal" borrowings, and on Monday indeed a few were obliged to seek further assistance at the new penal rate—despite moderate official help, given mainly indirectly through the banks. Some of the original loans were, however, still outstanding at the date of the Bank return, which shows that in the week to Wednesday last discounts and advances fell by £27.3 million; in the previous week they had risen by £44.3 million. Credit conditions turned slightly easier in the middle of the week and there was a keen demand for bills. April maturities changed hands at down to 3½ per cent and Mays at 3½ and 3½ per cent.

LONDON MONEY RATES

Bank rate (from 3½%, 24/2/55)	Discount rates
4½	Bank bills: 60 days 3½
	3 months 3½
	6 months 3½
Deposits (max)	4 months 3½
Banks	6 months 3½
Discount houses	3½
Money Day-to-day 2½-3½	Fine trade bills:
Short periods 2½-3	3 months 4½
Treas. bills 2 months 3½	4 months 4½
3 months 3½	6 months 4½

*Call money

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
		March 2	February 24	February 25	February 26	February 28	March 1
United States \$	2.78-2.82	2.78½-2.78½	2.78½-2.78½	2.78½-2.78½	2.78½-2.78½	2.78½-2.78½	2.78½-2.79½
Canadian \$	...	2.74½-2.74½	2.75½-2.75½	2.75½-2.75½	2.75½-2.75½	2.75½-2.75½	2.75½-2.76½
French Fr.	972.65-987.35	975½-975½	976-976½	976½-976½	976½-976½	976½-976½	976½-977½
Swiss Fr.	12.26½-12.26½	12.25½-12.25½	12.26½-12.26½	12.26½-12.26½	12.26½-12.26½	12.26½-12.26½	12.26½-12.26½
Belgian Fr.	139.55	139.37½	139.37½	139.37½	139.40	139.52½	139.55
Dutch Gld.	10.62½-10.62½	10.60½-10.60½	10.61½-10.61½	10.61½-10.61½	10.62½-10.62½	10.62½-10.62½	10.62½-10.62½
W. Ger. D-Mk.	11.80½-11.81½	11.77½-11.78½	11.78½-11.78½	11.79½-11.79½	11.79½-11.79½	11.81½-11.81½	11.81½-11.81½
Portuguese Esc.	79.90-80.10	79.90-80.00	79.90-80.00	79.90-80.00	79.90-80.00	79.90-80.10	79.90-80.10
Swedish Kr.	14.54½-14.55	14.52½-14.52½	14.52½-14.52½	14.53½-14.53½	14.53½-14.53½	14.54½-14.54½	14.55
Danish Kr.	19.37½-19.38	19.37½-19.37½	19.37½-19.37½	19.38-19.38	19.37½-19.37½	19.38-19.37½	19.37½-19.38
Norwegian Kr.	20.01½-20.01½	20.01½-20.01½	20.01½-20.01½	20.01½-20.01½	20.01½-20.01½	20.01½-20.01½	20.01½-20.01½
One Month Forward Rates							
United States \$	...	2½-2½	2½-2½	2½-2½	2½-2½	2½-2½	2½-2½
Canadian \$	...	2½-2½	2½-2½	2½-2½	2½-2½	2½-2½	2½-2½
French Fr.	...	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Swiss Fr.	...	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Belgian Fr.	...	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Dutch Gld.	...	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
W. Ger. D-Mk.	...	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Swedish Kr.	...	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Danish Kr.	...	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Norwegian Kr.	...	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Gold Price at Fixing							
Price (s. d. per fine oz.)	...	251/8	251/6	...	251/6	251/7½	251/5½

BANK OF ENGLAND RETURNS (£ million)

	1954	1955
	Mar. 3	Feb. 23
Issue Department:		
Notes in circulation	1,555.9	1,658.9
Notes in banking dept.	19.5	66.4
Govt. debt and securities	1,571.7	1,721.1
Other securities	0.8	0.8
Gold coin and bullion	2.9	3.4
Banking Department:		
Deposits:		
Public accounts	22.1	11.3
Treasury special account	4.7	6.5
Bankers	276.6	271.1
Others	65.0	63.7
Total	368.4	350.8
Securities:		
Government	327.5	253.3
Discounts and advances	12.5	52.4
Other	24.9	14.9
Total	364.9	300.6
Banking department reserve	21.9	68.8
"Proportion"	5.9	19.6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,775 million to £1,725 million on January 20, 1955.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment s. d.	Allotted at Max. Rate*
	Offered	Applied For	Allotted		
1954					
Feb. 26	250.0	400.8	250.0	41 3-37	46
Nov. 26	250.0	431.7	250.0	32 6-84	39
Dec. 3	250.0	411.2	250.0	33 6-12	43
" 10	260.0	425.4	260.0	34 8-97	40
" 17	270.0	396.2	270.0	35 10-51	59
" 24	270.0	382.4	270.0	36 11-56	62
" 31	260.0	373.5	260.0	37 3-82	68
1955					
Jan. 7	230.0	375.5	230.0	38 4-29	43
" 14	230.0	344.1	230.0	38 11-97	61
" 21	220.0	351.1	220.0	40 3-46	51
" 28	210.0	376.8	210.0	46 7-33	32
Feb. 4	220.0	387.4	220.0	46 3-17	39
" 11	230.0	363.0	230.0	46 3-57	50
" 18	250.0	366.9	250.0	46 3-97	60
" 25	260.0	381.9	260.0	75 5-32	45

* On Feb. 25th tenders for 91 day bills at £99 1s. 0d. secured about 45 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £260 million.



Do not disturb

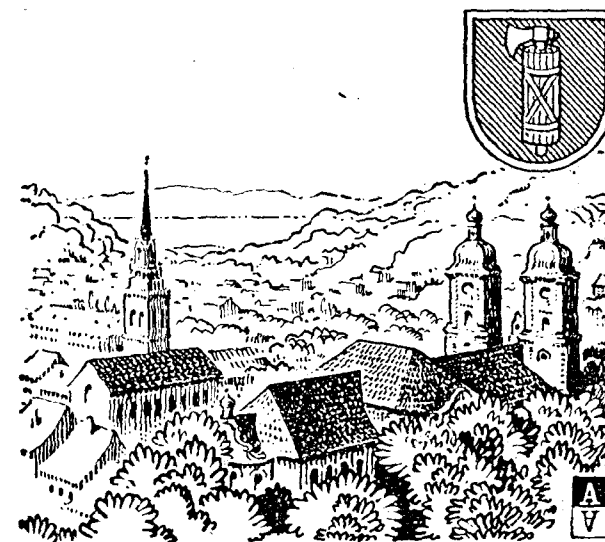
The guiding principle behind Life Assurance investment is the security and benefit of the policyholder

IT'S A GOOD JOB FOR YOU
LIFE ASSURANCE

IS RUN THE WAY IT IS

ISSUED BY THE LIFE OFFICES' ASSOCIATION, LONDON

Perhaps you didn't know that
St. GALL



owes its name to St. Gallus, an Irish monk, who founded an abbey there in the 7th Century.

But everybody knows

that St. Gall is a world-known textile centre, where the St. Gall Branch of the Union Bank of Switzerland plays an important part in all relevant financial transactions.

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 90,000,000

Reserves.....Swiss Francs 72,000,000

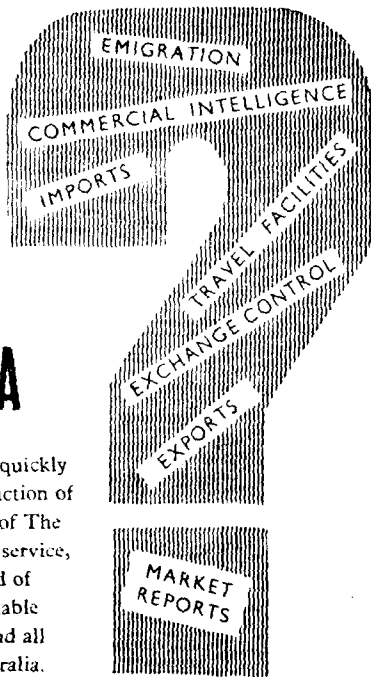
Total Assets.....Swiss Francs 2,166,708,823

Cable Address for all Offices and Branches:

BANKUNION

Any Questions about AUSTRALIA

Furnishing the answers quickly and concisely, is the function of the information service of The Bank of Adelaide. This service, together with every kind of banking facility, is available at our London Office and all offices throughout Australia.



The Bank of Adelaide

Incorporated in Australia in 1865 with limited liability

London Office: 11 LEADENHALL STREET EC3
(Telephone: MANsion House 2993)

PRINCIPAL OFFICES IN AUSTRALIA: ADELAIDE (HEAD OFFICE)
BRISBANE, MELBOURNE, PERTH, FREMANTLE AND SYDNEY

The West Indies

Business contacts

Our branches throughout Cuba and the West Indies provide on-the-spot service to business men seeking new markets or trade connections in this area. Established in the West Indies since 1899.

London Offices:
6 Lothbury, E.C.2
2 Cockspur Street, S.W.1

THE ROYAL BANK OF CANADA

Over 800 branches in Canada, the West Indies, Central and South America

CANADA'S LARGEST BANK

Incorporated with limited liability in Canada in 1869



"The Legal & General actually saved my business"

"Did they, indeed — how?"

"Well, it's just a year now since the factory was burnt out and it'll be another three months before we're straight."

"I suppose it will be — but where do the Legal & General come in?"

"At the start, my dear fellow, right at the start! You see, I was fully insured with them against loss of profits and increased cost of working following a fire."

"And they've really seen you through?"

"Indeed they have, including help in fixing up temporary premises. You can rely on them. They have *all* my insurances — personal as well as business. In fact, we've had a 'family' association for very many years now."

LEGAL & GENERAL

ASSURANCE SOCIETY LIMITED

CHIEF ADMINISTRATION: 188 FLEET STREET, LONDON, E.C.4

Telephone: CHAncery 4444



THIS JAM WAS LETHAL

Four men descending from the top of a new 250 ft. chimney were riding on the platform of a materials hoist when it stuck for a moment and then suddenly dropped several feet. Two passengers were shaken off by the jerk and killed.

The hoist jammed owing to adjacent guides being of unequal thickness, and some slack ran out in the hoisting rope. The jam then cleared itself but the brake failed to hold the platform, and this ran free until the slack in the rope was taken up.

What Vulcan say about it...

Users of cranes and hoists seem unusually accident-prone. Safety regulations should therefore be prominently displayed and meticulously enforced. Only in a few strictly defined cases may anybody at all be conveyed on a materials hoist, and never more than two people.

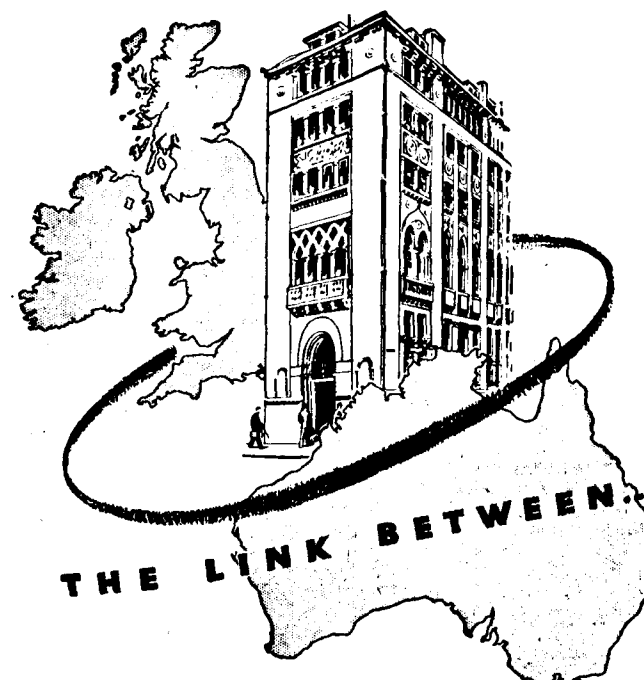
Engineer-Surveyors from Vulcan Insurance not only test ropes, tackle and all the winding and braking machinery of the lifts and hoists they insure, they also give every assistance to engineers in safety education and in drafting notices to users. If you already know the pains they take over boilers you will surely welcome their attention to your lifts, hoists, cranes and indeed all the plant and machinery in your care.

VULCAN INSPECTS—AND PROTECTS

THE **Vulcan** 67 King Street
Manchester 2

BOILER & GENERAL INSURANCE CO. LTD

FREE. For news of industrial accidents and ways to avoid them, ask us now for "Vulcan"—a quarterly journal for Power users. Please write to Dept. 17.



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

The NATIONAL BANK OF AUSTRALASIA Limited

(Incorporated in Victoria)

London Office: 7 Lothbury, E.C.2

Other London Offices: Australia House, Strand, W.C.2 and 11a Abchurch Lane, E.C.4
Over 750 Branches throughout Australia Assets £271 Million



ALLIANCE

ASSURANCE COMPANY LIMITED

Head Office:

BARTHOLOMEW LANE, LONDON, E.C.2

Established 1824

The Finest Service
for
All Classes of Insurance

REPRESENTATION THROUGHOUT
THE UNITED KINGDOM
THE BRITISH COMMONWEALTH AND
ELSEWHERE ABROAD

*The Company undertakes the duties of
Executor and Trustee*

THE MERCANTILE BANK OF INDIA

CONTINUED EXPANSION OF GENERAL BUSINESS

INDIA'S SUCCESSFUL YEAR

GOVERNMENT'S VAST DEVELOPMENT PLANS

SIR KENNETH W. MEALING'S REVIEW

The sixty-second annual general meeting of The Mercantile Bank of India, Limited, will be held on March 29th, in London.

The following is an extract from the statement by the chairman, Sir Kenneth W. Mealing:

The board's recommendations to shareholders for the sub-division of the "A," "B" and "C" shares and capitalisation of the sum of £420,000, being part of the balance standing to the credit of the reserve fund, were duly approved at an extraordinary general meeting held on September 7, 1954. The board also transferred £670,000 from inner contingencies account to the reserve fund and as a result the paid up capital of the bank is now £1,470,000 and the reserve fund stands at £1,750,000.

The expansion recorded last year in the bank's general business continued during 1954. The balance sheet total at £68 million is higher by £5 million. On the assets side there is an increase of £2½ million in the holding of Government securities, and bills receivable and loans and advances are higher by £1 million each. On the other side there is an increase of nearly £4 million in deposits.

At £194,324 the net profit is practically unchanged from that of the previous year and your directors recommend a final dividend of 7 per cent on the increased capital referred to in the above paragraph. If this recommendation is approved, the dividend for the year will be 14 per cent on the actual issued capital throughout the year. I trust you will agree the results of the year's working are satisfactory.

INTERNATIONAL AFFAIRS

The world situation has shown little change since I addressed you a year ago. The cessation of active fighting in Indo-China, resulting from the Geneva Conference, and the continuance of the cease-fire in Korea may, however, be counter-balanced by the continuing tension over Formosa and the small islands close to the China mainland occupied by the Chinese Nationalists. The fear of direct aggression in Europe appears, thanks to the increasing power of Nato, to have declined, but Seato, still to be ratified by the countries concerned, has not yet become a power sufficiently capable of withstanding aggression in South East Asia, so the situation is still not without anxiety in this area.

For the greater part of 1954 the economic situation in the United Kingdom progressed satisfactorily, although in the latter half of the year there were signs of incipient inflation. The continued weakness of sterling in terms of other currencies in the closing months of the year indicated that some deterioration in the country's economic position was taking place.

Since the close of the year, to rectify the situation the Bank rate has been raised on two occasions and is now 4½ per cent, the highest since 1932. Other steps have also been taken to stop the inflationary trend, increase exports, and maintain international

confidence in sterling. I have little doubt that these measures will prove effective.

The fears in the United States of America that a moderate economic recession might develop into a serious slump proved, as I surmised, to be unfounded, and the productivity of this great country both in agriculture and industry continues to increase.

INDIA'S SUCCESSFUL YEAR

The year 1954 must be regarded as the most successful for India in practically all spheres of activity, since independence. The Indian government, headed, and indeed dominated, by Pandit Nehru, has participated, and made its influence felt, in world affairs to no mean extent. Internally, the food situation has vastly improved, the working class cost of living has shown some recession, and trade and industry have enjoyed an active year. The first Five Year Plan came into existence in 1951 and is due for completion in 1956. Of an estimated outlay of Rs.2,249 crores, by March, 1954, only 40 per cent had been utilised. The full extent of the first plan may not be achieved, for the target is a high one, but much of it will be attained and a second Five Year Plan is now being framed. India has become alive to the fact that the present increase in population (something like 45 million new mouths to be filled, bodies clothed and employment found every 12 years) necessitates urgent steps to increase agricultural production and industrial capacity. To meet this situation the Indian Government have vast plans for irrigation, hydro-electric power, heavy industrial production, fertiliser plants and are now planning nation-wide rural and agricultural credit and banking facilities under the aegis of a state bank now in process of formation. The growing use of fertilisers by the agriculturists and the gradual spread of "family planning" are two important steps towards meeting the problem of increasing population. Whilst it is true that these great problems can only be adequately solved by vast measures which private capital and private enterprise are not, in India, capable of undertaking, thus necessitating government planning, promotion and finance, it would seem in the pronouncements made hitherto that private enterprise is only to be permitted to exist on the fringe of these developments and more or less on sufferance, instead of being encouraged to contribute as an active and welcome partner.

The implications of Communism do not appear to be appreciated at any level in India, and there appears to be little or no restriction on the spread of Communist propaganda. Whether and to what extent this licence is having undue effect will not become clear until the general election due to be held in 1956.

There is still great goodwill in India towards the United Kingdom and, providing British manufacturers can compete as to price and delivery, there is a definite bias in their favour.

PAKISTAN

The constitutional position in Pakistan is somewhat confused. It is clear that Pakistan

is passing, and probably will for some time, through a difficult political period before a genuine and reputable democratic system can again be set up in the provinces and at the centre.

The internal financial position of Pakistan appears to be sound, and very considerable industrial advances are taking place under the Pakistan Industrial Development Corporation.

Shortage of foreign exchange is, at present, a serious problem, but when American aid starts coming forward this should result in a considerable saving in foreign exchange which in turn will enable Pakistan to spend more of its own foreign earnings on consumer goods, thus bringing about a reduction in the cost of living. The food position is far more comfortable: indeed in 1954 Pakistan was a substantial exporter of rice and it is not anticipated that there will be any shortage of grains.

A settlement with India of the Kashmir problem seems no nearer than a year ago.

CEYLON

Ceylon's economic outlook improved considerably during 1954.

Nevertheless Ceylon's economy is too dependent on two or three main agricultural industries, a severe drop in the world prices of which can bring a serious economic depression to the island, which has to import a proportion of its foodstuffs. Prospects of foreign capital development are severely handicapped by the reluctance with which even temporary residence permits are granted even to citizens of other Commonwealth countries, as a result of the policy of Ceylonisation. There can be little doubt that this policy, if persisted in, can only result in the dis-investment of existing overseas capital in Ceylon and the prevention of any appreciable new overseas investments in the island, for capital will not go to or stay in any country which refuses it the right to appoint executive staff without discrimination.

BURMA

The state of emergency continues in Burma, although it seems probable that some progress towards restoration of law and order has been made in 1954 and it is believed that a reduction has taken place in the numbers of insurgents and Communists operating against the government forces.

Notwithstanding these difficulties, progress is being made in many directions.

MALAYA

Economically the year 1954 proved better for Malaya than appeared likely at the beginning of the year. The principal industry, rubber, recovered from 55.88 cents a lb. in January to 86.15 cents a lb. in December, whilst tin which in January fetched \$317.33 per picul finished the year at \$348.96, having reached an average of \$375 in July. As a result the value of exports is estimated to

M.\$3,400 million as compared with M.\$3,019 million during 1953, whilst estimated imports at M.\$3,100 million are lower by M.\$127 million, thus correcting the unfavourable trade balance of 1953. The year 1955 opened on a note of cautious optimism, but there are many difficult problems in the political and economic fields yet to be solved.

HONGKONG

The entrepôt trade of Hongkong has shown a slight further recession in 1954 partly due to the embargo on certain goods to China, partly due to increasing direct trade between China and the European Communist satellite countries, and partly due to the use of foodstuffs previously exported by China through Hongkong, for direct barter deals with other countries.

The value of exports totalled \$2,417 million and imports \$3,435 million. Nevertheless, the budgetary position appears to be sound and it is estimated that the revenue for the current year will slightly exceed expenditure. Taxation remains low, which is an undoubted inducement to the growth of new industries and business enterprise.

The expansion of local industries to which I referred last year has continued in 1954.

THAILAND

Although 1954 has been a difficult year economically, it has in other respects proved a progressive year. Closer association has developed with Burma and other free countries and the creation of Seato has engendered a feeling of confidence in spite of the events in Indo-China.

Although not a democracy Thailand should not prove a fertile ground for Communist infiltration. Provided Seato becomes effective, Thailand may well become a bulwark against the spread of Communism in South East Asia.

MAURITIUS

Notwithstanding the fall in world sugar prices, the principal industry of Mauritius had another successful year in 1954 and, thanks to the protection granted by the Commonwealth Sugar Agreement, should also do well in 1955 provided weather conditions are not adverse.

JAPAN

Japan's economic position continues to cause great anxiety. Drastic import reductions were imposed and exports have increased during the year, so that the balance of international payments has improved and foreign currency reserves have increased slightly. A policy of disinflation has been followed which has checked the upward spiral of prices but has also extinguished large numbers of small businesses and considerably increased unemployment.

The population (now some 88½ million) is rising at over a million a year, but Japan has only half the arable land and one sixth the pasture land of the United Kingdom, which has only 60 per cent of the population of Japan. Although Japan has a large industrial potential, much of it is 20 years out of date and costs of production are nearly 20 per cent higher than in the United States of America or United Kingdom.

Nevertheless, Japan must export in order to buy food and raw materials for her industries and she can only export in sufficient quantities if her costs and qualities are competitive, her trading practices are fair, and if the countries of the free world recognise the importance of assisting her through her present difficulties.

RALLI BROTHERS LIMITED

FACTORS AFFECTING RESULTS

MR JACK VLASTO ON SEVERITY OF COMPETITION

The annual general meeting of Ralli Brothers Limited will be held on March 29th, in London.

The following is the statement by the chairman, Mr Jack Vlasto, which has been circulated with the report and accounts:—

The accounts now before you are very disappointing in comparison with those of recent years. Of this, I gave some advance warning a year ago.

The main reason for the drop in earnings was the severity of competition. There was no major loss in any one section of our trading which could be held responsible and our merchandising turnover was slightly higher. The unprecedented floods in East Pakistan did, however, cost us £55,000 in damage to our jute stocks but, on the other hand, the profit figure benefited from substantial war loss recoveries—the last we expect—and the unfreezing of dividend amounts paid by our German subsidiary company in earlier years. We were fortunate, also, in nursing back to health a number of doubtful outstandings, thus releasing provisions made previously. Welcome as these windfalls were, it really means that the pure trading result was worse than the figure shows.

You will notice, under current assets, that stocks represented an appreciably higher value than last year. Our stocks of both jute and gunnies were larger but about half the increase was due to exceptionally large holdings of Uganda cotton, which have since moved off. While I attach no particular significance to this higher stock value, it is reflected in the reduction in investments and the absence of money at call for which, of course, the reduced outstanding under provisions for taxation is also partly responsible.

RALLIS INDIA LIMITED

Our great worry during the year was again the affairs of our associated company, Rallis India Limited. Owing to a variety of adverse factors and developments, rendered a great deal more difficult by the imposition of the restrictions on certain trading to which I referred in my last statement, the earnings of that company dropped from Rs. 9.98 million to Rs. 4.1 million and resulted in a loss of Rs. 5.2 million on the year, without charging depreciation of fixed assets. This, coupled with the continuing poor outlook, led the board of that company to the decision to close its Calcutta branch at the end of May, 1955.

It is less than seven years ago that we formed Rallis India Limited. Its career, which began with good results and high hopes, has been tragically affected in ways totally unforeseen. I trust that the steps taken by its board will eventually prove effective in restoring its fortunes. We have, nevertheless, felt it necessary to make a further substantial provision against the book value of our large investment.

THE OUTLOOK

Our current year is proving no easier, as regards merchandising, than its predecessor. Competition remains as severe as ever. The wave of prosperity enjoyed for so long by so many engaged in industry and some other

fields of business seems to have by-passed the international trader in the raw materials in which we deal. Since we can earn so little on each transaction, the only answer is to put through a larger number of transactions and, with this object in view, we are working to the limit of our capacity. We may, in fact, equal our record turnover of £65 million. With prices lower today than they were in 1951, the attainment of this volume of business would be no mean feat, though it will be assisted by a substantial turnover in Canadian wheat and coarse grains through the medium of our newly-opened branch in Winnipeg. All this has put great pressure on our staff all over the world and, perhaps, especially in London. We all greatly appreciate their willingness and hard work which is a great support and encouragement to the board in these difficult times.

Our subsidiary companies, as a whole, are doing a little better. The fall in sisal prices from last year's level is unwelcome to Ralli Estates of Tanganyika but The Maritime Shipping & Trading Company, with six vessels, aggregating 56,580 tons dead-weight, now in operation, is reaping the advantage of the higher tramp shipping rates. Berg River Textiles of South Africa should make a small profit, but its manufactures are still inadequately protected against imports.

Taken by and large, therefore, I hope we shall have a better year. If we don't, it will not be for lack of effort.

THE OMNIUM INVESTMENT COMPANY

MR H. C. DRAYTON ON BOARD'S SUCCESSFUL POLICY

The sixty-eighth annual general meeting of The Omnium Investment Company, Limited, was held on February 25th in London.

Mr H. C. Drayton (the chairman), who presided, said: For the year under review our gross income amounted to £257,000, an increase over the previous year of £38,000.

As regards the current year, you have the right to take up one new share in seven. If you cannot take those shares up you can sell them at a high premium on the Stock Exchange. It is a policy we have adopted since 1946 in this company, and it is interesting to look back and see how deferred stockholders have fared under that policy. If anyone had purchased £100 deferred stock at par in 1946 he would today hold, if he had taken up his rights, £154 of stock, showing a profit of £126. If, however, he had not taken up his rights on that £100 of stock when they were offered but had sold them, he would have realised a profit over the seven years of £25—he would have sold those rights for the sum of £25, which is approximately 3½ per cent per annum, with no deduction of tax, and his remaining £100 stock would have shown him a book profit in addition of £80.

This issuing of stock at par has the additional merit that it is broadening the basis of the deferred stock, and in your directors' view is helping to stabilise the dividend at the figure at which it now stands. It is our ambition that through thick and thin we shall always be able to pay you 10 per cent on the deferred. That may be, as the Americans say "sticking my neck out," but it is a hope, although I will not say whether we can do it.

The report was adopted.

ILFORD LIMITED

(Manufacturers of Photographic Materials)

TURNOVER AGAIN A RECORD

MODERNISATION POLICY CONTINUED

IMPORTANCE OF MAINTAINING AND INCREASING EXPORT TRADE

HONOURABLE JAMES P. PHILIPPS ON RAPID GROWTH OF BUSINESS

The Annual General Meeting of Ilford Limited will be held on March 23rd at the Ilford Gallery, 105-107 High Holborn, London, W.C.

The following is the address by the Chairman, the Honourable James P. Philipps, copies of which have been circulated for the convenience of shareholders with the report and accounts for the year ended October 31, 1954:

Ladies and gentlemen,—I am pleased to report that our turnover for the year under review was again a record in both the home and export markets. While our home sales showed a satisfactory increase on the previous year our exports were almost 20 per cent higher. The export figures would have been even better if October, which is normally a heavy export month, had not been adversely affected by the dock strike.

If we compare the years 1954 and 1946, we find that our business has grown rapidly since the war, the value of our turnover having increased about three and a half times. During these nine years the amount of new money injected into the business has been £4,167,000, of which shareholders have provided £1,353,000 in additional cash, while £2,814,000 has been ploughed back out of their taxed profits. During the same period we have had to provide for taxation approximately £5,700,000.

After taking into account the transfer in the previous year to reserve for replacement of fixed assets, our net profit this year is some 13 per cent higher. We therefore propose to bring the dividend distribution for the full year to October 31, 1954, up to 15 per cent on the increased issued Ordinary share capital, which is the equivalent of 22½ per cent on the old capital, as compared with the 20 per cent distributed last year.

From the balance sheet you will see that as a result of the resolutions passed at the Extraordinary General Meeting held on March 24th last, the authorised Ordinary capital of the company has been increased to £3,500,000 (divided into 14 million Ordinary shares of 5s. each) of which £3,400,000 (divided into 13,600,000 Ordinary shares of 5s. each) has been issued.

NEW MANUFACTURING CAPACITY

We have continued our policy of modernising our film manufacturing plant. We shall have more of the new machinery coming into production during 1955, and this will enable us to scrap some of our older plant which we should have liked to close down some years ago.

At the same time we are working on a plan to re-equip and modernise our plant for sensitising paper so as to bring this up to a comparable standard. We also have to provide additional laboratory, warehousing and despatch facilities, and during the next three years we expect to incur heavy capital expenditure on these projects.

AUSTRALIA

Three years ago we formed a subsidiary company in Australia, which has been en-

gaged in marketing and distributing our products in the Commonwealth. In my last address I mentioned that Mr T. M. Illingworth, our deputy chairman and joint managing director, had visited this subsidiary company, whose head office is in Melbourne. You will be interested to hear that, as that city is expanding rapidly, we have thought it advisable to purchase a freehold site at Notting Hill, which is about 12½ miles to the south-east of the centre of the city. This is an excellent site on an industrial estate, and while it is still uncertain as to the extent to which it will be advisable to manufacture in Australia, we intend to be in a position to maintain and extend our important trade by local manufacture, if this should prove desirable.

NEW PRODUCTS

It will be obvious from the progress made by the company since the war that its products are well able to compete in both the home and export markets. We are indeed proud of the quality of the materials we make, and our research laboratories are continuously working to improve them as well as to develop new products for new purposes. As you know, we manufacture a wide variety of light-sensitive materials, from the roll film used by the holiday-maker to the X-ray films so extensively used and valued in our hospitals, together with equipment, chemicals, and accessories for use with them. It is only possible for me to refer here specifically to two or three of these products. In the first place, from the point of view of speed, our HP3 plate is the fastest photographic material in the world today, and has held this position since it was first made available for the Coronation in 1953. This material has made possible many news pictures which would otherwise have been lost to the newspapers and news magazines.

Then the Ilford HP3 series of films and plates have long been recognised as one of the best examples of modern high-speed sensitive materials. We are introducing this year films of even higher sensitivity which will do much to maintain the Ilford reputation for producing the fastest films.

In a much less known field, we are manufacturing ever-increasing quantities of special plates and other sensitised materials to assist the nuclear physicist in atomic research. We have for some years given much attention to the production of these plates and we have succeeded in obtaining by far the largest share of this small but interesting market. Ilford nuclear plates are in regular use at almost every centre in the world where atomic research is carried on. They are used in the enormously powerful machines built to investigate the structure of the nucleus of the atom, and are also sent up to great altitudes in balloons to bring back data on the cosmic rays which continuously bombard the earth's atmosphere. As an illustration of the unusual character of some of these materials I would mention that we recently produced what was in effect a solid block of photographic emulsion 14½ in. by 10½ in. by 6 in. This weighed over 1 cwt and the value of the silver

it contained was £300. This was sent up by balloon in Italy to an altitude of nearly 20 miles under a joint venture of the University of Bristol and several Italian universities.

Last year I told you about our novel developing agent "Phenidone." During the past 12 months we have sold successfully several developer compositions based on this chemical. A very recent introduction is our "Microphen" developer which yields, particularly with HP3 film, a really remarkable combination of fine grain and high film speed. It will, I am sure, prove a favourite with miniature camera users all over the world.

COLOUR PHOTOGRAPHY

Last year we introduced colour prints from our colour film transparencies at the reasonable price of 2s. 6d. for a postcard size print. Our enterprise met with a remarkable response, and we had some difficulty during the year in meeting the demand. We are making considerable extensions to our colour print department for next season and we hope to provide a far more extensive service. It is generally conceded that the Ilford colour prints offer much better value than those hitherto available in this country. Although colour photographic materials make up a comparatively small part of our present turnover, their importance is likely to increase greatly in the future.

AZOFLEX

I have told you previously something about our Azoflex process for "semi-dry" copying of documents which we have introduced into ordinary office practice. This branch of our business is making rapid progress and looks like establishing very soon a leading position in this field.

WINTER PHOTOGRAPHY

For the last two winters we have spent considerable sums trying to persuade camera owners that photography is not of necessity a purely summer pastime. Modern films such as our HP3 for outdoors and flash techniques for interiors make photography in the winter simple and rewarding. Our pioneering effort has produced some results, but there is still a long way to go, and developments in other countries point the way to the possibilities. All-the-year-round photography, besides extending the pleasure of picture makers, would be of great benefit to the industry. The short concentrated season causes serious difficulties, particularly in the photo-finishing and dealer sections.

EXPORTS

Although rather less has been heard about the need for exports than in the years immediately following the war, the importance of maintaining and increasing the country's export trade is as vital as ever. As mentioned earlier, our export sales have again increased and this has been achieved in spite of keener competition. Our success is doubt-

less due to the policy we have followed for many years of constantly visiting the various markets and maintaining close contact with our overseas customers. As well as increasing our exports by nearly 20 per cent, in the last year we have maintained our position as the largest British exporter of sensitised materials. Since the end of the war our exports have exceeded £20 million in value, which I think you will agree is a substantial contribution for a company engaged in a comparatively small industry such as ours. In view of the increasing foreign competition, it is disturbing that our costs continue to rise largely due to factors outside our own control. It will require serious attention and a great effort from now on to keep our costs competitive with producers working in countries such as Western Germany, where the economy is less restricted and the rate of taxation much lighter.

All our staff and employees have again put up a magnificent performance in contributing their share towards these record production and sales figures, and at Christmas they received a substantial bonus. I feel sure, however, that you would wish me to take this opportunity of thanking them all once more on your behalf for their loyal co-operation both at home and overseas.

SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY

ANOTHER RECORD YEAR

The one hundred and forty-first stated annual meeting of the society was held on March 1st in the society's head office, Edinburgh, Mr Alastair C. Blair, CVO, WS (chairman of the ordinary court of directors), presiding.

In moving the adoption of the report and accounts, which were taken as read, the chairman said:

As usual when industry is flourishing, new life assurance business has been transacted on an increased scale, and the society's new ordinary business, before deducting sums reassured with other offices, was over £13 million, the largest amount ever completed in any year of the society's history and a record figure for the ninth successive year. Our total new business, including new insurances and increases in existing insurances associated with group pensions business, was also a record, the amount after deduction of reassurances being over £16,800,000, an increase of £1½ million over the 1953 total. This record was achieved in spite of the fact that the contribution made by group business was smaller than in the previous year.

WITH-PROFITS PENSION SCHEMES

For some time we have felt that the most satisfactory arrangement for a group pension scheme would be on a with-profits basis, which should give the best value for money: in this view we were naturally influenced by the society's tradition and long experience as a leading with-profits office and we were pleased to be able to introduce a plan for with-profits schemes in June, 1954. When this with-profits plan was launched there was an immediate revival of interest in group pensions business and we have already completed many schemes on the new basis. This revival is hardly surprising because the cost during 1954 to those employers who chose a with-profits scheme was considerably less than it would have been under a without-

profits plan. Although, as you know, it is impossible to forecast future profits, we are confident that, backed by the same economy of management and sound progressive investment policy, the society's with-profits pension schemes will give as great and lasting satisfaction as its ordinary with-profits assurance policies have been doing for nearly a century and a half.

As a result of the increasing new business of recent years, our premium income has been rising steadily and last year reached a total of £7,360,000 which was more than £600,000 higher than in the preceding year. At the same time, in spite of rising costs, of which we are all too conscious in these days, our total expenses and commission measured against the larger premium revenue represented only 10.52 per cent as compared with 10.75 per cent for the previous year.

LARGER RETURN FROM INTEREST AND DIVIDENDS

The increased new business and premium revenue are not the only benefits which the society has derived from the higher activity and prosperity of industry. Another important consequence is the larger return we are able to show from interest and dividends. You will see from the report that our gross income from this source, before deduction of income tax, exceeded £4 million last year and represented a yield of £6 1s. 1d. per cent on our total assurance funds, as shown in the balance sheet, as compared with £5 13s. 9d. per cent in 1953. This substantial increase is mainly accounted for by increases in dividends on our large holdings of ordinary shares which we have built up with so much care over the years. The merits of investing part of our assets in a well-chosen portfolio of ordinary shares have been emphasised from this chair several times in recent years and the results of this policy have again taken tangible form in the further increase in income last year.

BALANCE SHEET

If you turn to the balance sheet you will see that the principal changes in the assets are an increase of almost £4 million in British Government securities, of about £2 million in preference stocks and an addition of £1 million to ordinary stocks and these changes fully account for the investment of the new money. At the end of 1953 ordinary stocks in the balance sheet represented about 30 per cent of the total assets but, as the prices of ordinary stocks were rising to very high levels during the year, we added only about £1 million—or roughly one-sixth of the increase in funds—and so at the end of 1954 the ordinary stocks appear in the balance sheet at rather less than 30 per cent of the total assets.

SUBSTANTIAL RESERVE AGAINST ADVERSE CHANGES

I should remind you that, as usual, the stock exchange securities stand in the balance sheet well below their market selling prices at December 31st. A year ago there was a handsome margin between the market values of our assets and the values at which they appeared in the balance sheet. Owing to the general rise during 1954 in the values of all stock exchange securities and especially of ordinary shares, our margin at the end of the year was much larger than it had ever been before. The recent fall in market values has naturally reduced this margin but it is still considerably greater than at any time before 1954 and the knowledge that there is such a substantial reserve against adverse changes in the future must give members much satisfaction.

The directors' report and the accounts as audited were adopted unanimously.

MANCHESTER SHIP CANAL COMPANY

SIR LESLIE ROBERTS'S ADDRESS

The ninety-seventh ordinary general meeting of the Manchester Ship Canal Company was held on February 28th, at Manchester.

Sir Leslie Roberts, CBE, the chairman, in the course of his speech, said:

The net revenue was £1,106,182, compared with £1,106,247 in 1953.

To this must be added £28,023, brought forward from the previous year. £586,476 must then be deducted for loan and debenture interest, and £135,000 has to be appropriated for taxation. The balance available for dividends and reserve thus amounts to £412,729.

Of this sum, £35,000 (as in previous years) has been appropriated to the reserve for contingencies; and it is proposed that out of the balance of £377,729 the following dividends, amounting to £350,068, should be paid: 5 per cent on the preference shares, 4 per cent on the ordinary shares, and that £27,661 should be carried forward to next year's account.

Receipts from tolls, ship dues, traffic rentals, towage, and sundry receipts exceeded those of the previous year by £732,000. Expenditure, on the other hand, rose by £707,000, of which no less than £670,000 was due to dredging.

The cost of dredging last year was £1,244,000, being more than twice as much as in 1953, and more than three times the amount in 1952. This enormous charge is by far the highest which has ever appeared for any item on the expenditure side of this account.

The total amount of provisions set aside out of the year's revenue was £478,000, being £41,000 more than in 1953. The total balance on these provision accounts now stands at £2,244,000, compared with £2,026,000 a year ago.

I have reminded you more than once that when the company, during the first part of its history, was struggling for existence it was impossible to make any provision for the eventual replacement of plant, machinery, and other assets which would inevitably wear out or become obsolete.

Consequently, during the last 15 years, one of our tasks has been to try and recover the lee-way lost during the long preceding period and to build up reserves which would enable us to replace our assets.

The size of these provisions is largely governed by the estimated cost of carrying out the programme of renewals and major repairs which we have before us as essential works during the next few years. When I tell you that, apart from the renewal of dredging and other craft, the list of essential works at present scheduled for the next few years totals £1,466,000, you will understand that the provision accounts need to be replenished each year.

Last year the cargoes which passed over our canal and docks rose from 12½ million tons, or a little less, to well over 16½ million tons, an increase of 30 per cent. The port may feel legitimate pride in the fact that for seven successive years it has broken its own records. Within that period traffic has doubled, and the dividend on the ordinary shares has also doubled. Of all the ports in the United Kingdom there are now only two which can show more impressive cargo figures than Manchester.

In the near future we shall not only need new money, but additional borrowing powers.

The report was adopted.

ABBEY NATIONAL BUILDING SOCIETY

SIR HAROLD BELLMAN ON A NEW RECORD OF SERVICE

The annual meeting of the Abbey National Building Society was held on February 25th at the Wigmore Hall, Wigmore Street, London, W.1.

Sir Harold Bellman, DL, JP, LLD, chairman of the society, in moving the adoption of the report and accounts, said:

During the year, the society's assets passed the two hundred million pound mark, the actual figure being £213,461,000. This is a clear indication of the nation-wide status of the society—of the confidence felt by discerning investors and appreciation of the service given to borrowers. It should not be necessary to emphasise to you who are familiar with the society's long record that this is a natural and unforced growth, reflecting the development of our services to meet the requirements of savers and home owners for upwards of a century.

The total assets increased during 1954 by £32,278,000. The society's activities as a whole reflect this expansion. The amount lent in 1954 on mortgages secured almost exclusively on residential accommodation rose to £43,177,000, against £38,362,000. This, too, constituted a new record of service to assist home ownership. The board maintained its customary prudent standards in regard to all mortgage proposals.

This high level of activity would not, of course, have been possible without a substantial stream of new savings. The total during 1954 from members and depositors reached the record figure of £51,166,000. Meanwhile, the society's general financial position continues to be satisfactory. Trustee investments and cash rose from £23,478,000 to £31,402,000 at the end of 1954, thus constituting a definite element of strength. It will be noted that the market value and the book value of the society's investments in British Government securities on December 31, 1954, substantially coincided. The stocks concerned, of course, are all dated securities and if held to redemption would show an appreciable surplus. The reserves and carry forward increased to £8,351,000 and are, in the opinion of the board, adequate for their purpose. The fundamental strength of the society lies in the care and discrimination with which the lending policy is carried out.

Taxation continues to weigh heavily upon the society, our liability under this heading during the past year amounting to the very substantial sum of £2,381,000. On the other hand, the management expenses, on a proportionate basis, declined further during the year and stand at a level which, in view of the service afforded is evidence of economical administration.

Throughout 1954 the rate to investing members was maintained at 2½ per cent (depositors 2 per cent) free of liability to income tax. At the same time, the mortgage rate remained at 4½ per cent per annum. These rates are regarded as right and proper by building societies throughout the country.

That our current policy is essentially right is clearly the strong conviction of the considerable body of our members, now totalling over half a million.

There has recently been no lack of advice to building societies from without, and this, so far from resenting, we welcome. It has ranged over not only interest rate variation but the policy of maintaining reserve ratios, the extension of the mortgage repayment period and an increase in the normal loan percentage. From one influential quarter came the hint that if difficulties arose through this liberalisation of their services, the

societies might fall back upon the public purse. These exhortations have been heard with a measure of respect, but without conviction.

I have already referred to the fact that the society received during the past year a record volume of new savings. The revival of personal saving in the last year or so has been one of the most cheerful signs of the times. There has no doubt been a return of confidence in the value of the currency—a confidence which we should do all in our power to preserve. It is also to some extent a reflection of the country's remarkable prosperity, with the national economy at full stretch. A great deal of overtime pay is being drawn in our leading industries and elsewhere, and earnings generally are at a high level. Despite some increase in the cost of living, there is evidence that large numbers are exercising thrift. This is reflected in the figures of our friends in the National Savings movement, as well as in other quarters. There are, perhaps, some puzzling features in this comparatively rapid re-emergence of personal saving, but whatever the explanation, the result is eminently satisfactory and suggests that one of the characteristic elements of the British character still prevails. Your board would like to feel confident that children and young people are being encouraged to look ahead and be fortified for their future with building society membership. It proposes to pay attention to this important aspect in the current year.

I have discussed the housing position at some length at recent annual meetings, and there is little more I need say on the present occasion. The past year saw a total housing output in Great Britain and Northern Ireland which is indeed satisfactory and which confirms those who suggested that we could not have a high level of local authority output of houses for letting, combined with a much improved volume of output of houses for sale. Needless to say, we welcome the increased provision of houses for sale, and doubtless this will continue at a high level during the present year.

That the society is playing its full part in financing the provision of new houses is demonstrated by the fact that in 1954 we lent nearly £15 million to purchasers of new houses. Every one of these homes provided new accommodation without increasing the heavy burden of subsidy imposed on the taxpayer and ratepayer, a liability which now totals £65 million annually payable over many future years. I make no apology for reminding you again that these new dwellings built for sale by private enterprise will represent a substantial unencumbered asset to their owners within their lifetime, whereas houses provided for letting by local authorities will remain a burden on the shoulders of our own and succeeding generations.

The expansion in the society's activities during 1954, following a period of vigorous growth, made heavy demands upon all who serve the society. I should like to pay tribute to the co-operation of my colleague the deputy-chairman, Mr Stanley C. Ramsey, whose technical knowledge is of particular value to the society now that private house building and estate development have assumed larger proportions. To the managing director, Sir Bruce Wycherley, 1954 has necessarily been a year of strenuous activity and increasing responsibility. He has met this situation with characteristic energy and resource. I am sure all members will desire to congratulate him upon completing a distinguished term as president of the Chartered

Institute of Secretaries. The joint general managers and secretary have also been called upon to render exacting service and we are grateful to them. The society's staff as a whole has necessarily been involved in this widening activity and I am gratified to have this opportunity of acknowledging their efficient co-operation. There is an excellent team spirit among our staff throughout the country, and this is an asset of no small value to the society and its great membership.

Our branch offices, now numerous and carefully placed to afford a nation-wide service, helped to ensure the maintenance of a high standard of personal attention. Our branch managers have made notable contributions to our progress.

With this background of loyal service upon which we can count, the society faces with confidence whatever demands the future may have in store.

In the regrettable absence through indisposition of the deputy-chairman, Mr Stanley Ramsey, I call upon the managing director to second this motion.

SIR BRUCE WYCHERLEY'S REMARKS

Sir Bruce Wycherley, MC, FCIS, managing director, in seconding the adoption of the report and accounts, said:

The accounts which have been laid before you today doubtless convey some indication of the strenuous conditions under which our staff worked during the past year. By virtue of being in close touch with them from day to day, I was able to appreciate their readiness to shoulder new tasks and to discharge their duties with exemplary willingness. In particular, a special burden fell upon those in the more senior positions, and we are much indebted to them for the way in which they accepted these additional responsibilities.

I would re-emphasise the fact that an increased volume of business has been transacted without a corresponding increase in the costs of administration, as a result of which our management expenses, on a proportionate basis, again declined. This should further increase our sense of obligation to the society's staff.

Although last year's figures represented new records in the society's history, I desire to say with renewed emphasis that the setting up of new records is not our major aim. We seek to extend our service wherever we may legitimately do so and always provided the canons of prudent management are observed. It does not follow, however, that progress will continue indefinitely on the lines of the past few years. The history of building societies suggests that after a period of rapid growth, there quite often follows a pause for stocktaking and consolidation, and whenever the time comes for that consolidation, whether this year, next year or whenever it may be, your board may be depended upon to act as circumstances require. We should not and will not force progress, and while offering the best possible service, we shall have due regard to the basic principles which have guided building society development in the past and which have proved themselves through every variety of economic experience.

The building society's essential task is to marry caution and enterprise, and we believe the Abbey National represents a happy union in this sense. At all events, we shall do nothing to the one which is to the detriment of the other. The report was adopted.

CARRERAS, LIMITED

UNJUSTIFIABLE RATE OF TOBACCO DUTY

The fifty-first annual general meeting of Carreras, Limited, was held on February 24th in London.

Sir Edward Baron (chairman and managing director) in the course of his speech said: I regret that the results disclosed are not as good as anticipated. The profit and loss account shows that the income from investments is somewhat higher than a year ago and I hope that this item will show a progressive increase as time goes on. Our Canadian company continues to make excellent progress and we have just received an increased dividend from that source.

The balance of profit available for distribution, after providing for dividends at the same rate as last year, amounts to £114,423, and this has been added to the carry forward which now stands at £310,038. The fixed assets reserve now stands at over £1 million.

Group Profit and Loss Account: The carry forward in the accounts of the subsidiaries has risen by nearly £200,000, which is entirely attributable to the Canadian company, whose rapidly expanding trade necessitates the major proportion of its profit being ploughed back into the business. We look forward to the time when we shall have a larger income from this investment.

EVENTS OF THE YEAR

Our export trade, both direct and through our subsidiary and associated companies, has been well maintained, despite the difficulties and problems, due to local political and economic factors, which we are always encountering. We constantly endeavour to exploit new fields and enlarge our existing export business, and our various brands rank high in all the territories in which they are sold.

Dealing with the home trade, the position until the closing months of our financial year was that business continued to be quite good and our production expanded. However, the further rise in the cost of leaf used to maintain the high quality standard of our brands, which we insist on upholding, and the increased cost of many other items, including labour, inevitably resulted in a reduced profit margin.

The allocation of dollars on a revised basis in 1954 for the purchase of leaf tobacco created a new situation for the industry. The effect of this was an intensification of competition. Within the past month the principal manufacturers have informed the distributors that all restrictions on the supplies of cigarettes have been removed, which has thrown the distributive side of the trade into a state of uncertainty.

ONEROUS TOBACCO DUTY

A feature that has to be taken into account is the imminence of the next Budget. Representations have been made from time to time to the Government by all sections of the trade for a reduction in the present unjustifiable rate of tobacco duty. I can only repeat, and in the strongest possible terms, that I regard it as essential both for the future of the trade as a reasonably prosperous industry, giving full employment, and for the continued maintenance of the revenue that the tobacco duty should be reduced by a substantial amount.

The whole crux of the problem lies in our position in the home trade. If, after the Budget, our sales show the upward trend

LEEK & MOORLANDS BUILDING SOCIETY

A RECORD YEAR

The ninety-eighth annual general meeting of Leek & Moorlands Building Society was held on February 28th at Leek, Staffs.

Sir Ernest Johnson, JP (the president), in the course of his speech, said: The past year has produced record results. The total assets of the society now exceed £29 million, an increase in the year of £3,339,000.

During 1954 striking progress was made in nearly all sections of our economic life. Economically the country is in a satisfactory position, although of late there has been, and still is, an inflationary tendency.

The basis of any sound economy can be expressed in one word—"thrift." By saving regularly not only are we helping ourselves by creating a "nest egg" for the future, but we are playing a vital part in the economic life of this country. By increasing personal savings we would assist also in increasing the chances of tax remissions in the next Budget. I feel that one of the great deterrents to any tax concessions is the fact that by conceding them the result would be to increase the purchasing power of the taxpayers. At a time when the need is for restraint in personal spending and an increase in the volume of our exports such a course would be imprudent.

The introduction of the tripartite guarantee, whereby the Government, the local authorities and the building societies agreed jointly to guarantee excess advances, has been welcomed throughout the country.

CHAIRMAN'S ADDRESS

In moving the adoption of the report and accounts, Councillor Gilbert Tatton, the chairman, said: You will observe that the amount due to shareholders has increased by £2,800,000. This is the highest ever. Depositors' balances have also increased by over £400,000 and the two accounts together record a total increase of £3,230,000.

We have endeavoured to preserve a fair balance between borrower and lender, and the rate of interest allowed to shareholders during the year was 2½ per cent and to depositors 2 per cent. Income tax on the interest has been paid by the society.

Turning now to the mortgages account, the sum advanced during the year of £5,541,000 is a record in the history of the society.

A good deal has been made in the press lately of societies offering thirty and thirty-five year repayment terms. When it is realised that the public are being told that the monthly payments are less, it is often overlooked that although they may be less they are for a much longer time, and the net result over-all is a tremendously added burden of interest charges. I believe it to be in the best interests of the nation and of the individual to repay the mortgage in as short a term as possible.

DEPUTY-CHAIRMAN'S REMARKS

Seconding the motion, the deputy-chairman, Mr F. Leslie Davenport, JP, said: I really cannot understand why some further concession cannot be made in the way of stamp duties on house purchase transactions.

Surely if the thrifty individual provides a home for himself at no cost to the nation, and thereby saves the local councils from having to provide one for him with the subsidy attaching thereto, then in equity such individual is entitled to a remission of stamp duties at the very least.

The report and accounts were adopted.

which our efforts and the quality and reputation of our brands should deserve, we shall naturally achieve some measure of recovery, although as I see the general situation at the moment I cannot be optimistic about the final results for the present year.

In the meantime, however, you can rely upon us to go on maintaining and improving our business by every means in our power, bearing in mind that our goodwill has always been high and that we have on the market in their respective price categories tobaccos and cigarettes which are fully equal to anything marketed by our competitors.

The report was adopted.

GOLD COAST MAIN REEF

The twenty-first annual general meeting of Gold Coast Main Reef, Limited, was held on February 24th in London.

Major General W. W. Richards, CB, CBE, MC, chairman, presided, and the following are extracts from his circulated statement:

The increase in profits, which has been a feature of operations for the past few years, was maintained throughout the year ended June 30, 1954. At £83,919, the previous year's profit was exceeded by £2,297. Dividends, aggregating 7½ per cent, less tax, absorbed £45,967, and taxation £52,251. The balance of £16,878 has been carried forward.

Some features of interest in operations are:

(a) **Bondaye.**—The drive north from the Bondaye 16th Level towards the Ariston boundary was continued for another 1,340 ft. The object of this drive is to explore at that depth the downward extension of the ore shoots in the Ekotokroo Section. The East reef was exposed in the drive and assayed 18.90 dwt per ton over a width of 17.8 in.

(b) **Tuappim.**—The shaft in this section has been sunk to below the 14th Level, and at this level the good values encountered above have been found to continue and improve.

(c) **Ekotokroo.**—614 Drive North gave a payable length of reef for 205 ft, averaging 11.87 dwt per ton, over a width of 40.3 in. 714 Drives North and South gave a payable length of reef for 205 ft, averaging 10.52 dwt per ton, over a width of 23.5 in.

The ore reserves, at June 30, 1954 (including ore in pillars), were computed at 340,831 tons, averaging 8.62 dwt per ton over a width of 67.9 in.

The report and accounts were adopted.

WILLIAM BEARDMORE & COMPANY, LIMITED

ANNUAL GENERAL MEETING

The annual general meeting of William Beardmore & Company, Limited, was held on February 25, 1955, at the offices of the company in Glasgow, when Mr J. G. Girdwood, CBE, CA, chairman of the company, presided.

Resolutions adopting the report and accounts for the year ended October 2, 1954, and authorising the payment of the dividend on the ordinary stock were passed.

The retiring directors (Dr A. S. MacLellan, Sir William Wallace, Mr P. M. Thomas and Mr J. M. Mowat) were re-elected.

THE SOUTH WEST AFRICA COMPANY

The annual general meeting of The South West Africa Company Limited was held on February 24th in London, Mr J. E. W. Lomas (the chairman) presiding.

The following is an extract from his circulated statement:

The profit on the year's working before allowing for taxation is £180,938. The balance carried forward was £24,750, and we have also available £35,250, being total provision made in prior years for excess profits levy, which is not required. This makes a total of £88,470 after allowing for taxation on profit and profit distributions for

the year and the transfer of £44,000 to stock contingency reserve.

It is proposed to pay a dividend of 2s. 6d. per share, less income tax, which will absorb £36,562, leaving £51,908 to be carried forward, as against the £24,750 brought in.

In the circular letter to shareholders on June 25th last, reference was made to the question of the provision of further working capital. Since the issue of the circular letter in question more work of an exploratory nature has been carried out both on the lower levels of our Abenab West Mine and by means of diamond drilling on the tin/tungsten occurrences at our Brandberg West property. In each instance these have afforded encouraging results.

As we are not as yet able to estimate with

any degree of accuracy what our capital commitments are likely to be in respect of plant for dealing with the lead and zinc sulphide ore and for an increased production of tin/tungsten, we are proposing to hold over for the time being consideration of plans for raising fresh capital.

In seconding the motion for the adoption of the report and accounts, the managing director, Mr L. G. Ray, ARSM, MIMM, gave the meeting an up-to-date review of the company's present and projected mining operations in South West Africa generally, and particularly in relation to the lead/zinc sulphide ores at their Abenab West Mine—the most recent information about which was encouraging—and the tin/tungsten property at Brandberg West.

The report was adopted.

THE EASTERN BANK LIMITED

The Transfer Books and Register of Members will be Closed from March 22 to April 5, 1955, both days inclusive. By Order of the Board.
C. L. MANNING, Secretary.
2 and 3 Crosby Square, London, E.C.3.

NEW COLLEGE, OXFORD

The present Bursar will shortly retire and the College is proceeding to the election of his successor. It is anticipated that the appointment will be part-time. The closing date for applications is June 1, 1955. Further particulars may be obtained from Dr G. R. Y. Radcliffe, New College, Oxford.

A YOUNG Industrial Consultant (33) in the £2,500 bracket is seeking a change. He is at present serving an international company in a senior capacity in under-developed regions of the Middle East, and many functions of industrial consultancy, he is able to present corroborated results and impeccable testimonials. He will be available for interviews anywhere in Europe between May and July, 1955, and will consider assignments to any corner of the globe. All replies will be honoured.—Box 853.

A LARGE national advertiser in America shortly visiting this country, is interested in appointing an experienced British Market Research man to work in New York, with consumer Research work which is carried out on his behalf in various overseas territories. It is expected that the successful applicant will have had a university education, some 25-35 years of age. This is an unusual opportunity for a young Research specialist to work and mature in the American context.—Box 857.

REQUIRED BY LARGE ENGINEERING ORGANISATION, based in London, but with world-wide interests. Executive to be responsible to the Managing Director for recruitment and training of personnel for executive posts within the organisation both here and overseas. Applicants should have qualifications with schools, universities, and other training centres and the ability to obtain superannuation benefits with character. A substantial salary and right qualifications and experience will be offered to an applicant having the 191, Gresham House, E.C.2.

GERMANY.—LAWYER-ECONOMIST, resident in Western Germany, invites inquiries from British firms (industry or commerce) on economic and legal questions, such as company law, taxation, patents and trade marks law, development of patent rights, currency restrictions, etc.—Please write to Box 855.

THE B.S. ECON. DEGREE of London University is open to all ambitious men and women engaged in accountancy, secretarialship, banking, finance, commerce, public services. Wolsey Hall (est. 1894) provides postal tuition of a high order for the three (in some cases two) examinations, at reasonable fees. More than 1,000 Wolsey Hall Prospects from C. D. Parker, M.A., LL.D., Director of Studies Dept. P17, WOLSEY HALL, OXFORD.

EXPORT SALES MANAGER.—Man aged 30, who has understood achieved successful sales results, now wishes to reside in U.K., and he feels his knowledge, energies and administrative ability are most suited. Available 1956.—Box 851.

PORTMEIRION.—The Hotel opens for its 29th season on April 7th the newly illustrated Peninsula Guide. The 7th edition of Portmeirion, Penrhyn-y-draeth, Morioneth.

THE FREER ECONOMY FACES ITS TEST. A major survey in the March issue of "The Banker" discusses the increase in Bank Rate and the new exchange policy in their wider context, explains why the measures were necessary and how they are intended to work. The CONTENTS BILL of this issue of "The Banker" speaks for itself. Implications of 4½ per cent. Money Regulator on Trial. Conversion of the Kremlin. America's Money Shows the Way. Montagu Norman, the Regular Features. (By Sir Gordon Russell). Accompanied by all the regular features.

ABBEY SCHOOL FOR SPEAKERS, 36, VICTORIA STREET, Chairman, M. J. (Abbey 6483). Open or private tuition in available for Staff Courses at firm's own premises.

THE ECONOMIST, MARCH 5, 1955

THE ECONOMIST, MARCH 5, 1955

BIBIANI (1927) LIMITED

Notice is hereby given that the Board of Directors have today recommended a Final Dividend (No. 35) on the Issued Capital of the Company at the rate of 2.3d. per Unit of Stock, less Income Tax at 9s. in the £. This Dividend, which is in respect of the year ended September 30, 1954, to be payable on and after April 28, 1955, to all Stockholders on the Registers on March 4, 1955.

The transfer books will be closed from March 5, 1955, to March 12, 1955, both dates inclusive, for the preparation of Dividend Lists.

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

Registered Address: 10, Old Jewry, London, E.C.2.
February 24, 1955.

ASHANTI GOLDFIELDS CORPORATION LIMITED

Notice is hereby given that the Board of Directors have today recommended a Final Dividend (No. 117) on the Issued Capital of the Corporation at the rate of 9.6d. per Unit of Stock, less Income Tax at 9s. in the £. This Dividend, which is in respect of the year ended September 30, 1954, to be payable on and after April 28, 1955, to all Stockholders on the Registers on March 4, 1955.

The transfer books will be closed from March 5, 1955, to March 12, 1955, both dates inclusive, for the preparation of Dividend Lists.

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

Registered Address: 10, Old Jewry, London, E.C.2.
February 24, 1955.

NEW ZEALAND MARKET

A well-established, keen and experienced Importing firm with first-class trade credentials and offices in Auckland, Wellington and Christchurch desires to expand its activities. We seek exclusive agencies from manufacturers. Can we discuss the sale of your product in New Zealand? References Bank of New South Wales, London. Write direct to Mair and Co. (Importers) Ltd., P.O. Box 1477, Christchurch, N.Z.

OPPORTUNITIES IN THE UNITED STATES FOR ENGLISH-TRAINED ELECTRONICS ENGINEERS

The Engineering Department, Electronics Division, of Westinghouse Electric Corporation has available a number of attractive situations to augment the engineers hired in England during 1953. Applicants must have professional standing in the Institute of Electrical Engineers or equivalent standing in the Institute of Radio Engineers. Applicants for these positions should have at least three years' experience in design or development in one or more of the following fields:

Circuitry
Ground Radar
Communications
Computers
Antennas
Microwave Cavities and Plumbing
Missile Guidance Equipment
Navigation Aides

Plant is located in the outskirts of Baltimore, Maryland, in the beautiful Chesapeake Bay area with splendid facilities for fishing and sailing. The mountains are but one and a half hours' drive away. Modern centrally heated flats in suburban surroundings are readily available.

Many opportunities for advanced education and for cultural pursuits are readily available in the Baltimore area. Generous relocation allowance is provided to help defray engineers' and their dependents' travel in Britain at an early date with the Manager of the Electronics Division Engineering Department, Electric inquiry for application form to Mr F. S. Mabry, Westinghouse Electric International Company, 1-3 Regent Street, London, S.W.1. All replies will be treated as confidential.

COMMERCIAL MANAGER

Genatosan Limited, a member of the Fison Group, require a Commercial Manager. This is an important position carrying a high salary and a seat on the Board.

The Company's products comprise mainly milk derivatives and pharmaceuticals. The Commercial Manager's duties include responsibility for (a) purchasing for the Company and all its subsidiaries, (b) home and export marketing, covering pricing, packaging, merchandising, advertising and new product development, (c) general commercial policy, e.g., relations with Government Departments, and Commercial on licences with British and foreign companies. The Commercial Manager is not responsible for sales, which are handled by another Director already in post. Conditions of employment are excellent and include contributory retirement and widows' pensions schemes. Age limits about 35 to 45. Applications to Managing Director, Genatosan Limited, Loughborough, Leics.

EAST African firm of Chartered Accountants have vacancy for experienced Chartered Accountant. Tours of 2 or 3 years, paid U.K. leave after each tour, return passages paid for man and wife. Commencing salary £1,600 per annum with prospects of partnership. Write Box S.194, c/o Streets, 110 Old Broad Street, E.C.2.

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).

VITAL Executive Post Wanted.—38, P.Sch.; shipping, marketing, financial admin., research; good French, travelled.—Box 854.

SALES MANAGER required by a large Midland firm of manufacturers of packaging materials. Applications are invited from men aged 30 to 37 who possess a sound knowledge of the productive industries of this country and of overseas markets, combined with experience of the following:

(a) Sales forecasting and budgetary control as applied to selling and distribution.

(b) Sales Office management and organisation.

(c) Advertising.

Applications should be addressed to Box 850.

The Economist: Annual Air Subscription Rates

Anglo-Egyptian Sudan: £5.10s.	Europe (except Poland): £4.15s.	Israel: £6	Pakistan: £6
Canada: £8.5s. (sterling)	Gibraltar, Malta: £3.15s.	Japan: £9	Rhodesia (N. & S.): £5.10s.
U.S.A.: \$21.50 or £7.14s.	Hongkong: £7	Malaya: £6.15s.	S. America and W. Indies: £7.15s.
East Africa: £5.5s.	India & Ceylon: £6	New Zealand: £9 (sterling)	Union of S. Africa: £5.10s.
Egypt: £5.5s.	Iraq: £6	Nigeria, Gold Coast: £5.5s.	U.S.A.: \$21.50 or £7.14s.

Printed in Great Britain by ST. CLAYTONS PRESS, LTD., Portland St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., 20, Abchurch Lane, London, E.C.4. Postage on this issue: Intend 2d.; Overseas 2½d.—Saturday, March 5, 1955

UNIVERSITY OF CAMBRIDGE

Applications are invited for the office of Reader in Industrial Management which has recently been established in the Department of Engineering. Forms of application and further particulars may be obtained from the Secretary-General of the Faculties, The Old Schools, Cambridge. The closing date for the receipt of applications is April 9, 1955.

UNIVERSITY COLLEGE OF SWANSEA

TEMPORARY RESEARCH ASSISTANT IN ECONOMICS

Applications are invited for the post of Temporary Research Assistant in the Department of Economics to assist with research on the structure of property and property ownership in postwar Great Britain. The appointment will be for one year in the first instance and may be renewed for a second year. Salary between £400 and £500 per annum, according to qualifications and experience. Applications should be sent by March 31, 1955, to the Registrar, University College, Singleton Park, Swansea, from whom further particulars may be obtained.

NUFFIELD COLLEGE STUDENTSHIPS

Applications are invited from graduates (men and women) wishing to undertake research in economics; politics; African studies; sociology; recent economic, political and social history; and related fields. Election will be for one year in the first instance, starting October, 1955, but may be renewed for a second year. A grant may be made, the amount depending on the student's needs. Further particulars and the necessary forms are obtainable from the Warden, Nuffield College, Oxford. Completed applications should reach him by May 9, 1955.

COLLEGE OF TECHNOLOGY, BIRMINGHAM

DEPARTMENT OF INDUSTRIAL ADMINISTRATION

Applications are invited for the new appointment of LECTURER in the Economic and Distribution Aspects of Industrial Administration.

Candidates should have an Honours Degree in Economics with experience in industry and/or the marketing of industrial products. The appointment will be in the grade of Lecturer. Salary £965 x £25—£1,065 in accordance with the Burnham (Further Education) scale for men.

Further information and a form of application which must be returned not later than 14 days after publication of this advertisement, may be obtained from the Registrar, College of Technology, Suffolk Street, Birmingham, 1.

K. R. PILLING, Clerk to the Governing Body.

INCORPORATED ACCOUNTANTS

THE SOCIETY OF INCORPORATED ACCOUNTANTS EXAMINATIONS, MAY, 1955

The Society's May, 1955, Examinations will be held on the following dates:—

Preliminary: May 10 and 11, 1955.
Intermediate: May 12 and 13, 1955.
Final Part I: May 10 and 11, 1955.
Final Part II: May 12 and 13, 1955.

The centres will be Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London, Manchester, Newcastle-upon-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, March 14th.

DOUGLAS GLASS

BRITAIN'S GREATEST PHOTOGRAPHER

OF MEN

43 Black Lion Lane, W.8. RIV. 7522.

GRADUATE in Economics, "first" or good "second" degree (preferably with Statistics) required for research work in Department of Economics, International Wool Secretariat, starting salary £500-£600 according to qualifications, with superannuation benefits. Apply in writing, giving full details of qualifications and experience, to the Secretary, International Wool Secretariat, Dorland House, 18-20 Regent Street, London, S.W.1, marking cover: "E.C. Confidential."

LIGHT INDUSTRIAL PREMISES within 30 miles north or west of London. Modern, 10/30,000 sq. ft., including offices, with land up to eight acres, wanted urgently.—Box 853.

DO YOU WANT MORE BUSINESS? Then cover more territory and make more regular calls with a 1954 self-drive car. No more waiting for public transport. AUTOHALL have a fleet of over 100 1954 cars, all expertly maintained and serviced to meet your requirements. You can also take advantage of our guaranteed re-purchase scheme. Will you ask your secretary to drop us a line for our new, informative brochure.—AUTOHALL, Dept. 2-B, 302-306 King Street, London, W.6. RIV. 2881. Telegrams: Autohall, Westphalia, London. Cables: Autohall, London.

ACCOUNTANT/SECRETARY (41), qualified, accustomed to control large staff, wide experience of mechanised accountancy (including punched-cards), budgetary control, standard costs and all secretarial duties, seeks responsible progressive post in London area.—Box 852.

EXPERT POSTAL TUITION

For Examinations—B.Sc.Econ., LL.B. and other external London University Degrees; Law Society; Bar; Accountancy; Banking; Secretarial; Civil Service; Commercial; General Certificate of Education, etc. Also many non-examination courses in business subjects. Write today for free prospectus and/or advice, mentioning examination (if any) or subjects in which interested, to the Secretary (G 9/2).

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4

YES, YOU MUST KEEP PACE with economic trends, but your time for reading is so limited. Economic Digest distils the news and picks out the highlights without waste of words (that's a relief!). It is pretty certain that when you see the March issue you will say "Just what I need." So telephone or post your name and address and receive it by return.—(Circulation Manager, 30, Baker Street, London, W.1. Telephone: Welbeck 0264. (You will be expected to pay 1s. 6d. on receipt of invoice later.)

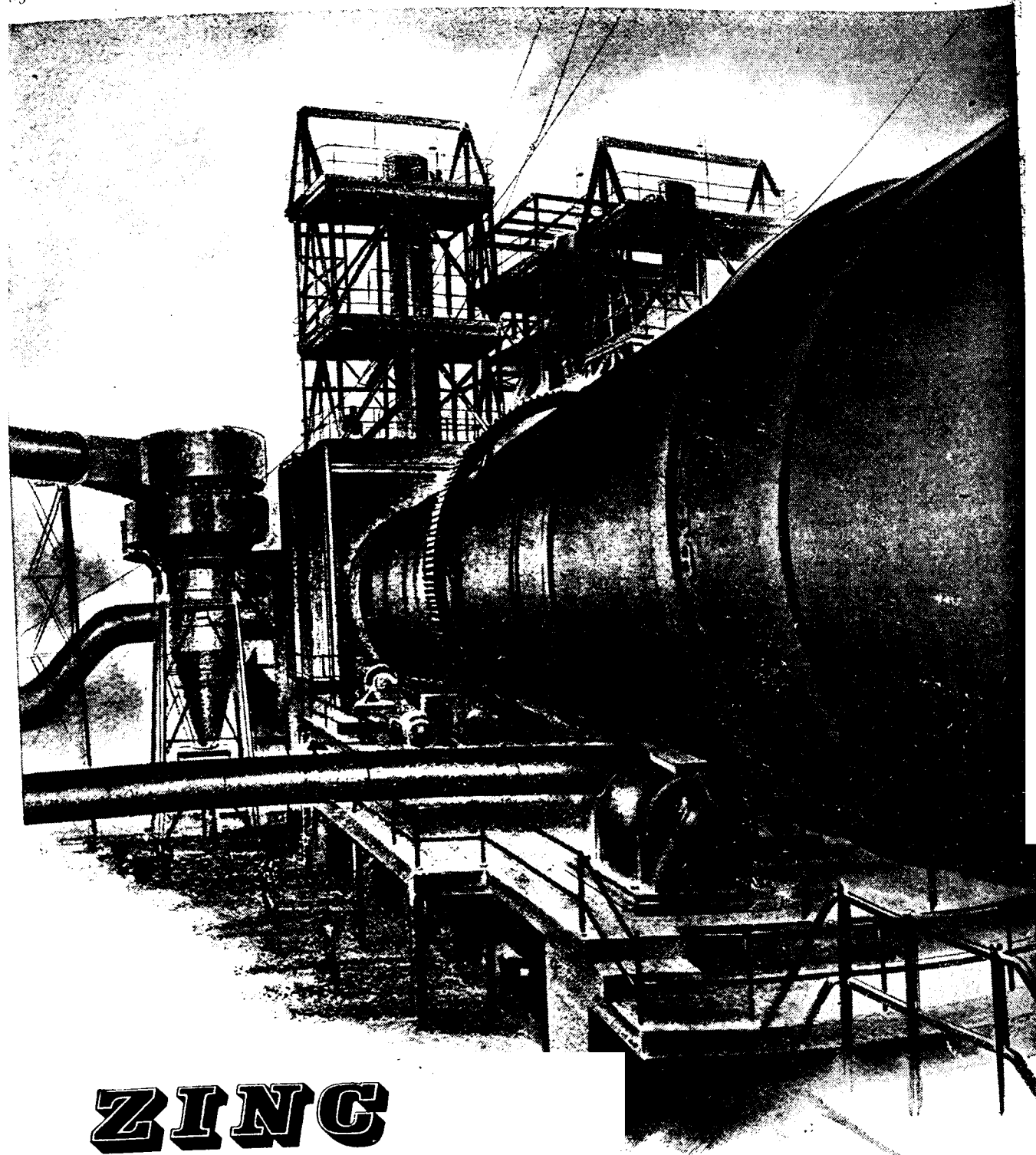
EXPORT. An excellent opportunity exists in the Export Department of Glaxo Laboratories Ltd. for a young man, age 23-28, with a background of chemistry or pharmacy, and preferably a knowledge of French or Spanish. Initially the post is as an Assistant to a Marketing Officer, but it may well lead to an overseas career for a man who can prove his ability to take responsibility. Previous commercial experience is not essential. Apply to Personnel Manager, Glaxo Laboratories Ltd., Greenford, Middlesex.

BACK NUMBERS of The Economist for sale, 1948-1951. Complete bound.—Write: Box 8, 23, Shepherd Street, W.1.

BUSINESS ECONOMIST, with seven years' varied experience of industrial operations, finance and development, is now available for lengthy periods to investigate and advise.—City office.—Box 855.

FOR SALE, complete issues of The Economist, 1948, to date (half-indexed in binders). Offers.—Box 891.

THE ECONOMIST, MARCH 5, 1955



ZINC

for Britain's increased demand

THE NEW WAELEZ KILN, part of which is depicted here, has been installed for extracting the remaining Zinc and Lead from spent residues. These residues from the primary smelting were formerly dumped, but due to the progressive policy of Consolidated Zinc, are now playing their part in increased production.



THE CONSOLIDATED ZINC CORPORATION LIMITED
37 DOVER STREET, LONDON, W.1
95 COLLINS STREET MELBOURNE.

The Economist

FOUNDED 1843

MARCH 12, 1955

ONE SHILLING

The Fall-Out

Formosa Turning Point?

The Diamond Coast

Belgium and the Wider Horizon

House Loans through the Roof

Multiples for the Million

AMERICAN SURVEY: Is Deterrence Enough?

THE WORLD OVERSEAS: New Leaf for Ethiopia

BOOKS: The Urban Leviathan

Annual Postal Subscriptions: by ordinary mail £3; by air see page 955
THE ECONOMIST · 22 RYDER STREET · ST. JAMES'S · LONDON · S.W.1

VOLUME CLXXIV · NUMBER 5820

Scotland calls for English Goods

THE DEMAND for consumer goods in Scotland has kept pace with the steady rise in Scottish prosperity. In the last five years over 500 new factories have been built. In 1953 a record number of new houses was built—39,548. Production, employment and wages are up. And sales drives, backed by advertising in the Daily Record, are earning quick returns.

Key to Scottish market

Many English producers are missing sales in Scotland owing to lack of intensive effort. National advertisers need on-the-spot support in Scotland. The fact that 1,370,000 Scottish adults never read an English national morning newspaper proves this conclusively. (This figure is drawn from the I.I.P.A. readership survey.) The Daily Record is the key to the rich Scottish market. With 900,000 readers every day, the Daily Record is the largest circulating, completely Scottish national morning newspaper.

You reach an assured and profitable market when you advertise regularly in the...

Daily Record

Kemsley House
London

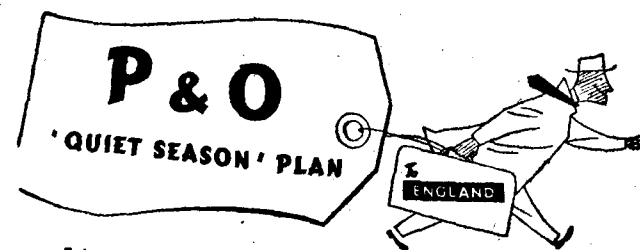
Kemsley House
Glasgow



Your trip to Australia and back will cost you less if you travel under the P & O special 'quiet season' plan.

Reduced First Class Fares from £200.

Sailing outwards 1st Feb. to 31st May, 1955.
Homewards 1st Sep. to 31st Dec. 1955 or 1956.



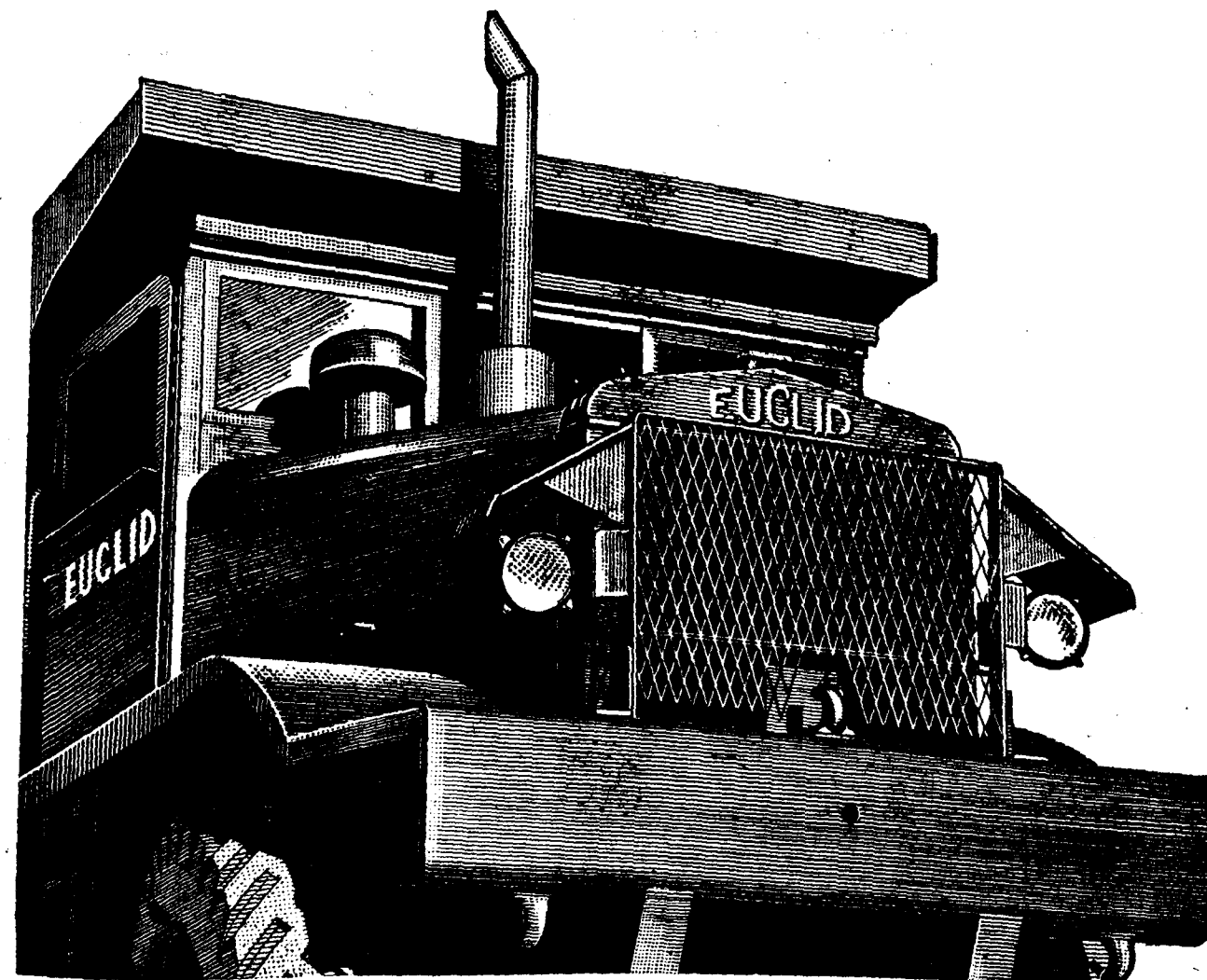
Full details from 14 Cockspur Street, London, S.W.1. WHI: 4444
122 Leadenhall Street, London, E.C.3. AVE: 8000 or local Travel Agents.



The Big Six

The well-dressed man spends time as well as money on his clothes. For him, time spent in looking through the six John G. Hardy speciality cloths is a pleasure—as well as a sartorial duty. He wants to compare the rugged pure wool tweed of 'Hardithorn' and 'Hardilaine' with the silky luxury of 'Sheltie'. He wants also to feel for himself the resilient strength and toughness of the famous 'Alsport'. Perhaps he'll decide finally on the popular new 'Hardiwear' worsted, but almost certainly he'll have a second look at the Irish Homespun. Ask to see these fine cloths (they're known as the John G. Hardy 'Big Six') at our showrooms or on extra-large bunches at your own tailors.

JOHN G. HARDY LTD., 4 NEW BURLINGTON ST., LONDON, W.1.
TELEPHONE: REGENT 1313.



The FINEST EARTHMOVING EQUIPMENT IN THE WORLD

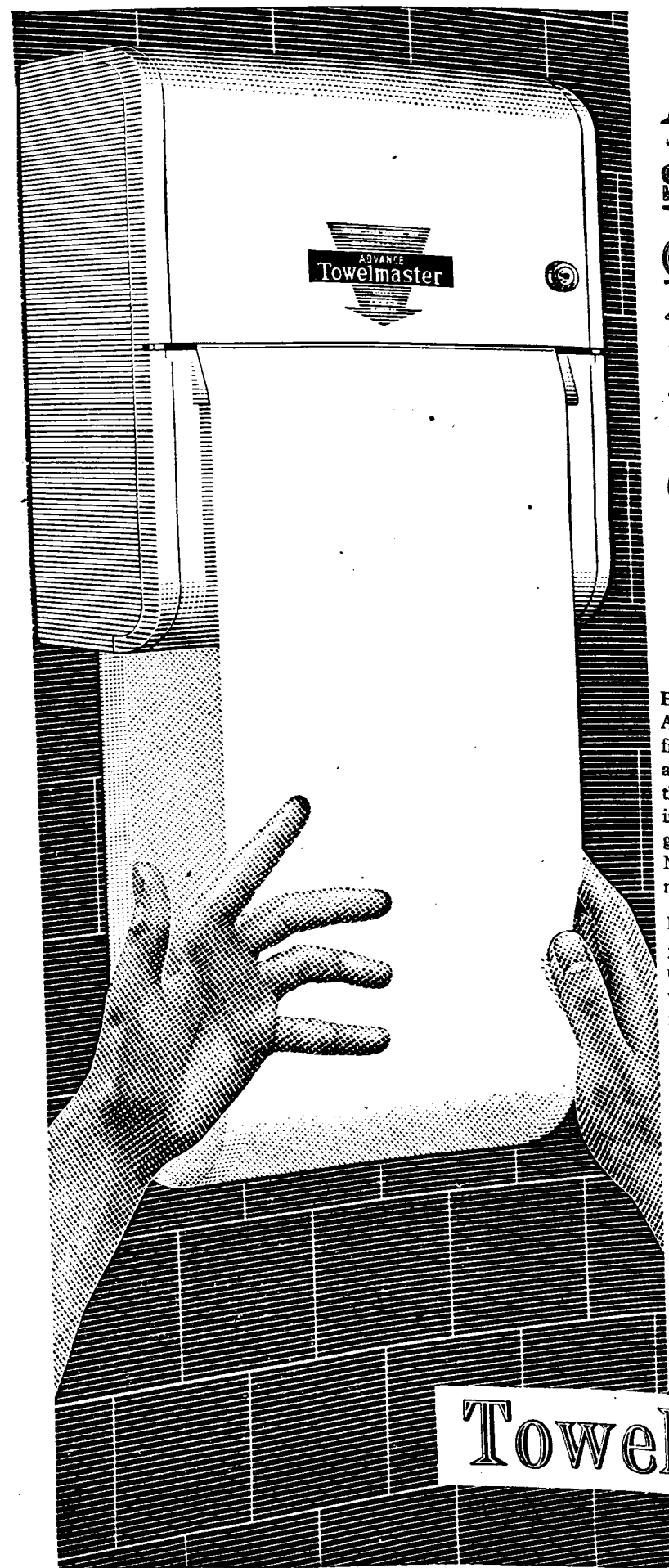
Available for Sterling

BLACKWOOD HODGE

Subsidiary Companies Branches Works



and Agencies throughout the World



A clean soft dry towel for every pair of hands

How does the Towelmaster work?
A pull. Here's a length of laundry-fresh towel, enough and to spare for a really good dry. And as you pull, the used portion automatically winds into a separate compartment of the gleaming white Towelmaster cabinet. Nothing more efficient. Nothing more hygienic.

How much does the Towelmaster cost?
5/- per roll of towelling. Minimum usage only one roll per cabinet per week. Installation is free. Maintenance is free (two or more cabinets). No replacement charges. In fact there are no other charges whatsoever.

How much is the Towelmaster worth?
Those few shillings give 180 pairs of hands an honest-to-goodness dry. Benefit staff and visitors alike. Give you 45 yards of goodwill. And what an infinitesimal price to pay for a clean bill of health!

What are your particular needs?
We'll be glad to discuss them—without obligation.

ADVANCE
Towelmaster

*Advance Linen Services Ltd. (Dept. T13),
Stratton House, Piccadilly, London, W.1.
Telephone: Mayfair 8886*



"BROOMWADE" is best, Master Bonniface!

There's *another* way of compressing air, Master Bonniface; the "BROOMWADE" way. "BROOMWADE" Air Compressors operate pneumatic tools to drill, pump, rivet, grind, ram, fettle, bore, hoist, spray, chip, scrub, polish, caulk, shear, tamp . . . (Now we're as much out of breath as you are, Master Bonniface.)

"BROOMWADE" Pneumatic Equipment is built to meet *your* requirements.

"BROOMWADE" offers you:—

- Expert technical advice on all your compressed air problems.
- Complete world-wide after-sales service by works trained personnel.
- Low initial cost—early delivery.

"BROOMWADE"

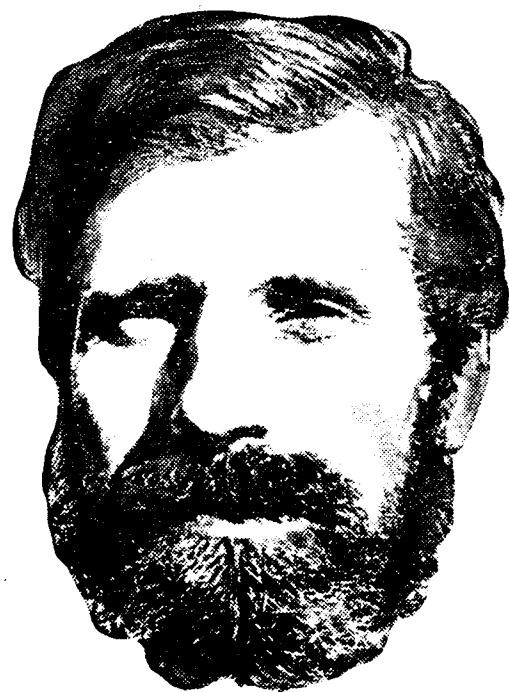
Air Compressors and Pneumatic Tools are used in most Industries

BROOM & WADE LTD., P.O. BOX No. 7, HIGH WYCOMBE, ENGLAND

Telephone: High Wycombe 1630 (10 lines)

Telegrams: "Broom" High Wycombe

1215A1



*He touched the bandage
around his throat . . .*

**'This,' he asked,
'what do you
know about this?'**

AT LAST - THE TRUTH ABOUT

WINGATE

by Leonard Mosley

"His friend informed him that, so far as anyone in Cairo knew, Wingate had fallen in his hotel and injured himself."

"Nonsense. It is not true. I took a knife and cut my throat."

★ ★ ★

"No lights except from the fires started when petrol caught alight, or the flare of acetylene lamps as the surgeons started to work cutting, sewing, and amputating . . . no sound except the splinter of wood, the puny sounds of men crying for help, and the steady kwark-kwark-kwark of the watching bullfrogs."

★ ★ ★

"They were a remarkable sextet. One was a millionaire sheep farmer whose legs were so bowed from a lifetime on horseback that he could

not walk, and was always given first priority when mounts were scarce."

★ ★ ★

"Eventually Haile Selassie said: 'You go first, Colonel Wingate. And let us hope my people recognise which one of us is their Emperor.'"

★ ★ ★

"At other times he stayed in Ein Harod, reading the Bible, singing hymns, learning Hebrew, scratching his naked body. When he did put on his uniform he was so untidy that the British soldiers would look at him in stupefaction. But he never lost a battle."

★ ★ ★

"He drove animals until they dropped; and then, as in Ethiopia, built fires under their bellies in an effort to make them get up, or, as in Burma, cut them up and ate them."

Begins this weekend in the

SUNDAY EXPRESS
ORDER IT FROM YOUR NEWSAGENT



Payroll...

Payroll is only one of accountancy's problems—but it comes round, inescapably, once a week. Hollerith takes every problem of accountancy in its stride, but Payroll makes an admirable starting point for an enquiry. It costs nothing to find out what Hollerith might save you.

**THE BRITISH TABULATING
MACHINE COMPANY LTD**

Head Office: 17 Park Lane • London • W.1

Telephone: HYDe Park 8155

Offices in principal cities in Great Britain and Oversea

- ★ produced in less time
- ★ produced with less labour
- ★ with every complication of P.A.Y.E. taken care of automatically
- ★ with fully detailed Tax and Payroll Records for Inland Revenue, Employer and Employee

the very job for

HOLLERITH
REGD.
**Electrical PUNCHED CARD
ACCOUNTING**

E/5311/143

IN TEXTILES

The WHOLESALE helps the RETAILER

THE infinite variety of goods in the shops that sell Textiles* is made possible by the work of the Wholesaler. Through his warehouse and travellers, the Wholesaler offers the Retailer, for quick delivery, the pick of the products of many factories, not only in this country, but abroad.

This centralized service saves the Retailer time and money. It eliminates the need to visit scores of manufacturers. It simplifies his book-keeping. What is more, the Wholesaler gives the Retailer helpful credit.

The Retailer who buys from the Wholesaler is pursuing a sound economic policy.

(*Clothing, hosiery, drapery, millinery, footwear, soft furnishings, floor coverings and haberdashery).

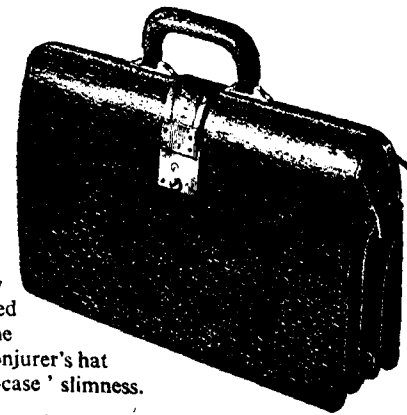
This is the **THIRD** of a series of four announcements describing how the Textile Wholesaler helps the Manufacturer, the Retailer and the Nation.

Issued by

The **WHOLESALE TEXTILE ASSOCIATION**, 75 Cannon St., London, E.C.4
Tib. 309

A Poem in Pigskin

At Bury in Lancashire a small band of craftsmen is expressing an age-old tradition . . . in beautifully stitched and hand-finished briefcases which combine the capaciousness of a conjurer's hat with a handsome 'note-case' slinness.



This particular poem in pigskin has an inside story which is common currency among travellers in five continents . . . a 17" x 11½" briefcase* with two interior foolscap compartments and zip-sealed section for overnight things. Capacious exterior zip pocket for newspapers, books, etc. English lever lock and fittings of solid brass. All leather handle.

In golden tan or Autumn tan pigskin at 12 guineas; golden tan, brown or black smooth polished hide or natural coach hide at 9 guineas. (*17" x 14" models, 1 guinea extra.) Matching zip folio cases size 16" x 10½" available separately at £4.10.0d., £2.15.0d., and £3.0.0d. respectively. Post free and tax free in U.K.

*Special vouchers to any desired value can be sent direct to any address on behalf of customers wishing to make gifts of Unicorn products.

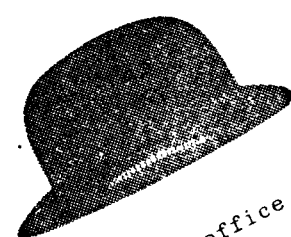
(U.S.A. orders and enquiries: Sterling International, 225 Kearny Street, San Francisco, Cal.).

Complete satisfaction guaranteed or purchase price refunded immediately. Obtainable at the Unicorn Showroom, 39, Burlington Arcade, London, W.1. Telephone Hyde Park 8939, or by post from our works:

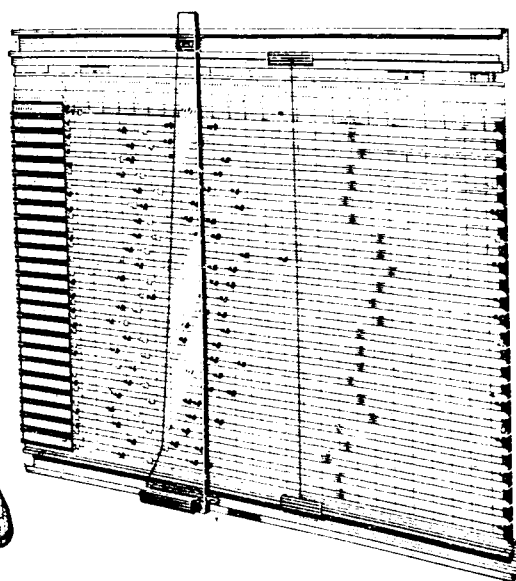


Unicorn Leather Co. Ltd.
(Dept. E.T.6 Woodhill Works, Bury, Lancs.)





To make the office a better place to work in



Efficient management depends to a large extent upon knowing in detail what is going on in a business. A problem frequently posed in the office is how best to concentrate and present up-to-the-minute facts. Over the course of years, Roneo have been able to provide many answers to this question — and one of the simplest and best is the Roneo Visual Chart, which can be made to present, at a glance, the facts that *you* know *you* need.

**RECORDING METHODS
DUPLICATORS & FILING
STEEL DESKING & EQUIPMENT
LIBRARY & BANKING EQUIPMENT
STEEL PARTITIONING
OFFICE PLANNING**

call in **RONEO**

and do the job **PROPERLY**

Write to Roneo Ltd., 17, Southampton Row, London, W.C.1. Telephone: Holborn 7622

FROM PAKISTAN

A New Airline...

KARACHI VIA CAIRO
UNDER 16* HRS

— Fastest Time Ever! —

Business men! Here's a new, faster, more luxurious air service to the East—at no extra cost. By applying the latest advances in airline servicing and management technique to the most reliable commercial aircraft in the world, new Pakistan International Airlines bring to East-West air travel a trans-Atlantic standard of luxury aloft. Every Friday P.I.A.'s specially fitted Super-Constellations fly *above the weather* from London to Karachi via Cairo in just 15:50 hours flying time*—substantially less time than ever before. The return flight, leaving Karachi on Tuesday, takes only 17:50 hours in the air—still the fastest West. Moreover, P.I.A.'s domestic network serves both West and East Pakistan, India and Burma; its booking facilities cover all points East. P.I.A. flies faster—you fly more comfortably. For full details see your local Travel Agent.



FLY

**PAKISTAN INTERNATIONAL
AIRLINES**

CONTACT YOUR LOCAL TRAVEL AGENT
or P.I.A. 249 Brompton Road, S.W.3. Telephone: KNightsbridge 4371

SUPER-CONSTELLATIONS, specially fitted for P.I.A., bring a new standard of luxury to East-West air travel.

TOURIST AND FIRST CLASS FARES comply with normal competitive rates. It costs no more for P.I.A. speed and comfort.

P.I.A. BOOKING SERVICE can arrange your flight through P.I.A. international and domestic networks. It can use other airlines, to fly you to all points further East.



ALSO
MACHINE TOOL EXHIBITION
11—20 SEPTEMBER

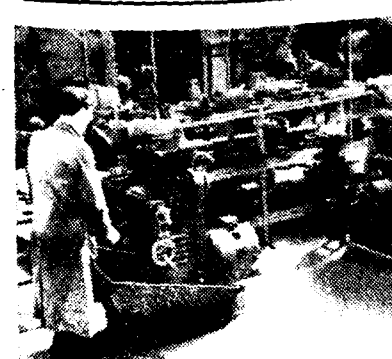
HANNOVER

GERMAN INDUSTRIES FAIR

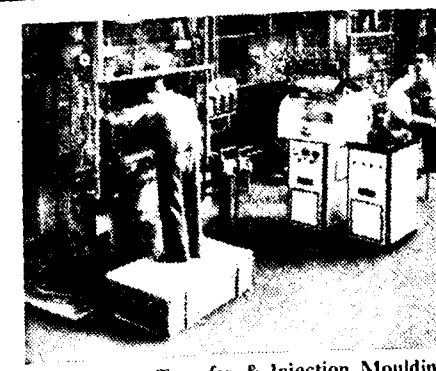
HEAVY AND LIGHT INDUSTRIES FAIR

24 APRIL - 3 MAY

Sole U.K. representatives **SCHENKERS LTD.** — Shipping and Forwarding Agents
27, Chancery Lane, London W.C.2. Phone CHAncery 6612 Telex LONDON 2-2625



Mould Making. Our tool design staff and tool room is equipped to design and make any type of mould from a simple single cavity to a complicated multi-impression mould



Compression, Transfer & Injection Moulding
With modern presses from 10 to 750 tons capacity fitted with the latest pre-heating and control equipment we produce consistently high quality mouldings. We also have modern injection moulding equipment



Thermo-plastic Fabrications. We are fully equipped to produce from the smallest to the largest fabrications from sheet thermo-plastic materials. Our high aircraft standard is maintained in this department

Plastic Mouldings, Glass-Fibre Laminates, Thermo-Plastic Fabrications

WE OFFER YOU the services of a self-contained unit, including research and development laboratories, organised and equipped to design and manufacture economically any class of moulded or fabricated component. We specialise in the design and manufacture of Radomes.

If you are a user of plastics, if your product can be made in plastics, if you have a plastics problem—SEND US YOUR ENQUIRIES or ask our representative to call.

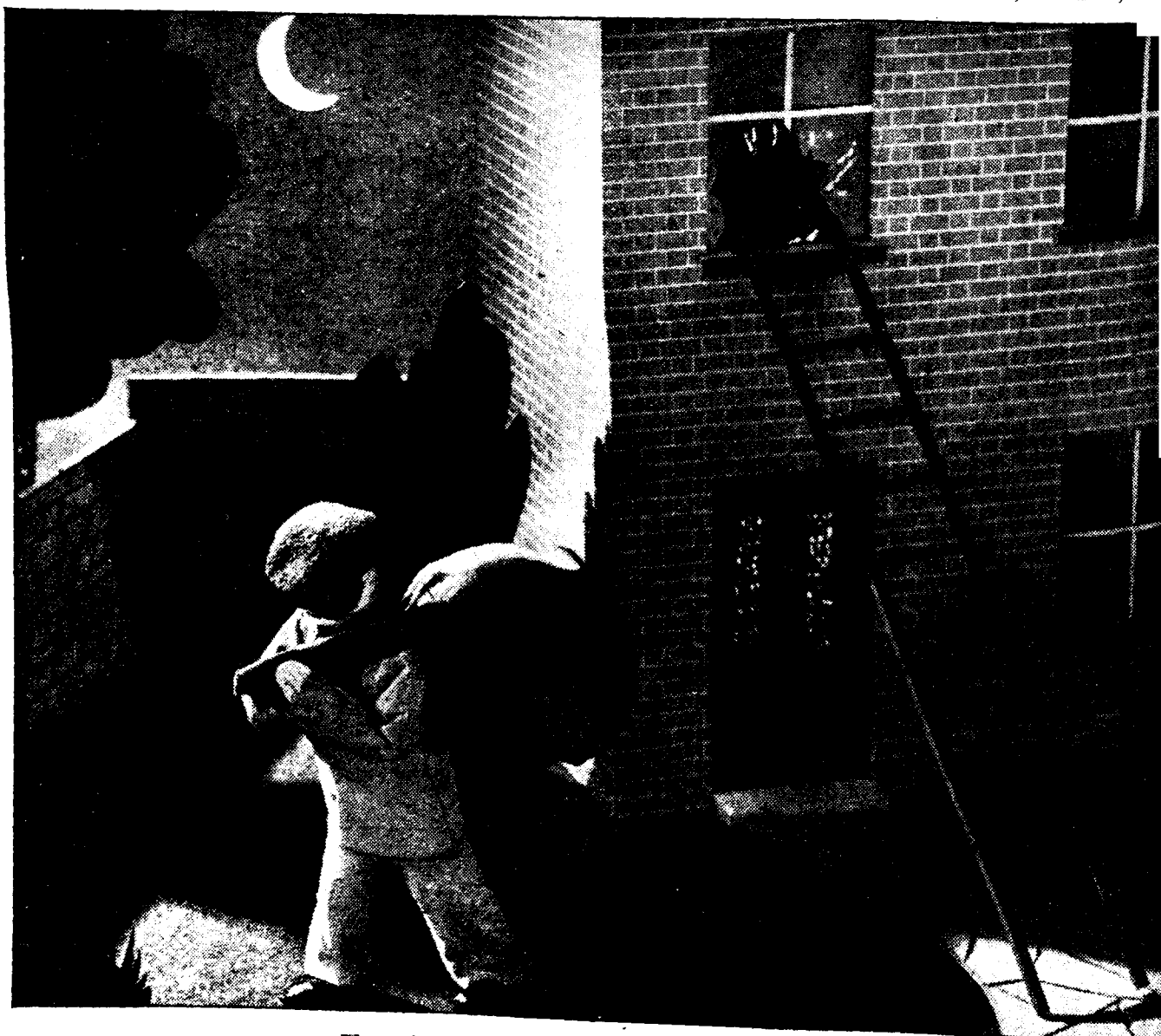
AEROPLASTICS LTD
HILLINGTON, GLASGOW Phone: HALFWAY 1683

The Plastics Division of The Fairey Aviation Company Limited

London Sales Office: PHOENIX CHAMBERS, 72 EDEN STREET, KINGSTON-ON-THAMES Telephone: Kingston 598.
Members of: British Plastics Federation Society of British Aircraft Constructors Federation of British Industries
A.I.D. and A.R.B. approved.



Glass-Fibre & Reinforced Plastics. We are pioneers in high and low pressure Glass-fibre, Asbestos and Paper Laminates with our own impregnating plants



For BURGLARY INSURANCE

You'll be on good terms with

THE

NORTHERN ASSURANCE COMPANY LIMITED

LONDON
1 Moorgate



ABERDEEN
1 Union Terrace

Founded 1836. Group Assets over £58,000,000

FIRE • LIFE • MARINE • ACCIDENT • MOTOR • HOUSEHOLD • PENSIONS • ENGINEERING • TRADE RISKS

The Economist

FOUNDED 1843

MARCH 12, 1955

ONE SHILLING

The Fall-Out	875
Formosa Turning Point?	877
The Diamond Coast	879
Belgium and the Wider Horizon	881

NOTES OF THE WEEK

An Execution is Arranged; Arthur's Seat; The Saar as Stumbling-Block; Arab Leaguelet?; Peers from the People; London Bride—and Realities; Balkan Pact's Second Birthday; Truth from Pontecorvo; Realism in the ILO; The Meaning of Treason; Mr Mintoff Wins Malta; Debating Conventional Wars; European Brown Study; Two Legs Good, Four Wheels Better; Equal Pay for Teachers; Copperbelt Cross Currents; The Concentrated Press; Shorter Notes. 882

LETTERS TO THE EDITOR	892
---------------------------------	-----

BOOKS AND PUBLICATIONS	894
----------------------------------	-----

AMERICAN SURVEY

Is Deterrence Enough? 899
The Politics of Taxation; Oil for the Lamps of Asia; Taking Wall Street's Pulse; The Risks of Security; The Consumer is for Burning; Viva Señor Nixon!; Shorter Notes.

THE WORLD OVERSEAS

New Leaf for Ethiopia 907
Two Years Without Stalin; Mr Deshmukh's Budget; German Socialists and Democracy; Australian Labour Puts Back the Clock; The Consequences of Andhra.

THE BUSINESS WORLD

House Loans through the Roof 917
Multiples for the Million 919

BUSINESS NOTES

Sterling's Recovery; Finding a Level; Firth Brown Offer; Debate on Cotton; Hire Purchase Controls; A Little Back from Brazil; Gatt into OTC?; Television Merry-go-Round; Good Year for Eastern Banks; Competition from German Shipyards; Penny at the Pump; Turbo-Alternators Under Stress; Tanker Freight Rates Fall; Rotating Raw Wool; Mixed Blessing in Cotton; Rio Tinto Down Under; No Potash from ICI; Wholesalers in Backwater?; Shorter Notes. 921

COMPANY NOTES AND SECURITY

PRICES 933
STATISTICS 936

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

The Fall-Out

THERE is a grim humour in the thought that this week's explosion in the Labour party nominally arose from an entirely bogus argument about the exact circumstances and the precise provocation that, in Mr Attlee's view, would justify the dropping of a hydrogen bomb. Mr Bevan now has the answer to his rhetorical question of last week: there are occasions when even the most peaceable of Labour leaders will swing over from unsuccessful deterrence to possibly suicidal assault. But neither he nor anybody else will find it easy to analyse just what it was that set off the big bang, or what damage is yet to be done by the "fall-out."

What on earth made the Shadow Cabinet do it? They cannot have acted purely out of pique, although indignation against Mr Bevan is widespread and very understandable; professional politicians never wholly surrender calculation to bad temper. Nor, if there is a calculation, does it seem likely to be simply one of improving their chances in the election by throwing overboard an electoral Jonah. Mr Bevan is a liability, true enough—there must be at least a million potential Labour votes to whom he is a bogeyman. But two facts tell against this interpretation. First, if the Labour leaders were bent on reassuring the floating voter, they would hardly take a public step towards Bevanism at the same time as they expel Mr Bevan—not only, as a cruel Tory has said, throwing him out into the snow but stealing his trousers as well. Yet that is exactly what Mr Attlee has done in putting down a motion of censure calling for immediate three-power talks—which, as Mr Attlee must know even if his left-wingers do not, is as irresponsible as it is impracticable.

Secondly, the time-table is all against the theory of an electoral calculation. For the expulsion will have to be fought through the Parliamentary Party and the National Executive and confirmed by the next Party Conference, which is not due to meet until the autumn.* The Shadow Cabinet have started a process—and must have known they were starting a process—which will keep the party in a turmoil of acrimony for six months. Unless Mr Attlee had a written promise in his pocket from Sir Winston Churchill that there will be no dissolution this year, he must have had some object in mind other than victory at the polls.

The only way in which sense can be made out of the Shadow Cabinet's decision is therefore to assume that it is based on intelligent despair rather than intelligent optimism. The Shadow Cabinet must be acting in the belief that it cannot win the election and be thinking of what will happen after defeat—just as Mr Bevan has been doing (it now seems obvious) for some time past. Twice within the last year—immediately after the 1954 Budget and immediately after the recent increase in Bank rate to 4½ per cent—there has been a moment when Labour politicians thought they had reason to believe that the tide of political fortune might be about to turn in their favour. On each occasion Mr Bevan has moved at once to quench the optimism. On

the first occasion by his intervention about Seato and now by his vociferous abstention about the hydrogen bomb, he has hurled a deliberate and disruptive challenge at the party's leader in the House. On neither occasion has the substance (as distinct from the very rude manner) of his disagreement with Mr Attlee been at all clear. The conviction may therefore have taken root in the Shadow Cabinet that Mr Bevan does not want Labour to win the next election; after all, on any intelligent appraisal of his situation as the heir-not-yet-presumptive, another five years of Opposition would serve his personal prospects and policies best.

This, stripped of all complications of personal rancour (and those complications exist), is the most likely background to the decision to seek Mr Bevan's expulsion from the party. Mr Attlee may have decided that, with Mr Bevan sowing havoc whenever havoc most hurts, another five years of Opposition are likely to be Labour's lot in any event. But he has seen an opportunity of making Mr Bevan responsible for the coming defeat. When the election has been lost and the inevitable inquest is held, Mr Attlee intends to be the coroner, and the verdict will not be against "a person unknown." On these premises—and, it would seem, on these premises alone—the Shadow Cabinet has come to an understandable decision.

But is it the right decision? On the very narrow front on which Mr Attlee seems to have decided to fight—a clash over personalities and not over principles, a battle for the Labour party's body and not for its soul—it very well may be. Mr Bevan's prospects of succeeding to eventual leadership of the Labour party must have been dimmed by the Shadow Cabinet's determination to give him a bad name, even more than by its almost incidental determination to hang him. If Mr Attlee can keep his footing through the guerilla war that will rage across the left in the next few weeks and months, Mr Bevan may be destined to go down in Labour mythology as the man who lost the party the election of 1955 or 1956. None of the previous rebels from any party who have been successfully resurrected to power in this century, including Sir Winston Churchill and Mr Bevan himself, have had to carry this heavy cross of blame. A year hence it may seem quite logical to write off Mr Bevan as the sort of man who will finish his political career—thanks to the magnanimity of future Prime Minister Gaitskell—on the leftist benches in the House of Lords.

But it will be very much more surprising if it will by then be equally logical to write off Bevanism as an emotion. About one-third of the present Parliamentary Labour Party, and a much larger proportion of party workers in the constituencies, are committed to that emotion; Mr Attlee himself panders to it every time he strikes at Mr Bevan. Some of the dissidents may follow their leader into the wilderness; others will almost certainly remain within the party in the hope of

THE ECONOMIST, MARCH 12, 1955

taking over the role of leader of the left. Indeed, there may be a growing proportion of Labour MPs for the left wingers to lead. Just as the aura of irresponsibility that has so long been attached to Mr Bevan's name has frightened many voters of the centre from siding with the Labour party in the country, so it has frightened many Labour MPs with leftish instincts—such as Mr John Strachey—from siding with Bevanite policies in the party. If Mr Attlee succeeds in his motion for expulsion, that barrier to irresponsibility may be removed. It has been very difficult in these last few years to prevent Labour policy from being perverted by Leftish irresponsibility even when, by being organised in a "group," it could be branded as rebellion. But with Lucifer out of the way, dealing in brimstone may become almost respectable.

★

Moreover, Mr Attlee's own position must be weakened by his sudden resort to the cane. It is just conceivable that the party conference may refuse to follow him. In that event he would no doubt be given the opportunity to compromise; but, after this week's plunge, he would look an impossibly bedraggled figure crawling back to shore, with the "keep calm" group's comforting arm around him. And if he wins (as is much more likely) he will leave a great deal of resentment behind, even among those who vote to sustain him. Nobody can be sure which way, within the party, the fall-out of this explosion will go. The only thing reasonably certain is that it will look like the shadow of a big cigar.

The pity is that in all this acrimony there is so little thought for principle. If Mr Bevan's various quarrels with the leadership of the party have been on matters of principle he has never succeeded in explaining what they are; they have always sounded like the merest quibbles. Nor do the leaders object to Mr Bevan's policies nearly as much as they do to Mr Bevan. Even now it cannot be seriously contended that anything he said last week merited capital punishment. The case against him lies in the single accusation that he puts his personal future above the party's.

"There is tears for his love; joy for his fortune; honour for his valour; and death for his ambition." It is a cry that has swayed an excited meeting of moody plebeians for a very short period once before. But it is not a cry that can easily establish a new set of principles for a democratic and responsible left. As Labour enters its week of the long knives, many of its MPs will be looking over their shoulders in the fear—probably the exaggerated fear—that a snap election now could decide their party. Mr Attlee himself should be looking forward, past the present struggle over Mr Bevan as a man to the much more important—but, one hopes, more democratic—struggle over Bevanism as the Labour party's policy. Unfortunately, there has been little sign, in the past week, that he is eager to do so.

THE ECONOMIST, MARCH 12, 1955

Formosa Turning Point?

NEITHER Sir Anthony Eden's statement in the House of Commons on Tuesday nor Mr Dulles's television broadcast has done much to resolve the Formosa dispute. But both have helped to clarify the positions which London and Washington are gradually taking up as they grope for possible solutions, and there is probably less difference between them than has generally been supposed. That is to the good. Hitherto the Communists have scored not only from their own unity but also from western divisions. The difference, at all times, has been less between the governments than between the public opinions. It has been politically difficult for Mr Eisenhower to be moderate and sensible, and for Sir Anthony Eden to show any firmness at all. If American opinion seemed to be too ready for a shooting war in the Far East, British opinion has not been ready at all for a war of nerves.

Sir Anthony Eden, to his credit, saw what was happening, as several of his statements last autumn are on the record to prove. What can be brought against him is that, seeing as he did the danger of so wide a divergence, he has done so little to persuade the British public to see what there is to be said on the other side. There are still three propositions about the Chinese problem that would receive overwhelming assent from British opinion. The first is that the retention by the Chinese Nationalists of the offshore islands of Matsu and Quemoy is militarily nonsensical, politically wrong, and an obstruction to a peaceful settlement in the Far East. The second is that there can be no solution until the United States abandons the fiction that the Nationalist regime is the rightful government of all China. The third is that, while there may for a time—and perhaps for a long time—have to be "two Chinas," there is no strategic or other reason for ruling out the ultimate reunion of Formosa with the mainland, if that is the wish of the inhabitants of the island.

There are, of course, variations on the British theme. On the left, Mr Attlee's desire to get rid of Chiang Kai-shek has continued to dominate the Labour view; on the right, the Government's closest supporters know well that anything approaching a withdrawal of American support from Formosa is at present politically out of the question. But every one of the three main points in the British conception cuts clear across the apparent lines of American policy, as expounded by the Eisenhower administration under the watchful eye of American public opinion. As a result, it has become a recent feature of Anglo-American relations that the two governments are markedly less far apart than the bulk of their two publics.

At first sight the speeches this week of Sir Anthony Eden in the House of Commons and Mr Dulles over

American radio and television networks are strikingly different in tone. The key to both lies in the use of the word "force," though in different senses. The essence of Sir Anthony's remarks was that force should not be used; that the governments on both sides of the Formosa Straits should accept the principle of a cease-fire as a prelude to any discussion of a settlement; and that, unless they did so, the consequences would be grave. Mr Dulles, on the other hand, reminded the Communists that, if force were used in the Formosa Straits, the United States and its allies could bring much more of it to bear than the Communists; he hinted at the possible employment of tactical atomic weapons and by implication at the fact that they could be exploded against a Communist invasion force at sea, without necessarily raising the critical issue of an atomic attack on the mainland.

But Mr Dulles was careful not to commit himself on the defence of the offshore islands of Quemoy and Matsu, maintaining only that the American guarantees to Formosa and the Pescadores did not automatically confine American defence measures to those particular islands themselves. Besides thus claiming local freedom of action, he repeated what he had said at Bangkok, that for military purposes the Chinese Communist front should be regarded as a whole. "If," he said, "the Chinese Communists engaged in open-armed aggression, this would probably mean that they have decided on general war in Asia"; in that case, they would have to take into account the several defence treaties which the United States has signed in the West Pacific, and would be confronted "with tasks at the south, centre and north . . . which would strain their inadequate means of transportation."

★

The view in Washington is that American policy has hardened during the past couple of weeks, and if this were so it would connote a widening of the gap between the two allies. But when the current statements of British and American official policy, including President Eisenhower's on Wednesday, are boiled down to their essentials, only one fundamental divergence emerges and even that is by no means certain. While Washington is still careful neither to confirm nor to deny that American forces would be used to help defend Matsu or Quemoy, London is categorical in its view that no peaceful settlement is possible that does not envisage an evacuation of the Nationalist forces from the coastal islands; indeed for the Government to say less would be to diverge too far from the attitude of the country as a whole.

So long, however, as any differences of approach

remain between London and Washington, the hope will be that nothing will happen—neither a conference nor an outbreak of fighting—to compel hard and fast decisions. Fortunately, as Sir Anthony Eden emphasised, while there has been too little progress to warrant attempting to hold a conference at this stage, there has equally been a modest slackening of tension on the spot. It is already something gained that the Communists have not so far tried to attack Matsu or Quemoy, and that the Nationalists have been persuaded by the Americans to abandon their raids against the mainland and to evacuate the Tachens.

Seen in this light, there is now a more encouraging undertone of co-ordination between British and American day-to-day pronouncements than there has been in the past. Leaving aside the specific question of the offshore islands, both regard a cease-fire as the essential preliminary to any further negotiation. And it is possible to regard the latest Eden and Dulles statements as complementary to one another. On the one hand, Sir Anthony was re-emphasising the British official view that there can be no sudden or complete solution to the Formosa problem, while at the same time holding out an olive branch to the Communists if they care to take it. On the other, Mr Dulles was warning Peking of the dangers of war, while also emphasising that neither the Americans nor the Nationalists would start it. In Delhi, Sir Anthony Eden found Mr Nehru much more willing than might have been expected to try to use his good offices with the Chinese, if both sides would give some prior indication of their willingness to renounce the use of force. In Taipei, where Mr Dulles was flanked by American service advisers during his recent discussions with Marshal Chiang Kai-shek and Dr Yeh, the Nationalist Foreign Minister, there were many hints of a gradual American reappraisal. The Nationalists were in fact considerably worried by the evidence that American thoughts were running in the direction of a possible compromise, which would involve the evacuation of Quemoy and Matsu and acknowledgment of the existence of two Chinas in return for a cease-fire and stabilisation of the situation in the Far East.

Against this background, it is certain that time will be required before even as provisional a settlement can be achieved over Formosa as those that were reached in Korea or Indo-China. Admittedly time could provoke impatience as readily as the intention of reaching agreement by peaceful means. But some pressure is always needed before the essential realities of a situation will be accepted, and if the present period of acute tension can be passed it may prove in retrospect to have been a turning point.

That it should do so will depend, however, on every party involved facing certain facts that they regard as disagreeable. British public opinion will have to be brought to accept the absolute necessity of understanding and in the last resort supporting the American point of view and the appalling consequences that would

follow if, in the last resort, America were not given the support that it has a right to expect from an ally. The Indians, as the spokesmen for free Asia, will have to admit and act on the knowledge that no settlement can be engineered to which the Chinese Nationalists are not a party. The Nationalists themselves will have to become reconciled to the fact that they will never get back to the mainland and that the offshore islands are therefore a useless millstone round their own necks. The American people, as well as their government, will have to admit the reality of two Chinas rather than one, with the ultimate corollary that the Peking regime is in due course admitted to the United Nations. And, above all, the Chinese Communists will have to acknowledge that they cannot capture Formosa without a general war. At one time these were all tall orders. But it is some measure of the encouragement that may be derived from the events of the past month, that nearly all seem less remote than they were.

Death of the Tsar

The death of Nicholas in this crisis of affairs is beyond doubt an event of the greatest moment. But it is of consequence that we should not exaggerate the influence it is likely to exert on the prospects of peace or war, nor mistake the direction and nature of that influence. Our great enemy is dead; but our cause is not therefore won; nor is it at all less important that we should win it. . . . The truth is . . . that the European, enlightened, or German party in Russia . . . do not desire to surrender the original object of the war. They desire peace because they see that "the pear is not ripe." They blamed Nicholas, not because they deemed him wrong, but because they deemed him premature. . . . The gradual absorption, the ultimate conquest, of the Ottoman dominions is the policy not of Nicholas only, but of all Russia—not of one man or one sovereign, but of the whole Empire. This is the permanent, unchanging universal purpose of the Muscovite nation. Now, is it with this PERMANENT policy we are at war, or is it not? Did we take up arms to say to Russia: "You shall not have Constantinople in 1855," or "You shall not have Constantinople ever?" If the former, there will be no difficulty in making peace, and no reason why we should not make peace at once; for Russia sees that she is baffled for the present, and is quite prepared *reculer pour mieux sauter*, and will probably consent to any terms that do not practically and obviously involve an abandonment of her grand, central, national idea. If the latter, we shall be able to come to terms with Alexander no easier than with Nicholas. . . . The whole matter will turn upon the interpretation which shall be given to "the cessation of Russian preponderance in the Black Sea." . . . The question lies in a nutshell. Can Russia consent to be incapacitated from carrying out her traditional and ingrained policy? . . . Can Great Britain terminate a contest, which has done little but unveil her weak points and her rusty weapons, by a treaty which shall only postpone to a future and probably less convenient period the unsettled controversy of today? With these reflections in our mind we have great doubts, even under the altered circumstances, whether Russia can yet accept the only terms which the Allies can offer.

The Economist

March 10, 1855

The Diamond Coast

A COMMISSION of inquiry has been appointed to investigate the recent riots in Freetown, the capital of the colony of Sierra Leone, and those events are now *sub judice*. But the background to the bloodshed in this quiet little tropical city, with its Victorian relics of the suppression of the slave trade, lies in the extraordinary situation that has developed in Sierra Leone's diamond industry. News of this has been reaching the world's press in snippets during the past year, and this week the problem was aired in Parliament; but the whole remarkable story has hardly yet been taken in. Diamonds have reproduced in this once-backward colony an African version of the Californian or West Australian gold rushes—with overtones of international crime and international politics. Sir Percy Sillitoe, formerly of MI5, has announced his plan to create an organisation for combating the illicit diamond traffic; and though he referred mainly to thefts from diamond mines, he was almost certainly thinking largely in terms of the rapid growth of an entirely illegal mining industry, with a selling organisation to match in Sierra Leone.

Twenty-five years ago, Sierra Leone, which consists of a small coastal area administered as a colony and a hinterland the size of Scotland administered as a protectorate, was a poor country subsisting mainly on exports of palm kernels and a little alluvial gold. With some difficulty the sluggish colonial government was galvanised into setting up a geological survey department, which was hurriedly axed with the onset of the depression; but in its few years of life it located enormous deposits of hematite and—in one of the remotest parts in the hinterland—diamondiferous areas. A Minerals Ordinance was introduced, and a monopoly of diamond mining was granted to the Sierra Leone Selection Trust, an offshoot of the Selection Trust group, which agreed to pay the colonial government a royalty and income tax together amounting to 45 per cent of net profits. The output of diamonds was not disclosed in the trade returns; and the only indication of the industry's contribution to Sierra Leone's welfare was a figure in the budget for mineral royalties and company income tax. Secretive though they have been, there has been no suggestion that either the government or the company have acted improperly. It was known that the diamond money was the largest contribution to the always indigent colonial Treasury.

No primary source, or pipe, of diamonds was ever located. The diamonds were, and are, found scattered in the gravel of the elaborate river system which carries the run-off from the mountains that divide the coastal area from the basin of the Niger. An area of 400 square miles round Yengema, in which diamonds had been proved, had to be more or less sealed up; and there the Selection Trust removed the overburden, washed the gravel, and carried the concentrate to a central plant that extracts the diamonds—winning at least 97 per cent of the mineral value of the earth treated, and getting probably 90 per cent of the stones present.

It was some time before the Africans realised the value of the stuff they dug. Thefts in the washeries were at first small. But this situation had begun to change even before the war. Some of the Lebanese traders began to add illicit diamond buying as a profitable, if risky, sideline to their business. It was impossible to

search workers with the same thoroughness as at Kimberley, for West African colonial policy is not *Baaskap*. But the real difficulty arose when the company had trained Africans so well that they started to go potholing for diamonds on their own account. The area was vast; a police and espionage network was created to counter the potholers; bitterness grew; tribal authority weakened; "strangers," men from other tribes who had ruined their land by overcropping or were fugitives from Chiefly justice, began to arrive.

The war, by raising the price of diamonds, by introducing more Western ways, and an influx of Western morality at the ports livened matters further. The Lebanese began to perfect their organisation of go-betweens who bought diamonds from the potholers; around their capacity to corrupt even the police, Mr Graham Greene constructed the plot of his book, *The Heart of the Matter*. Yet the illicit trade remained relatively small in terms even of Sierra Leone's diamond income.

But since the war, there have been new developments. The price of diamonds, both gems and industrial stones, has risen much further. Modern armaments require diamonds, and Russia has become a considerable buyer in the world market for illicit diamonds. It became convenient for the Lebanese of West Africa to set up their own supply-line to Beirut as a market for buyers from behind the Iron Curtain. Money began to



pour into Sierra Leone (though not into its Treasury), and corruption spread.

Meanwhile, the idea of a cash economy was also spreading fast under the territory's development plans; tribal discipline weakened further; population expanded and pressed on soil resources; a class of landless men, adventurous and undisciplined, grew. In 1951 a new constitution was introduced, giving partial self-government; and in 1954 the African ministry dismantled the efficient para-military police formation that had been built up in the protectorate (which, it should be recalled means the hinterland, as distinct from the colony), and handed law and order there over to the Freetown police. It is not too much to say that there is now almost no police in the remoter areas of the protectorate. And then, in 1953, Africans, potholing far and wide beyond the Selection Trust's proven area, began to find diamonds all down the Sewa-Bafi confluence of rivers.

★

It suddenly became clear that huge areas of Sierra Leone's complex river-system were diamondiferous. Thieving in the Selection Trust's own compound became totally unimportant compared with the snowballing output of a huge illegal private enterprise diamond washery. Today passengers on the cranky little railway can see the potholers at work as the train crosses the rivers. But the greater part of the industry is in secret places. The value of its output is believed to be well above that of the Selection Trust itself—perhaps £2 million a year. Between 10,000 and 30,000 "miners" are at work, sustained by an army of suppliers and an organisation for selling and smuggling the product abroad. The monopoly is smashed—probably beyond repair.

It does not follow that Sierra Leone is getting much good out of this access of wealth. For a diamond marketable legally for £100, the Lebanese buyer gets £90 on the black market; he pays perhaps £25 for it; of which go-betweens get fully £20, the "miner" perhaps £5. Nor is that all. For potholing ruins the deposits by picking the eyes out of them, so that winning the lower-value stones becomes uneconomic. African miners may get 50 per cent of the diamond value out of a pit driven into the gravel, but over an acre or so pitted illegally they win only 25 per cent; yet they so mix overburden and gravel that the cost of winning what remains rises (so the Selection Trust say) to uneconomic levels. An asset worth at least £1½ million a year to the territory for 25 years if mined in an orderly way (on the basis of proved reserves) is being ruined in a few years of wasteful production, to the ultimate impoverishment of a poor country and the enrichment of a few men who, in most cases, are not citizens of Sierra Leone or even of the Commonwealth.

Further, farmers are leaving their land to dig for this new cash crop; neither food nor exports are being produced on the scale planned. The price of rice is going up in the towns (at Yengama, for example, it is £8 10s. a bushel, far above the world price). Sierra Leone has even imported palm oil.

★

It is not going to be easy to find an answer. The African Ministers must take account of African opinion, which backs the potholers. Figures for the monopoly's operations came out after an African ministry took office. These showed that the average value of its diamond production in 1951-53 was £1,300,000 a year. It is a simple deduction from the company's tax payments that net profits are about £1,000,000 a year—a staggering contrast to the economics even of highly profitable iron ore production. Under the old agreement the Selection Trust paid £450,000 of such profits to the Treasury; under a new agreement of March, 1954, it will pay £600,000. In return for this payment of 60 per cent of net profits it received an assurance that illicit mining would be suppressed by police action; the administration would like this to happen. But it has not happened, as Mr Hopkinson admitted to the House of Commons this week; and now Mr Siaka Stevens, Minister of Mines and Commerce, is thinking of legalising the "private sector" on the Sewa River, in the way that has been done in the Gold Coast. African miners would be licensed but might have to sell to a central buying agency.

Who, however, in the present state of the Sierra Leone administration, in process of being Africanised, would operate and police any such scheme? The illicit buyer could still buy against the agency, and have the competitive advantage of not paying income tax. The destruction of a national asset would go on. The inefficiencies of Gold Coast African production are well known—but the Gold Coast's deposits are not nearly as valuable as those of Sierra Leone, where the proportion of big gem stones is far higher.

From all quarters of the world not-too-scrupulous operators are trying to buy the diamonds that are seeping through this breach in the defences of the world diamond organisation. The newly-opened Accra diamond market is certainly handling some of the traffic. It may not seriously threaten the world diamond price, since it is probably well under five per cent of annual supply; but it represents huge losses to the monopoly. And whether or not a private monopoly is an adequate means of realising Sierra Leone's diamond wealth—or the diamond wealth of any country—the long-term interests of its African peoples are being prejudiced. It would not be surprising if some of those responsible for policy were half hoping that the African finds will be quickly worked out, and that Sierra Leone will prove less diamondiferous than present indications suggest.

Belgium and the Wider Horizon

ALL too often, in recent public discussions of the Paris agreements on Western European Union, the points of view of the smaller countries involved, notably the Low Countries, have gone unnoticed. It has, in particular, been taken for granted that these countries—which ratified the now defunct European Defence Community before anyone else—would automatically favour the less rigid structure of Western European Union. It is true, of course, that Holland, Belgium and Luxembourg are overwhelmingly in favour of bringing Federal Germany into the Western European defence system; but they have their own views on the best method of achieving this end. It is important that these views should be understood and taken into account, if for no other reason than that the strategic position of these countries is vital to the West's defences. Belgium, specifically, lies athwart the main supply route to the British armies in Germany. The British base at Antwerp is the Tel-el-Kebir of the army on the Rhine. In addition, the concentration of heavy industry in Luxembourg and in the southern Belgian provinces is almost as tempting a plum for a potential aggressor from the East as the Ruhr, of which these areas are an appendage.

But the strategic factors, important though they are, are not the main reason why the viewpoint of the Benelux countries should be respected. As equal partners in Nato and in the proposed Western European Union they are entitled to have their voices heard. Moreover, everyone who regards the EDC, the coal-steel pool and Western Union merely as steps towards a larger objective—the ultimate integration of Western Europe—must now look to the Benelux group of countries as the standard-bearers of the "European" movement. It is worth while to consider the reasons for their particular zeal.

Why the flame burns so strongly in Holland was discussed in *The Economist* of December 18th. Similar factors and arguments underlie the attitudes of Belgium and Luxembourg. The Red Army lies uncomfortably close across the thinly garrisoned North German plain, and twelve German divisions in the western alliance could be a highly significant addition to the security of these small countries. Few Belgians have any illusions nowadays of being able to hold off an attacker by their own efforts. The belief that the Ardennes afforded a natural line of protection was finally exploded in December, 1944, by von Rundstedt's offensive, the tenth anniversary of which evoked considerable comment. But why are the Belgians and their Luxembourg neighbours, unlike the French, willing to overcome their apprehensions of a rearméd Germany—apprehensions which are deeply felt in the two countries? Their war-time experience of the Germans, the unprovoked attack on their neutrality, the humiliating and brutal occupation, are still vivid in their memories—as was shown by

the passions generated during the recent controversy with Spain over the activities of the former Nazi collaborator Degrelle.

Yet it is not hard to identify the real reasons for the contrast between the French attitude and that of Belgium and Luxembourg. One is the state of internal politics in the Low Countries. Belgium and Luxembourg have both enjoyed relatively stable government since the war; despite proportional representation and, in Belgium, the distractions of the "royal question," both have had the good fortune to be ruled either by single-party governments with strong majorities or by stable coalition governments. In Belgium, M. van Houtte's Christian-Social government had been in office for three years when the elections of last April were held. The swing then brought back into power the Socialist-Liberal coalition under M. van Acker, and restored M. Spaak, the champion of European integration, to the office of foreign minister. In Luxembourg government changes are phenomenally rare, and M. Bech, the distinguished elder statesman of European politics, has been foreign minister longer than most people can remember; he is now prime minister too. This continuity and stability of government have undoubtedly played a part in shaping a consistent attitude in Belgium and Luxembourg towards the German problem.

★

At least of equal importance is the economic factor. Belgium and Luxembourg have been joined since 1921 in a close economic union, and since 1945 both have by successive steps strengthened their economic links with the Netherlands in Benelux. But in spite of some remarkable progress, particularly in the last eighteen months, not even the most ardent supporters of the Benelux idea believe that it is a final answer to the economic problems of the Low Countries. They realise that their opportunities for further expansion and their true protection against the buffeting of adverse world trends can be found only in closer co-operation, or better integration, with larger units.

Though this goal is still far off, both Belgium and Luxembourg can look back on the past eight years with justifiable pride in their economic progress. Belgium wears its prosperity on its sleeve. Brussels is still the brassiest, most ostentatiously prosperous capital in Europe; and behind this facade there is much solid achievement. Industrial production in 1954 was 20 per cent higher than in 1950. Last year Belgium shared in the general expansion of production in Western Europe, though rather less conspicuously than its neighbours. Unemployment, a persistent problem, was higher in the earlier part of 1954 than at any time since the war, but fell sharply later in the year.

However, the comparative stagnation of new investment is a genuine problem. The Belgians have been tending to take out the fruits of their prosperity in increased consumption and higher living standards rather at the expense of modernising and re-equipping their industries. One result has been the steady shrinkage of Belgium's balance-of-payments surplus, until in 1953 it disappeared. There was some recovery in 1954, and with the aid of the valuable contribution of the Belgian Congo the deficit of the previous year was reduced to small proportions. With ample gold and exchange reserves behind it, the Belgian franc remains one of the soundest and most freely convertible currencies in Europe, and the government has seen no reason to turn its back on the liberal import policies which have been practised ever since the war. Parallel developments have taken place in Luxemburg, but there everything centres on the iron and steel industry, and the general stagnation which settled on all western European coal and steel producers in 1952-53 caused the Grand Duchy considerable difficulty.

The solution to these economic problems is twofold. It lies first in the expansion of markets, for the home demand is patently not big enough to sustain a considerable growth in the national income. For this reason both countries actively support such organisations as Gatt and the European Coal-Steel Community. Secondly, a solution depends upon the modernisation and re-equipment of industry and agriculture. The Belgian government has already taken steps to encourage

productive investment by means of subsidies, tax exemptions, and other incentives. Moreover, every incentive is offered to foreign investors to attract their capital both into the home country and into the Congo. The government is itself showing enterprise in tapping foreign capital markets. Recently a \$30 million bond issue was floated on Wall Street, the first issued there by a European government since the war. Simultaneously a loan of \$20 million was obtained from the World Bank. Both sums will be used for developing transport and waterways, notably by the construction of the huge new King Baudouin lock at Antwerp. In addition, as a practical outcome of the Benelux union, the Amsterdam capital market has been opened once again to the Belgian government and industry.

By such means Belgium and Luxemburg are trying to overcome their basic problems—smallness and comparative poverty in natural resources—by drawing on the financial resources of other countries and by modernising their industries and exporting the products, many of which are renowned for their high quality. At the same time Belgium is carrying out an extensive and costly development plan in the Congo which will pay useful long-term dividends. But a large question mark hangs over all these projects. What happens if world economic trends turn traitor? Here too, as the Belgians no less than the Dutch see it, the only safety lies in size. This is the basic economic reason behind their crusade for European integration; and it reinforces their inclination towards an effective European defence system.

Notes of the Week

An Execution is Arranged

IF Mr Bevan had not caught 'flu, he would now be out of the Parliamentary Labour Party. This is the simplest answer to those who believe that this expulsion cannot really be going to happen. Nothing could have saved Mr Bevan if the crucial party meeting had been held on Wednesday as originally planned; for when the news of the Shadow Cabinet's decision leaked out on Tuesday, Labour MPs were thrown into complete confusion. The "Keep Calm" group stampeded wildly, and it could not possibly have organised its usual compromise movement in time for a meeting on Wednesday morning.

The delay caused by Mr Bevan's illness gives the peace-makers a chance to get to work, but without much hope of

success. Mr Attlee himself is to move the proposal to withdraw the whip from Mr Bevan at next week's meeting of the Parliamentary Party; if the party rejects the motion, Mr Attlee and the whole Shadow Cabinet will resign. Wisely, Mr Attlee will base his case neither on technicalities about voting nor on differences about policy, but on the simple question of loyalty. This is a word that always sets the Labour geiger counter working overtime. The assembled MPs will almost certainly agree to deliver Mr Bevan's head.

The next stages will be more tricky. The Parliamentary Party's decision will be reported to the National Executive; and Mr Bevan's enemies on that body—they include the big trade union leaders—are already honing their axes, ready to lop him off the Transport House tree as well. An attempt will no doubt be made to prevent any vote in the Executive from taking place; but the probability is that this will not succeed, and that before the end of the month

Mr Bevan will have been voted out of the Labour Party as a whole. This expulsion will then have to be confirmed at the annual conference in October, and the summer will be made hideous by the cries of the pressure groups. The Bevanites will use all their influence in the constituency organisations and the Left Wing unions to try to turn the tables on Mr Attlee at the conference; and up to October at least—unless the leaders agree to a proposal to call a special party conference earlier—it seems clear that Labour will be a sitting target for a snap election.

Arthur's Seat

NOMINATIONS were closed last week for an office of the greatest national importance. Mr Arthur Deakin, who has been General Secretary of the Transport and General Workers' Union since 1946 and a dominant figure at Labour Party conferences for an only slightly shorter period, is to retire on November 11th. His power within the union has not rested solely upon his personality; as the national executive of the TGWU is a lay one, and as all its officials other than the general secretary are appointed instead of elected, that power is virtually enshrined in his union's constitution. His successor will not only inherit this constitution—which was originally tailored to fit Ernest

The Unions and Mr Bevan

MR BEVAN'S chances of avoiding expulsion from the Labour party have not been improved by the news that his final appeal court—the party conference—is being packed against him in advance. Mr Deakin has announced that the Transport and General Workers' Union is raising the number of members on which it is affiliated to the Labour party by another 165,000. Mr Tom Williamson is expected to follow suit and increase the National Union of General and Municipal Workers' affiliation by 250,000. This means that the two big general unions will together poll 415,000 more votes than they did at Scarborough.

Just how crucial are these extra votes can be seen by reference to the ballot for the treasurership last year, which gave a clear picture of Mr Bevan's personal following. He finished 2,300,000 votes behind Mr Gaitskell; but this defeat would have turned into a majority of 300,000 if he had won the 620,000 votes of the Amalgamated Engineering Union and the 685,000 of the miners. He was unlucky not to get the engineers, and will almost certainly do so this year; he has already, therefore, been concentrating on winning the decisive miners' votes. But now even if he were to get the miners' support,

which is admittedly unlikely, his 300,000 majority would be wiped out by the extra 415,000 from the general unions.

The fact that Mr Deakin and Mr Williamson can suddenly produce so many extra votes illustrates a peculiar feature of the financial relationship between the unions and the Labour party. In the average union all members who do not contract out from the political levy pay one shilling a year to the

THE BIG UNIONS' VOTES IN 1954

	Thousand Votes	
	Labour Party	TUC
Transport and General Workers	835	1,259
Engineers	620	810
Municipal and General Workers	400	790
Mineworkers	585	669
National Union of Railwaymen	327	378
Shopworkers	327	339
Electrical Trades Union	120	212
Woodworkers	123	196
Agricultural Workers	71	135

Note:—The Mineworkers affiliate more than their TUC membership, apparently by including their turnover of members during the year.

union's political fund. The union must then pay sixpence a year to Transport House for each member affiliated to the Labour party, but it does not have to affiliate its whole membership. It may receive 300,000 shillings, but only want to pass on 200,000 sixpences, keeping

Bevin—but also, as is explained in the inset below, an important influence over more than 1,250,000 votes at the Trades Union Congress and a round million votes at the annual conferences of the Labour Party.

The left-wing of the Labour party and the Communists have thus a common interest in trying to ensure that a general secretaryship of such importance does not fall into the hands of another right-wing leader. None of the six candidates who are to contest the election is a Communist, since the union's rules prescribe that no Communist can hold office. But there is at least one of the six who is said to be in favour of rescinding that rule, and so opening the gates to the infiltration that is the Communist party's declared aim. He is Mr Charles Brandon, secretary of the union's London region, and also chairman of the London Labour party. A mild man himself—and reputedly a Stracheyite in domestic politics—Mr Brandon repudiates Communist friendship; but he will probably get it none the less, as well as plenty of votes from his own region. Four of the other six candidates are likely to be also-rans. The real struggle therefore seems to be developing between Mr Brandon and Mr Jock Tiffin, who is widely regarded as Mr Deakin's man and who is as firmly on the side of moderation (except against Communism) as Mr Deakin himself. This election will come too late to have any effect on the present Bevanite crisis; but it will have a very important effect on the course of British trade unionism—and on the maintenance of the gains that both trade unionists and the country have inherited from Mr Bevin and Mr Deakin—during the years ahead.

the rest for its own political activities. As union practices vary, and as there is a certain coyness about revealing how many members "contract out," exact estimation of this stifled vote is difficult. But a comparison of the voting strengths of the main unions at last year's Labour party and TUC conferences suggests that the miners and the leftish shopworkers are fully affiliated; that the Electrical Trades Union, the engineers and perhaps the National Union of Railwaymen (all pro-Bevan) may have some votes in hand; and that the big general unions, even after affiliating another 415,000, will still have some sizeable reserves.

The morality of these manoeuvres may seem questionable—although it should be said that the main impetus behind the move for increased affiliations was financial, and that the way in which the direction of the union's block votes is determined is no less democratic than the way in which a few constituency activists can arrange to throw to the left thousands of inactive constituency members' votes. But the immediate implication is that the unions' votes seem destined to bar Mr Bevan's way, whether he is trying to move up the party ladder or to prevent himself being thrown off it.

The Saar as Stumbling-Block

THE Saar problem, as relentless as the Eumenides, has thrust itself forward again to bedevil the atmosphere on the eve of the final parliamentary debates on Western European Union in both France and Germany. Was this inevitable? The problem itself is genuine and all too familiar; but the heat now being generated is essentially artificial. Last October, after hard bargaining, M. Mendès-France and Dr Adenauer signed an agreement on the "Europeanising" of the territory which offered France as much as it could hope for, yet did not require Germany to abandon the Saar for all time. At the New Year the French Assembly approved these terms; and last month Dr Adenauer steered them through the *Bundestag*. If the Saar has now, at this late stage, again become a bone of bitter contention, it is not at the wish of either of the two governments. Both are beset by critics, not only of the opposition but also within their ruling coalitions, who see in the Saar dispute a perfect means of arousing nationalistic feeling.

The new chain reaction started when, in the *Bundestag* on February 25th, the harried Chancellor was driven to declare not only that the October agreement did not imply the permanent detachment of the Saar from Germany, but also that it would make obsolete the earlier assurances from Britain and the United States that they would support France's case for detachment. Yet the sparks did not fly at once. The *Quai d'Orsay* even added confirmation to Dr Adenauer's first statement by recalling that the October agreement provides for a further referendum in the Saar at the time of the final peace treaty. But the pressure mounted inexorably on both sides of the Rhine. A full week after the Chancellor had spoken, Herr Hoffmann and other ministers of the autonomous Saar government came to Paris, and after hearing their views, France's new foreign minister, M. Pinay, issued a flat contradiction of Dr Adenauer's reference to the British and American assurances. The chain reaction then accelerated; German representations in Paris reaffirming the statement in the *Bundestag* were countered by a still stronger declaration which proclaimed France's intention of writing the proposed Saar statute into the peace treaty.

Thus, by the beginning of this week, both governments had been forced into more rigid attitudes than either had sought; and Britain and the United States, too, were deeply embarrassed by the clamour that had arisen, particularly in Paris, for a precise restatement of their position. This demand took parliamentary shape on Monday, when M. Vendroux, General de Gaulle's brother-in-law, formally proposed that the French upper house should not debate the Paris agreements until the British and American attitudes had been officially clarified. It must be hoped that M. Faure will succeed in resisting this demand, much as he needs Gaullist support, for London and Washington cannot publicly redefine their positions—except in such cautious terms as Sir Anthony Eden used on Wednesday—without sharpening the controversy. Essentially this is a crisis of confidence, not a dispute over practical and immediate issues. In both France and Germany, ultra-nationalists and opponents of Western Union have deliberately focused on distant and hypothetical possibilities, diverting attention from the encouraging amount of agreement already reached

THE ECONOMIST, MARCH 12, 1955

about the Saar's immediate future. To tamp down, rather than thrash out, a sterile controversy over issues that cannot possibly be settled at any early date must be the best hope of preventing an eleventh-hour catastrophe for the whole project of Western Union.

Arab Leaguelet?

EGYPT has induced two other Arab states to join with it in announcing a new Arab military and economic plan. Jointly with the Syrians and the Saudis, it has this week issued a communiqué on "strengthening the Arab structure" by means of a joint military command to supervise training and war industries, a common Arab currency, a joint Arab development bank and an Arab economic council. If some concrete organisation emerges from these plans (all of which the Arab League has had on its agenda before now) the three countries will have Iraq to thank for shaking them out of years of lip service to praiseworthy aspirations.

The prospect of their fulfilment has hitherto been remote because of an unwillingness to pool funds as between states swimming in wealth from oil and their poor neighbours: now, an added handicap is the flimsiness of the foundations on which Egypt's shrunken league is built. One of them is mere pique with Iraq—a qualification for belonging to the new federation is to be public repudiation of the Turco-Iraqi pact; another is Egypt's own preference for ruling a clique, however small, rather than playing second fiddle in some larger group. Even the third article of faith, hostility to Israel, is flimsier than it might be, for the Egyptians have been basing their propaganda on the baseless tale that the Iraqis have acted as they have done because they intend to make a separate peace with Israel. Iraq has given not the slightest grounds for such an accusation.

With the Saudis, the success of these Egyptian arguments was obvious; Saudi Arabia traditionally supports any manoeuvre that lessens Iraq's shadow. With Syria, success was less of a foregone conclusion, but became surer after last month's change of government. Two of the three main parties in the present Syrian coalition—the National Party and the Socialist Ba'ath (Renaissance) party—are pro-Egyptian, and anti-western, respectively. But the majority whereby it holds office is not large, and many Syrians are averse to quarrelling with their two largest neighbours.

Lebanon and Jordan, although personally wooed for days by Major Salem, have yet to make up their minds about the case he put. But it would be a surprise to see either fall victim to his glib tongue.

Peers from the People

LABOUR has reacted boorishly to the Government's belated step in the direction of reforming the House of Lords. Lord Jowitt, after being mildly co-operative when the matter was last raised in January, this week indicated that after "soundings" in his party he felt that he must retreat again into the familiar Labour prejudice: he does not want the House to be made to look

THE ECONOMIST, MARCH 12, 1955

more democratic, for fear it might then become more active. Not only did he refuse to enter any talks, but he threatened at best criticism and at worst outright opposition. This was doubly disappointing, for as a gesture to Labour's doubts Lord Salisbury promised that legislation (which is now definitely to be put in hand) will deal only with composition, and not with the issue of powers on which Labour is so sensitive. Inevitably Lord Salisbury refused to say that the powers of the Lords would never be altered, for no Government can be expected to pledge itself to eternity.

Discussions will now take place between the Government and the Liberals. But with Labour standing aloof—quite apart from the time factor—there is unlikely to be much further activity in this Parliament. Nor can the topic easily be made into an election issue, for the ideas outlined by Lord Salisbury were too vague to be really controversial. Although insisting that the hereditary principle must retain some place in a reformed Lords, he pictured a House in which a limited number of hereditary peers—chosen perhaps by their fellows—would be joined by a number of life peers, "Lords of Parliament." How these life peers might be nominated Lord Salisbury did not suggest, nor did he commit himself about the introduction of lady peers. It still seems to be assumed, incidentally, that if Mr Smith becomes a Lord of Parliament, he should be called Lord Smith—although he can remain plain Mr Smith if he becomes a Lord of the Admiralty; it might be a help towards getting the right sort of people—especially from the left—if titles were not thrust upon any of these new members of the Upper House who do not want them.

Lord Salisbury was right to emphasise the importance of a fair proportion of younger peers and to accept the principle of peers being paid. But it was disheartening to find the peers following the dubious lead of the MPs and preferring the idea of a "subsistence allowance" to a straight salary. A reformed House of Lords will get away to a bad start if it adopts this evasive dodge.

London Pride—and Realities

AFTER a frustratingly long delay, during which successive Ministers waded through 7,000 objections, the London County Council plan has now received official blessing. The Minister of Housing has confirmed all the main features of the plan, which the LCC had set forth with unusual precision (hence the objections). But he has included a number of modifications, some trivial (such as his curious objection of modifications, some trivial (such as his curious objection of modifications, some trivial (such as his curious objection inspired by a commendable feeling for the city's splendour—notably his insistence that a worthier setting should be designed for St Paul's).

Mr Sandys's main amendments, however, show a certain ability to duck his own responsibilities while pursuing impeccable planning principles. He insists that the charm and character of Hampstead, Blackheath, and Dulwich should not be spoiled through more intensive building. He gently chides the LCC for not providing additional open spaces in the congested boroughs rather more quickly. His

largest adjustment is to cut down the area zoned for industry and commerce by 380 acres, on the perfectly sound argument that office and industrial building—the main cause of London's congestion—must be checked. Finally he hints that the LCC ought to spend rather more money on buying up old, vacated industrial sites—to prevent their reoccupation by incoming firms.

These are mostly desirable adjustments, but they expect too much of a local authority. The over-concentration of employment in London, from which all the LCC's headaches spring, is essentially a national problem. The Minister has slightly added to these headaches—about housing and open spaces, for instance—without promising effective relief. His adjustments cannot of themselves stop the possibility of an enormous increase in office employment, particularly in the City; and while they may slow up the relocation of badly sited firms, they will make it little easier for the LCC to prevent new industries from entering London or to pay for industrial dispersal. These are matters that only the Government can tackle, and Mr Sandys's excellent principles will make sense only if they are a prelude to such action. But are they?

Balkan Pact's Second Birthday

THE Balkan Alliance seems to be suffering from a slight malaise. This rather marred its second birthday, which has just been celebrated by a meeting of the Greek, Turkish and Yugoslav foreign ministers in Ankara, but it need not be regarded too tragically. The three countries were brought together by their strong mutual desire for protection against Soviet aggression. But having duly concerted plans to deal with this, they can hardly avoid the strains and stresses caused by such apples of discord as Cyprus, nor can they be expected to bring smoothly into line their differing outlooks on the international scene. Marshal Tito has recently returned from a trip to neutral India and Burma apparently more convinced than ever that blocs are wrong and independent "active co-existence" is right. Mr Menderes, on the other hand, has recently returned from a Middle Eastern tour designed to encourage the formation of a regional defence organisation that would have close links with the West. Thus the Turks (and the Greeks) continue to have no inhibitions about the military basis of the Balkan pact, while the Yugoslavs have turned somewhat coy about this and prefer to emphasise the economic and cultural aspects of the alliance.

But there is no reason to suppose that the foundations of the Balkan Alliance are being shaken by Yugoslav second thoughts; and in that case there is everything to be said for widening the basis of the alliance by closer economic collaboration and by setting up, as the three foreign ministers have just agreed to do, a tripartite consultative assembly. The Yugoslavs, however, will have to be careful that in their efforts to fit together all the pieces in the jigsaw of their foreign policy they do not destroy that basis of mutual trust and confidence without which any alliance is useless. It is encouraging to find that Marshal Tito seems to be conscious of this; in his speech to the Yugoslav National Assembly this week he was careful to draw attention to the military as well as the economic and cultural aspects of the Balkan Alliance.

Truth from Pontecorvo

PROFESSOR PONTECORVO'S brief encounter with the press was more revealing than it was meant to be. It had, of course, been assumed ever since his furtive departure from Harwell that he was serving the Soviet government, either voluntarily or as a result of blackmail or bribery. The professor tacitly confirmed this "slandrous speculation" at the exact moment that he sought to deny it. But he offered no explanation why he had been kept in hiding for over four years, or why he was suddenly produced like a rabbit out of a hat at this particular time; his audience was left to assume that such was the normal way of life for a Soviet scientist engaged on strictly peaceful research. His bland refusal to admit that Russia was developing any atomic weapons was downright ridiculous. So was his attempt to dodge the question, when asked whether his research might not ultimately serve warlike ends, by saying that the Russians had built the world's first atomic power station and that this "answered the question of direction."

Had the professor not read his *Pravda* that very morning? It had repeated Mr Molotov's recent boast that the Soviet Union had been "so successful in producing the hydrogen bomb that the United States has found itself lagging behind in some respects." Indeed, it is now a recurring theme in Communist propaganda for domestic consumption that the Soviet bloc leads the world both in nuclear and in conventional arms. What does that leave of the professor's argument about "direction"?

It is fairly obvious that his sudden *début* among the Moscow state puppets was timed to check the growth of mutual confidence on atomic matters between the United States and Britain, rather than in hope that his appeals would affect many scientists in the free world. The arguments he addressed to them held no water. Instead, the men who organised his appearance merely confirmed what was already generally believed: that Russia operates a lavish atomic energy programme that is not revealed in its budget, being in fact so secret that even to share in its less warlike aspects involves disappearing from the world: and that in Russia the wise scientist airs no doubts and asks his masters no questions. Professor Pontecorvo and his new comrades are unlikely to support the American nuclear scientists' proposal for an inquiry into the global effects of test explosions, for Marshal Bulganin has already rejected out of hand all idea of a general moratorium on tests. The Soviet scientist, as the professor portrays him, is a songless bird in a heavily gilded cage, accepting a country house, VIP treatment, and a secret £9,000 award in return for the surrender of his professional scruples and his independence of thought. It is a chilling self-portrait.

Realism in the ILO

IT would be a great pity if the mere presence of the Russians within the International Labour Organisation were to disrupt or paralyse the organisation. Fortunately, the ILO's governing body took steps last week to avoid this.

THE ECONOMIST, MARCH 12, 1955

It had before it a proposal for an inquiry into the possibility of amending the ILO's constitution so that workers' and employers' delegates who are not truly independent of their governments are excluded. The proposal was, of course, aimed at the Communist delegates, whose presence at recent ILO conferences masquerading as genuine representatives of workers and employers has aroused deep resentment. But trade unions that are not genuinely independent are not only to be found east of the iron curtain. The strict application of such an amendment would strike in some unexpected directions and could cause a major crisis in the organisation.

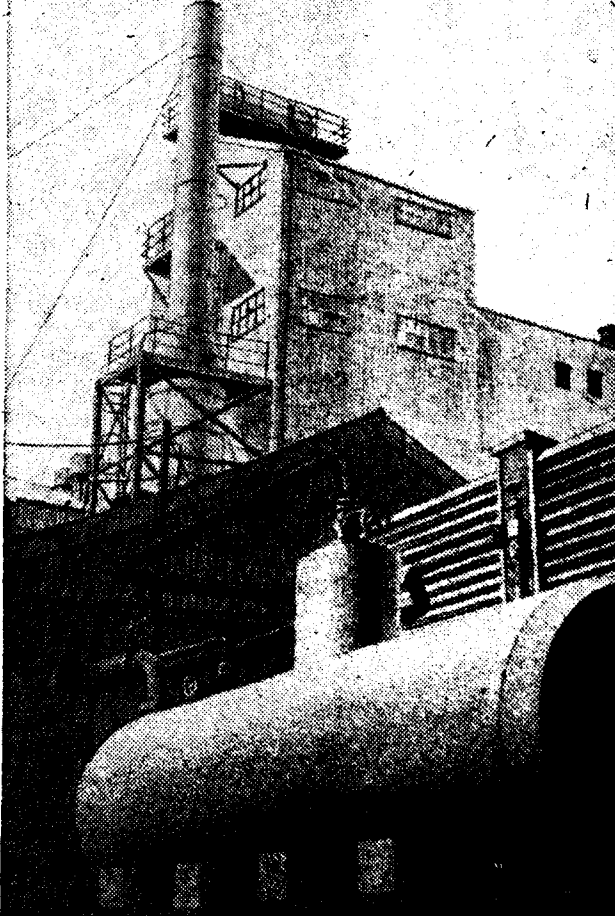
After lengthy discussions the governing body prudently decided to take no action on this proposal, but instead to call for an independent inquiry into the extent to which employers' and workers' organisations represented in the ILO are free from government domination and control. A hasty and ill-considered amendment of the ILO's constitution has thus been avoided. Moreover, the results of the inquiry are likely to be salutary if not altogether welcome in some quarters.

Action on another proposal, which was also primarily aimed at the Communist bloc, was postponed until May. The workers, supported by the employers, wanted a committee appointed to continue the work of the UN-ILO *ad hoc* committee on forced labour which produced an excellent and exhaustive report nearly two years ago. The government group, however, felt the proposal to be unwise, especially as machinery for dealing with forced labour practices does already exist. Its chief objection, however, was that an attempt to bring pressure through the committee on Communist governments to abolish forced labour would not only be wholly ineffective but might badly misfire. The Communists would simply ignore whatever the committee might do or say about their forced labour practices, while encouraging and engineering largely frivolous complaints against the "imperialist" colonial powers. Forced labour quite rightly arouses strong feelings; but it does no good, and may do positive harm, to be unrealistic about what can be done to stop it.

The Meaning of Treason

THE mood in which the House of Commons accepted Mr Philip Bell's motion to introduce a new Treason Bill was understandable; his Bill would make treasonable the giving of aid and comfort to the enemies of the United Nations when British forces are involved. But strong feelings do not necessarily make good law, and a private bill is hardly the right vehicle for changes of such fundamental importance. Mr Silverman's speech in opposition to the motion contained many false analogies, and seemed motivated by strong feelings over the rightness or wrongness of British intervention in Korea. But there are several respectable reasons for looking askance at this bill. The future of the United Nations is unknown and to make the assumption that it will constantly be facing enemies in the field with the forces of signatory nations is going too far. Equally, there is a very real difficulty about amending the law of treason to cover all cases in which, if British troops are in action, it could be a capital offence to give aid or com-

Marchon manufacture at Whitehaven
detergents and detergent raw materials
and sell them throughout the World



Marchon
PRODUCTS LIMITED
Head Office and Works: Whitehaven, Cumberland
London Office: 140 Park Lane, W.1



PROGRESS IN ELECTRONICS

Despite its innumerable applications, the magnet is still popularly associated with its use as a navigational aid. This is perhaps not surprising when one considers that the earliest experiments in magnetism were connected with the compass and its use in navigation.

It is said that the Chinese were using a form of lodestone compass in B.C. 2637, but the experimental study of magnetic direction finding devices really began in A.D. 1000 and reached something of a milestone in the 16th century with the work of Dr. Gilbert, who was physician to Queen Elizabeth.

It is only within the last twenty years, however, that revolutionary advances have been made in navigational aids. Radar was, of course, the most important of these advances and it owed its successful development to the invention of an electronic tube known as a magnetron, and this device, in turn, depended for its efficiency upon the "Ticonal" permanent magnet—an alloy having great field strength, stability and uniformity.

Mullard's work in the field of magnetic materials has been particularly outstanding. In addition to "Ticonal" permanent magnets, two other materials now in quantity production are Magnadur, a non-metallic permanent magnet, and Ferroxcube, a non-metallic H.F. core material. These materials are contributing to important developments in other electronic applications such as television receivers and line communications equipment.

Progress in magnetic materials continues, and through this the future may well see developments of equal significance to those which have gone before.

Mullard

MULLARD LIMITED, CENTURY HOUSE, SHAFTESBURY AVENUE, LONDON, W.1
Factories at: Blackburn Fleetwood Gillingham Hove Lytham-St. Anne's Misch Padstow Ramenstall Waddon Wandsworth Whyteleafe

MPS 1

it has not made any of the experiments in adapting existing warships for missile delivery that the American Navy has made. On these and many other points, Opposition speakers scored direct hits. The responsibility for the delay in starting missile production lies more with the previous Government than with the present one; but the present Government has not done well. On the design and delivery of naval aircraft the critics also had things very much their own way.

The possibility of reducing the period of national service was talked out in Parliament. Both sides agreed that a larger regular army was desirable, but as Mr Head incontrovertibly argued that large increases of pay would cost the country a great deal and—less convincingly—that they would not raise the Army's strength above its average figure over the last few years, the Army's future was left almost in exactly the equivocal position revealed in the White Paper. Mr Head will improve conditions, but everything else will cost too much—yet he produced no estimate of the comparative costs of alternative courses of action. It cannot be said that on this, as on the other questions, the debate elicited satisfying answers to vital questions. Like the White Paper itself, they were couched mainly in the future tense.

European Brown Study

WHEN the Economic Commission for Europe meets in Geneva next week for its annual session, it will have before it the reports of some eight committees, but, as usual, the taking-off point for its central debate will be the "Economic Survey of Europe" for the past year, prepared by its secretariat. In the survey of 1954 there is no undercurrent of the zealous conviction that made some of its predecessors more stimulating and controversial; but at least the authors have laid aside the mantle of gloom in which they have previously been wont to wrap themselves when examining the health of Western Europe. The stagnation which, in previous years, they saw wherever they looked appears in retrospect to have been rather a series of distinct but overlapping setbacks, following the Korea boom, first in textiles, then in engineering products, and somewhat later in coal and steel. The strong increases in production and trade that have characterised Western Europe since mid-1953 are described, perhaps rather grudgingly, as "the normal resumption of an upward trend after the recessionary tendencies in particular fields have worked themselves out."

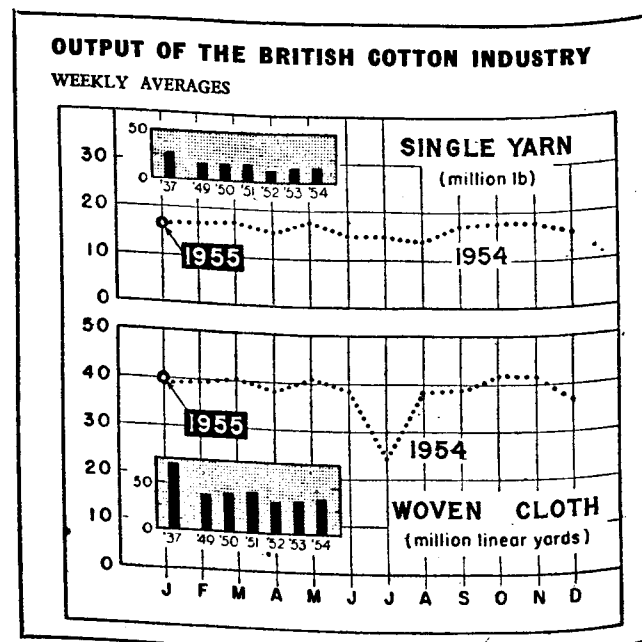
When the scene shifts to Eastern Europe the whole tone of the survey switches, as is now customary, from one of economic analysis with no punches pulled to one of flat description with the really awkward questions left unasked. The authors can do little except recite national plans and piece together guesses about whether targets have been hit or not; and the frequent references to greater emphasis on consumption as a new motivating force in the Soviet sphere now strike strangely on the ear. But an illuminating picture is sketched of the radical change in Eastern Europe's trade pattern since the war. Today trade within the region accounts for four-fifths of the total, and the position of the Soviet Union is dominant, with China now emerging as its most important trading partner.

If the 1954 survey has any message to give, it lies in the emphasis which, as last year, is placed on problems of development, and particularly on the need for governmental action to reduce regional disparities within countries, with France as a specific example. Several dying misconceptions about the techniques involved are knocked on the head, and some sound points made as to the ingredients of a development programme. But the authors recognise that in this field there are few opportunities for international action. It must be for the member governments to decide how fruitful further ECE investigations of the subject can be.

Two Legs Good, Four Wheels Better

HERR GROTEWOHL, the prime minister of Eastern Germany, has bought at the Leipzig trade fair six ciné-cameras, at a total price of £1,000, and a "red, low-built British sports car." This is frivolous, bourgeois stuff. When Herr Grotewohl takes to the road (in corduroy cap and hound's-tooth sports jacket?) the reaction of the hard-pressed people of Eastern Germany must resemble that of the inhabitants of Animal Farm when they first saw the crates of beer being carried into the farmhouse for the pigs.

There have also been murmurings among French Communists at the revelation that their general secretary, M. Maurice Thorez, is living in a £28,000 villa, bought from party funds, next to the Aga Khan's property outside Cannes. Party headquarters quickly explained that this involves no personal privilege, but that "it was in obedience to a party decision that Comrade Thorez agreed to live in a southern villa." In the past there has been head-shaking among French comrades over the size and magnificence of their leaders' limousines, but the answer to that was that a democratic Renault or Citroën would not carry the necessary weight of armour plate. There is, however, an incongruous flavour about red, low-built sports cars and villas on the Côte d'Azur. A Marxist twist is being given to Veblen's theory of conspicuous consumption.



Equal Pay for Teachers

LAST week brought victory to the National Union of Teachers (two-thirds of whose members are women) after thirty years' struggle in the cause of equal pay. Until last year the local authorities' panel of the Burnham Committee had consistently rejected equal pay, not only in practice but in principle. But now that the Treasury has agreed to the gradual implementation of equal pay for women civil servants, the teachers were bound to be offered a broadly similar scheme.

If the Burnham Committee's constituent associations ratify the proposal and the Minister of Education sanctions it, equal pay for teachers will be introduced in instalments over a six-year period from May 1st this year to April, 1961. Its total cost when completed is estimated at about £17 million a year for the whole country, of which local authorities will have to find about 40 per cent. Together with higher salaries for advanced work, this is certain to have repercussions on fees in independent schools, most of which pay mistresses little if anything above the Burnham scale. It will presumably also affect fees in those girls' schools that get a direct grant from the Ministry—and that have hitherto been in a favoured position compared with boys' schools, since the direct grant is £28 5s. per pupil, whether for a boy or girl.

The announcement was not received with unqualified jubilation in the teaching profession. The National Union of Women Teachers is "highly indignant" that women teachers should have to wait another six years before the scheme is fully operative. Schoolmasters, on the other hand, apart from some in the National Union of Teachers, may be theoretical justice in their claim that the schools, long run mean that men will be paid less than they would otherwise have received. This is probably true; and there may be theoretical justice in their claim that the schools, like the universities and the armed forces, should pay occupational family allowances—preferably from central funds rather than from the rates, lest married men should find it more difficult to get jobs.

Copperbelt Cross Currents

TWO months ago it looked as if there might be a head-on clash between the European miners on the Northern Rhodesian copperbelt and the companies that were pressing them to agree to a measure of African advancement to skilled jobs. Rhodesian Selection Trust had given notice to terminate the agreement that enforces the industrial colour-bar. Then the African mineworkers struck *en masse*—not against the colour bar, but for an all-round increase of wages. The European mineworkers declared this object legitimate, and undertook not to do African jobs. A week or two later they changed their minds, and with their aid and that of non-union African labour the companies kept production going. The Europeans then voted, if narrowly, in favour of some scheme of African advancement, and the Selection

Trust withdrew its ultimatum. The African strikers kept good discipline, but finally, under the guidance of an English trade unionist, Mr Ronald Williams, gave way. The companies, with the advancement agreement almost in their pockets, and with law and order intact, thought to calm the whole situation by taking back the striking Africans, whom they had dismissed, on their old conditions.

Now, however, there is an upsurge of protest from the white mineworkers. The cry has gone up that the companies have handled the Africans with dangerous weakness, and there is a call for a new ballot on the subject of advancement—to reverse the earlier decision. If this went through, the situation would be restored to the deadlock of last December—when, convinced that if labour relations were to be safeguarded advancement must be pushed through, the Selection Trust gave notice to terminate the labour agreement, even breaking with Anglo-American to do so. It is, however, probable that the outcry among the white unionists comes from the section of them that has been opposed to advancement all along. It was their desire to see the African union smashed that led to white miners doing some African jobs.

It is to be hoped that the more liberal white mineworkers will stand firm, even though the discipline and solidarity of the Africans may have frightened them too. For the moral of the tangled story is that industrial relations are hardening fast on lines of black-white animosity. This would be the worst possible outcome; the very one that the companies are anxious to prevent. Only by creating a ladder of African advancement, putting meaning into professions of partnership, can it be prevented. But the copperbelt disputes have revealed an attitude on both sides that is far from propitious.

The Concentrated Press

THIS year will see the centenary of the repeal of the newspaper stamp duty, one of the most important events in British newspaper history. It made the penny daily possible and gave a tremendous fillip to newspaper demand. In a lecture to the Manchester Statistical Society this week Mr A. P. Wadsworth, editor of the *Manchester Guardian*, traced the emergence of the complex modern newspaper from the tightly crammed news-sheet of a century ago.

In Britain the choice of newspapers is comparatively limited—fewer dailies are published than, for instance, in Mexico—but they are read more widely than anywhere else in the world. Although the small size of the papers means that newsprint consumption per head of population is relatively small, the daily circulation of morning and evening papers (615 per 1,000 people in 1952) far exceeds that of any other country. The average circulation of each paper is as much as 254,000; in the United States it is less than one-tenth of that.

The accompanying chart shows the remarkable way in which a few national dailies in this country have captured the mass market. In 1800 no paper had a daily circulation of more than 5,000; in 1855 none had more than 50,000. Today the circulation of one—the *Daily Mirror*—is

approaching 5 million. Mr Wadsworth, at the end of his researches, finds that "on the whole it is not a picture." He deplores the passing of the day—

5 CIRCULATION whole-hearted millions of readers for his open-minded approach. The book stands out as an important contribution to the theory and technique of inflation. *Financial Times*. 30s. net

FEDERALISM, FINANCE, AND SOCIAL LEGISLATION

In Canada, Australia, and the United States

BY A. H. BIRCH
35s. net

ENGLAND AND THE SALT TRADE

in the Later Middle Ages

BY A. R. BRIDBURY
21s. net

THE ECONOMIC DEVELOPMENT OF JAPAN

Growth and Structural Change, 1868-1938

BY WILLIAM W. LOCKWOOD
Published for Princeton University Press
63s. net

OXFORD UNIVERSITY PRESS

The Commonwealth and the Sterling Area

74th Statistical Abstract

Provides a comprehensive picture of Commonwealth and Sterling Area Trade. It bridges the gap between national and international publications in that it enables the trade of the individual countries to be brought together and viewed as a whole. 15s. (by post 15s. 8d.)

Commonwealth Relations Office List 1955

A valuable reference work for writers, commentators and students, containing authoritative information on various aspects of Commonwealth affairs. 21s. (by post 21s. 5d.)

Colonial Reports

Recent issues in the series—Barbados, 1952 and 1953; British Honduras, 1953; Fiji, 1953; Grenada, 1952 and 1953; The Gambia, 1952 and 1953. Each 4s. (by post 4s. 1½d.)

H.M. STATIONERY OFFICE

York House, Kingsway, London W.C.2; 423 Oxford Street, London W.1. (Post Orders: P.O. Box 569, London S.E.1); 13a Castle Street, Edinburgh 2; 39 King Street, Manchester 2; 2 Edmund Street, Birmingham 3; 109 St. Mary Street, Cardiff; Tower Lane, Bristol 1; 80 Chichester Street, Belfast; or through any bookseller.

Books & Publications

The Urban Leviathan

GREAT CITIES OF THE WORLD: *their Government, Politics and Planning*. Edited by W. A. Robson. Allen and Unwin. 693 pages. 63s.

THE idea behind this book is an excellent one. It is that the world's largest cities throw up problems, political and administrative, which cannot be subsumed under the conventional title of "local government." The relation of a capital city to its central Government has always posed some delicate issues, and the old dictum that "Paris is France" has its modern near-equivalents in many countries. But the distinctive modern problems of big city politics, services, and organisation are of recent origin—the product of a stupendous and rapid massing of populations in a few giant urban centres. The population of Greater London exceeds that of fourteen European countries, that of New York city alone (the metropolitan area is far larger) surpasses all but five of the 48 States, and in most advanced countries the principal city contains from 10 to 25 per cent of the national population. Fabulously quick growth has added one and a quarter millions to Los Angeles county in the last decade (the same increase as for all Australia), and has brought such Asian cities as Bombay and Calcutta well past the two million mark.

Professor Robson and his collaborators thus had a rich mine to explore. The book consists of a long introductory essay by the editor, followed by individual studies of twenty particular cities, nine of which are national capitals. Their selection has been partly governed by the problem of finding suitable contributors. The list includes nine European cities, three in the United States, two in Canada, two in Australasia, two in India, and two in South America; Berlin and Tokyo had unfortunately to be omitted because their government was distorted by the presence of occupying forces, and no author could be found to essay an African or Chinese city. The majority of the world's larger cities are covered, along with one very much smaller—Wellington, in New Zealand, whose inclusion can be justified because it provides a useful study of metropolitan growth in its infancy.

The editor has tried hard to persuade the contributors to follow a uniform approach, by asking each to describe the form of government, the politics, and the town planning (or lack of it) of his city. This arrangement is of great value

to the student of comparative public administration, although the treatment of politics and town planning in the various studies is very uneven. From the viewpoint of the more general reader, the interest of the studies varies widely. Those authors who dive straight into administrative and political machinery make heavy reading; whereas those who have attempted to relate their city's problems to its history, people, and general character have produced some fascinating studies—notably Professor Tugwell on New York, Sr Rios on Rio de Janeiro, and Mr Wildschut on Amsterdam. One major difficulty is to bring the problems of a big city to life within a framework of 40 or 50 pages, and it is no insult to the present book to suggest that it confirms the need for more full-length studies such as Mr Robson's own "Government and Misgovernment of London."

With one exception, all the studies dwell on the dismal condition of big city government. In some cities the main problem is political corruption and the inefficiency of the municipal service; in others it is functional inadequacies and the disorganisation of local government. The apparent exception is Moscow, of which Messrs Hookham and Roger Simon provide an account that manages to be both very informative and very naive. Otherwise the situation is summed up in the editor's conclusion that "The great city is struggling along with an out-of-date structure vainly trying to grapple with mounting difficulties."

In his general essay, Mr Robson puts particular emphasis upon the failure of big cities to expand their boundaries and the emergence of the "metropolitan area" or "conurbation" (the names used respectively by the United States and United Kingdom Census), with its bewildering number and variety of separate governmental units, as the real urban entity of today. For instance, New York City with its eight million inhabitants is much the largest local government unit in the world, yet it still covers only a small part of a rapidly expanding "metropolitan area" containing several hundred municipalities. All over the world there have been numerous attempts to set up a new form of metropolitan government, with a novel distribution of functions, with no success at all until the recent passage of the Metropolitan Toronto Scheme. It is a pity that the essay on that city does not set out more fully the causes and prospects of this interesting experiment.

One-Volume Lincoln

ABRAHAM LINCOLN: *the Prairie Years and the War Years*. By Carl Sandburg. Cape. 776 pages. 45s.

CARL SANDBURG's six-volume life of Lincoln, the first two volumes of which appeared in 1926, is the most moving and poetic of the many books on that enigmatic President. It is poetic, not in the sense of being ornate or romantic, but in its imagination, its understanding of the divided human heart, its vivid pictorial quality when dealing with Lincoln's youth on the frontier. Not only is Mr Sandburg an authentic poet; he also grew up in a small town in Illinois when the first-hand memory of Lincoln was as alive as is the memory of George V in England today. It is no wonder that his book has a rare quality; nevertheless, there were two drawbacks to the original six-volume version.

First, it was too long—especially the last four volumes which dealt with Washington and with the Civil War seen from the White House. Here the author's boyhood in Illinois was of no help, and his insight was less acute when dealing with diplomatic and military history than when dealing with the troubles and uncertainties of a young pioneer.

Second, the volumes were planned and for the most part written just before the recent flowering of Lincoln scholarship—before it was possible, working from secondary sources, to distinguish reliably between legend and fact. The long-withheld Lincoln papers have now at last been opened; a new edition of the works has made the earlier edition look shoddy; brilliant special studies have shown that many of the old fables were untenable. It has been a question, not so much of lighting up the canvas as of removing from it layer after layer of misleading colours which had been put there by worshipful amateurs. Mr Sandburg wrote just too soon to take advantage of this picture-cleansing.

Neither of these criticisms, however, applies to the new one-volume edition. The book has been cut from about twenty-five hundred pages to about seven hundred and fifty. The freshness and the special awareness of the poet remain; the detail which has been lost is better left to the monographs of professional scholars. And before preparing this new edition Mr Sandburg steeped himself in all the latest studies of Lincoln. If he still retains an affection for some of the more pleasing myths, he at least makes it clear that he knows the arguments which can be brought against them.

Ann Rutledge is an example. Little is known about her, but much has been imagined. In 1926 Carl Sandburg made Ann's untimely death a major tragedy of Lincoln's youth and the explanation of an almost Baudelarian morbidity. "The rain and the storm shan't beat on her grave," Lincoln is said to have cried on a bitter November night; "I

can't bear to think of her out there alone." And we are told that when he recovered from this loss "he was a changed man keeping to himself the gray mystery of the change." So far as we know this is all fantasy: the brain-child of the mythopoeic citizens of New Salem where Ann Rutledge lived became engaged to a man other than Lincoln, and died suddenly while her fiancé was absent. Yet Mr Sandburg, who clearly knows what the rude hand of research has done to the shadowy figure of Ann, cannot quite give her up. He retells the story in terms of "probably they formed some attachment"; "possibly they loved each other"; "there seemed to have been an understanding"; "no one later seemed to know." This is harmless and un-misleading, and in fact it adds to the very great charm of the book. No author has ever been more in love with his subject than Mr Sandburg. If a local rumour about Lincoln appeals to his imagination, he feels (perhaps rightly) that it must contain a grain of truth.

The most important short scholarly book on Lincoln, which includes all the new material, is by Benjamin Thomas and was published in 1952. Endearingly, in his bibliography, Carl Sandburg writes: "I told him [Thomas], 'If or when I get written or published a one-volume Lincoln, I hope and believe the two books will stand on the Lincoln shelf as good companions supplementing each other.'" This is precisely what they do: for the poetry, Sandburg; for the prose, Thomas; for the truth, both.

Ruler of Bulgaria

ALEXANDER VON BATTENBERG. By Egon Caesar Conte Corti, translated by E. M. Hodgson. Cassell. 330 pages. 30s.

THE history of the House of Battenberg is full of colour and incident. They came to the fore at a time when a country's ruler might be selected casually by representatives of the great powers during an evening's entertainment. They were uncommitted, cosmopolitan, personally attractive, and obvious candidates for a diplomatic marriage or a vacant and difficult throne. This is how Prince Alexander was sent to Bulgaria, a new state which emerged out of the Congress of Berlin in 1878. It was not an easy post, for in Bulgaria the interests of Russia, Austria and Turkey most directly conflicted. Alexander managed to stay for seven years, pulled this way and that in the criss-cross of Balkan politics, until he was removed by revolution.

It is a severely political theme, and the attempt in this book to work in some love interest as sugar coating is not successful in combination. Nor does the personality of Alexander come through properly in the round. He seems to have been an interesting character, with some oddities of personality, and to have been capable of arousing

Harrods

CHILDREN'S LIBRARY

Children need books as they need food.

A library subscription satisfies that need at minimum cost.

At Harrods all the newest books as well as the old favourites are available for those aged six to sixteen.

Books can be sent anywhere by post and there are special Group Subscriptions for School Libraries, etc.

Write for Children's Library Prospectus

HARRODS LTD LONDON SW1

BOOKLISTS 1955

We are happy to send, free on request, our recent catalogue

of Standard Textbooks, together

with booklists covering Economics

and allied subjects, specially

compiled for us by some of

the leading publishers.

The Economists' Bookshop

11-12 Clements Inn Passage

Aldwych, London, W.C.2

great affection. Yet his views seem shallow and starchy. So often he was spineless, tactless and politically naive. His position inevitably made of him a lonely, misunderstood person. The setting is right for human tragedy, but he was not the man to make it tragic on the grand scale.

This impression may have arisen because the writer keeps too much on the surface of events, with too much oversimplification of motives, and too much concentration on the trivial, the incidental and the coincidental. This is history seen in black and white, without showing any critical sense over its sources, and always taking the published statements of diplomacy at their face value. Bismarck is a stereotyped villain, without *nuances*; Alexander is a hero without blemish.

A number of interesting questions are left over: for instance, what was the extent of Bulgarian nationalism and what were the forces that upset the Battenberg dynasty in 1886? One wonders whether Alexander's private aim was not to defy his patrons and become Tsar of a Greater Bulgaria, and perhaps in doing so he had the interests less of Bulgaria than of the House of Battenberg at heart.

Quills and Arrows

LAW AND DISORDERS.

By C. K. Allen.

Stevens. 169 pages. 10s. 6d.

THIS is a collection of essays, mostly reprinted from the *Spectator*, written by a lawyer of independence of mind. The tradition of legal humour is not very old, as traditions go, but it is modestly established. Lawyers are professionally obsessed with words; to them words can become terms of art, be labelled and given exact meanings, regimented and set in patterns as rigid as a crystal. Legal humour flourishes on inversion. There is the inversion of applying the heavy solemnity of legal phraseology to the simple situation; but lawyers also tend to be ponderous, and to spin the trivial into a true divertissement, in the manner of a *Times* fourth leader, is often beyond their powers. But there is also the inversion of applying the legal form to an idea, to a custom or to a deep-seated myth, and from that may come true irony. Then the pen of a lawyer may leave a deep and abiding mark in the mind.

Sir Carleton Allen has a reputation as a critic of the apparatus and methods of the modern state. Like all good lawyers he is concerned over freedom and free will, over individual responsibility and individual justice, over the pretensions of the bureaucracy and all that apathy may let slip to the encroachments of life by regulation. Not all the essays in this volume are concerned with this theme or use irony as an implement. Since the lawyer is so close to life (although he may see it through a professional lens) a well arranged account of almost any legal action is unlikely to be dull. In this collection there is the story of the per-

sistent litigants, William Shedden and his daughter Annabella, which is both fantastic and pathetic. But more than half of the articles reprinted here are a continuation of the battle between the lawyer, who starts with the individual, and the civil servant, who starts with the principle. 'Brave New Jelly,' for instance, is an account of the bland arrogance of the civil servant who not only believes that he should define in parliamentary language when a jelly should set but also imagines that he can find words adequate to the task. It is more than good fun; it is well-directed ridicule, and the angry, uneasy laugh forced from the reader is the author's best reward. Nor does Sir Carleton turn a blind eye to his own profession. Few lawyers will read 'Nobody Loves Us' without some protest, and a few may go on to ask themselves why they protested.

If there is a criticism to be made it is that the author is not sufficiently indignant. Urbane comment on the transient case leaves no shadow and does not deserve to be given a fourth dimension in time. Anger can make irony hurt, and if the just are not prepared to hurt the unjust they should keep out of the lists.

The Arctic North

UMIAK!

By D. W. Gillingham.

Museum Press. 222 pages. 16s.

THE Eskimos use the word Umiak, meaning a boat. They may mean by it a blunt, bulky boat made of seal skin. They may equally mean a steamship with icebreaker bows.

Canada's Arctic North is the land of the Ice Age. Its people have moved within a man's memory from the ivory age of the walrus tusk harpoon to the steel age of the rifle and the steamship, and on into the air age. By the turn of the century, in the great "poor man's rush," 100,000 men from all over the world beat their way to the creeks of the Klondike to take out 100 million dollars worth of gold. Now aeroplanes, bringing the emissaries of the great companies, alight like birds where gold or uranium has been found. It is the day of the rich man's rush. But these ages have not supplanted each other; they exist within each other in this great silent wilderness. And behind the sorties in search of precious metals, or the northern manoeuvres of Canadian armed forces, there is the work-a-day life of scattered groups of men in trading posts, police posts and mission posts whose tenuous contact with the outside world is by sea.

The writer grew up in a Vancouver that Joseph Conrad might have described, its waterfront life unchanged since the Klondikers blew their winnings there. He signed on with the *Baychimo*, a steamship of the Hudson's Bay Company. That voyage was in 1925, and the big ungainly vessel was the first steamship, and only the third ship in history, to enter the North West Passage from the westward. This is the

THE ECONOMIST, MARCH 12, 1955

story of their ship during the six years when the ice allowed her its sufferance and she plied to the northern posts that lie on the frozen rim of the world, landing men and stores, and running south with their harvest of furs. But the ice-fields have a strength which no vessel can withstand, and a demon unpredictability which no instrument can foretell. Her turn came in 1931, when the ice closed in on her and her crew fled ashore for their lives. She did not sink immediately like a broken egg shell. The ice, as if to vaunt its captive, carried her hither and thither, and in the ensuing five years she was seen many times, till the ice grew tired of her and released her to her grave.

The author tells his tale with great charm, behind which is the longing for the simpler, sturdier age of the North when he first knew it. But the fundamentals of existence have not changed there. The bulk of supplies must come in by ships and the ice pack still has the last word.

Jumbled Portugal

PORTUGUESE PANORAMA.

By Oswald Blakeston.

Burke. 224 pages. 18s.

"ON a Portuguese holiday," writes the author, "things should be rather jumbled and holidayish." Evidently a man of principle, Mr Blakeston has given his book these two characteristics. Paraphernalia would be a better description of the result than panorama. This chatty, readable tourist's tale contains all the superficial elements in Portuguese life (though one would not divine that from the odd little index, which is perhaps best dismissed as an intentional joke that did not come off). *Fado* singing and padded bullfights, the steep hills to which the Lisbon trams cling apparently by their eyebrows, the tartan trews of the Nazaré fishermen, the tower of Belem and *vinho verde*, they are all here.

Mr Blakeston has discovered that Oporto goes early to bed and that most Portuguese churches are overpowering but alike: these are certainly two pieces of information worth passing on to other intending visitors. He and his travelling companion were enterprising enough to break away from the Barchester English of Praia da Rocha and drive out to Cape St Vincent along the windswept road past the crouching fig trees; and they were fortunate enough to be invited to the *Circulo Eça de Queiroz*, though Mr Blakeston might have repaid that hospitality more graciously than by tersely dubbing the author whom the club commemorates "a Portuguese Zola." But his political judgments are as sweeping and jejune as his account of the British club in Lisbon is charitable. He is, of course, unlucky in following so closely in Mr Sitwell's literary footsteps. It may be assumed, however, that Mr Blakeston is not a contender for serious honours, but seeks only to offer some easily read, and easily written, entertainment.

THE ECONOMIST, MARCH 12, 1955

THE STORY OF THE R ROBINSON GROUP



Connoisseurs of fine printing

Small Victorian boys noisily 'swapping' cigarette cards did not know that they were collectors of some very fine examples of early colour printing. Cigarette cards began as illustrated stiffeners for paper packets of cigarettes. Robinsons of Bristol printed many colourful and now valuable series, perhaps the most famous among the earlier ones being 'V.C. Heroes of the Boer War' for Taddy's. Cards, almanacs, posters and showcards, led to colour printing for packaging, in which field Robinsons

are today among the leaders. Beginning in 1844 with the supply of wrapping paper to grocers, the business had grown to embrace the manufacture of paper bags, and folding cartons and boxes. Many more innovations were to follow—multi-wall paper sacks, and highly specialised packs for every conceivable purpose.

In these and other developments, Robinsons have led the way, and today are one of the largest groups in the world specialising in packaging and colour printing.



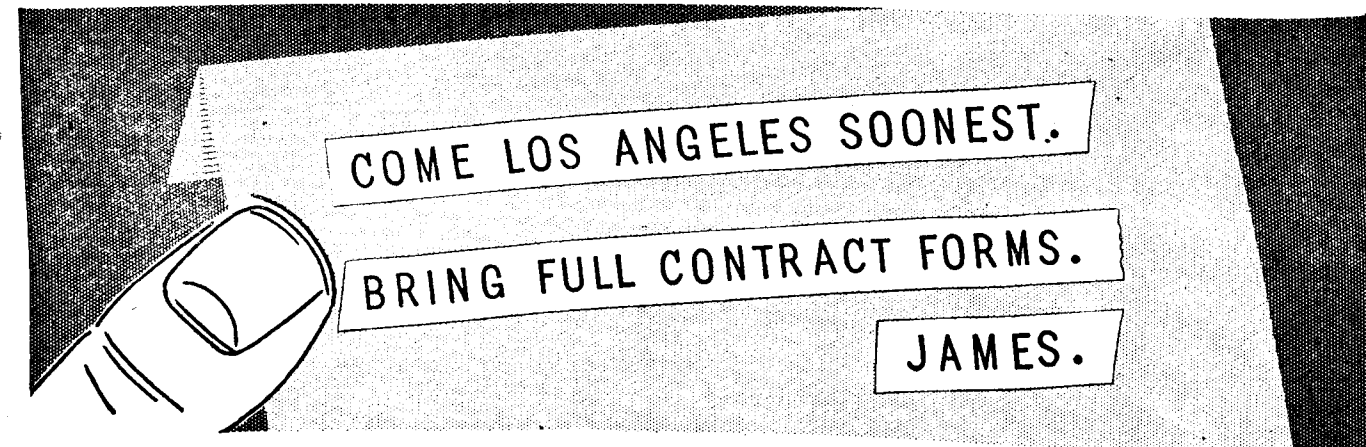
Robinsons of Bristol

AND ASSOCIATED COMPANIES

HOME B S & A ROBINSON LTD BRISTOL • THE ROBINSON WAXED PAPER CO LTD BRISTOL • STRACHAN & HENSHAW LTD BRISTOL • KEYNSHAM PAPER MILLS LTD KEYNSHAM • R L SHIRLEY & CO LTD LONDON • WARBEY & SON LTD LONDON • THE NEW ADHESIVE TAPES LTD LONDON • SELLOPRINT (LONDON) LTD LONDON • SACK MERTON BOARD MILLS LTD LONDON • PAPER SACKS LTD NORTHELETT • JOHN LAIRD ELLERS LTD NORTHELETT • KENT KRAFT MILLS LTD NORTHELETT • SON LTD GLASGOW • FIFE PAPER MILLS LTD MARKINCH AND LEVEN

OVERSEAS B S & A ROBINSON (CANADA) LTD TORONTO • B S & A ROBINSON (INC) PHILADELPHIA • B S & A ROBINSON (PTY) LTD JOHANNESBURG AND CAPE TOWN • ADHESIVE TAPES SOUTH AFRICA (PTY) LTD JOHANNESBURG • PAPER SACKS SOUTH AFRICA LTD CAPE TOWN AND PORT ELIZABETH • PAPER INDUSTRIES (PTY) LTD BULAWAYO SOUTHERN RHODESIA • PAPER HOLDINGS (PTY) LTD SALISBURY SOUTHERN RHODESIA • MULTIBAG (PTY) LTD DURBAN • ABEL DYKES LTD AUCKLAND

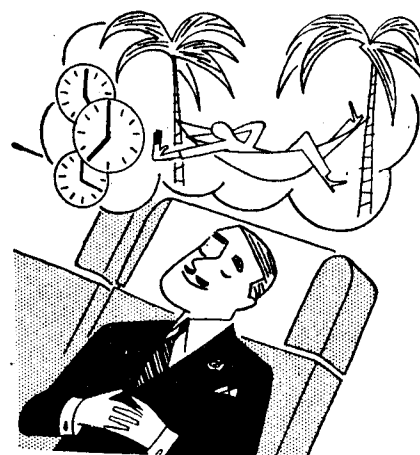
© R.G.



"Soonest", said the company secretary, "that means you'll be flying TWA, my lad... that means there won't be any need for you to change airlines between here and Los Angeles... you'll stay..."



... in TWA's good hands all the way. They do all the worrying about arranging through flights for you... their knowledge of America makes it easy for them... it'll save you a lot of time and trouble."



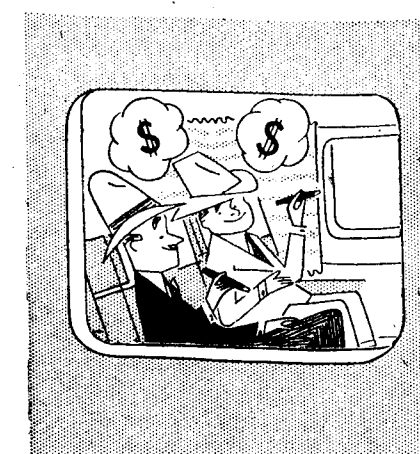
It did, too... as soon as I boarded their Constellation—they've got the largest fleet of them in the world—everyone in TWA seemed to be working for me... I was in a hurry...



... but TWA looked after me so well I nearly forgot how urgent the job was (better not tell James that). It's really wonderful what TWA's brand of comfort can do for one's morale... In fact...



... when I arrived at Los Angeles, I felt completely calm, collected and rarin' to go... good thing I was... James and I had a pretty hard selling job to do for those contracts we wanted.



Coming home? We knew exactly what we were going to do... as I told James, "Can't think why we ever flew any other way. Let's hurry back TWA—it'll give us time to relax."

For full details of daily TWA services from London to 60 U.S. cities and particulars of TWA's Air Travel Plan (for business travellers) or TWA's Time Pay Plan (for travel now and payment later), see your travel agent, or 'phone Trans World Airlines, 200 Piccadilly, W.1. TRAfalgar 1234. TWA Manchester, BLAckfriars 4649.



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.

Is Deterrence Enough?

Washington, D.C.

THIS year, for the first time, both London and Washington are conducting their examination of defence within the same frame of reference. The British Government's decision that, in the words of the Defence White Paper, "increasing emphasis must be placed on the deterrent," that is offensive in air power and nuclear weapons, aligns its basic strategic concepts with those of the United States. The increasing American preoccupation with air and civil defence, intensified by the terrifying statistics about radio-active fall-out released by the Atomic Energy Commission last month, places the continent in the same physical predicament as the island. But there is still a considerable difference in the tenor and purpose, for the question to be determined in London seems to centre on the amount of deterrent force that should be gradually imposed upon a framework of conventional weapons. Many planners and politicians in Washington, on the other hand, worry at the spectacle of the United States's steadily expanding strategic and military commitments in Asia while the eventual military strength that can be deployed there is being gradually reduced.

The American debate is not exactly a new one: it has been going on for nearly two years—ever since the present Joint Chiefs of Staff assumed office in August, 1953, and began to revise the American defence establishment in the light of the Korean armistice. The main elements of their revision, with the one exception of the steady and continued expansion of the Strategic Air Command, were subjected to serious and responsible criticism as they became apparent. The steady withdrawal of American divisions from Korea began to cause alarm, not only in the United States Army, but in Japan and the Philippines as soon as it became clear that no compensating central or mobile reserve of American ground forces was going to be built up elsewhere in the Pacific. The theory of "the immaculate war," that indigenous forces belonging to the Asian and other allies of the United States would henceforth provide the ground troops while the United States provided only their air and naval support, has been heavily criticised by many Americans. They have felt that to allocate the dirty jobs to Asians while retaining the clean ones for Americans would create psychological divisions sufficient to split any of the existing Far Eastern collective security pacts wide open.

This policy, of which Mr Dulles and Admiral Radford were the principal architects, was stated explicitly by the former in his broadcast report on his recent Asian journey. "For military defence," he said, "we shall rely largely upon mobile allied power... We shall not need to build up large

static forces at all points and the United States contribution will be primarily in terms of sea and air power."

The new element in the continuing strategic debate in Washington is that the situation in and around Formosa exposes the Radford-Dulles plan of primary dependence on the deterrent value of mobile air and naval forces using nuclear weapons to the severest practical test at a time when the President seems finally to have accepted it but Congress has not. In all the explanations which have been given as to why the United States cannot demand that the Nationalist Chinese forces evacuate Quemoy and the Matsu islands, and can give no public and specific answer to the question whether it will support them if they are attacked, the necessity of maintaining morale on Formosa has been accorded high priority. The majority opinion within the National Security Council is that if the Nationalist forces were asked to accept the affront to their hopes implicit in such a withdrawal, on top of the evacuation of the Tachens and the end of their dream of an American supported assault on the mainland, they might very well defect to the Communists.

★

The minority argument—that of General Ridgway and the United States Army—is that if the United States still had enough ground forces in being and in the Far East to commit two American divisions to the defence of Formosa and the Pescadores, this problem of Nationalist morale would not arise in anything like its present acute form. As Mr Joseph Harsch wrote in the *Christian Science Monitor* on February 16th: "There is a real doubt whether the policy of denying Formosa to the Chinese Communists can be sustained in the absence of such a commitment of United States ground troops... Here is plainly a case where the army can keep the peace by depriving the Communists of a chance of obtaining a prize without war. This is General Ridgway's strongest argument." Similarly, the impressiveness of Mr Dulles's main presentation to the Bangkok conference in which he stressed the interaction—like fingers of a hand—of Seato, the Nationalist forces on Formosa, the twenty South Korean divisions and the potential military strength of Japan as deterrents to aggression, was somewhat marred by the simultaneous collapse of civil order in Cambodia. The army's argument is that a "fire brigade" of mobile American ground forces, as a supplement, not an alternative, to deterrent forces, can help prevent such crises of confidence among Asian and Middle Eastern governments

which are under Communist pressure in a way that ships and aircraft can never do.

Whether the Formosa crisis will have any effect in reversing the Administration's decision to cut down the size of the army and to rely primarily upon indigenous forces in Asia is doubtful. It would mean a major reversal of slowly formulated judgments. In theory, a Democratic Congress might decide to rescind the reductions in the allocation of men and money to the army in the current budget. But the course of last year's debate suggests that there are enough Democrats in the Senate who will vote with the Republicans on this subject to give the Administration a majority. The impression is that the Democratic leadership will register sufficient doubts about the present policy to stand well with future historians, without precipitating a battle with the Administration on an issue where the latter is on the politically popular side.

★

But Formosa has had one useful effect in that it has forced the Administration to redefine Mr Dulles's policy of "massive retaliation." In his broadcast, Mr Dulles showed that he was aware how much harm the threat of this policy had done to America's position in the eyes of Asian opinion. Massive retaliation has been superseded by a formula known as "measured retaliation," or, as Mr James Reston puts it "the punishment will fit the crime, only double." In Far Eastern terms, one may presume that a bombing and naval raid on Formosa means the destruction of Chinese mainland ports and the complex of airfields south of Shanghai; an attack on Quemoy means the destruction of the jet airstrips, shipping and gun positions from which it is supported. This refinement represents a notable restraint on the views of men like Admiral Radford, who believe that the Chinese Communist military potential should be destroyed sooner rather than later. It does nothing, however, to answer the question whether the United States, in the light of the consolidation of Asian opinion as represented by the forthcoming Bandoeng conference, would in the last resort dare to use its nuclear weapons. Great or relatively small, its strategic planning in the Far East is becoming increasingly dependent on them.

The Politics of Taxation

MR SAM RAYBURN, the Speaker of the House of Representatives, is a shrewd politician. He knows that the Democrats must re-assert themselves as the party of "the little man" if they are to beat President Eisenhower in the next election. In the President's Message on the State of the Union, moreover, Mr Rayburn detected a hint that the Republican Administration might propose a cut in individual income tax in 1956, just before the Presidential campaign. "Mr Sam" decided to strike first: to a Bill continuing the present 52 per cent corporate income tax level and extending present excise rates on liquor, automobiles, petrol and cigarettes for another year, he added a rider providing for a cut of \$20 in everyone's personal income tax for 1955. Such a cut would take some 5 million people off the federal tax rolls altogether and would soothe

THE ECONOMIST, MARCH 12, 1955

those voters who disapproved of the recent raise in pay voted for itself by Congress. Under Mr Rayburn's firm generalship, the amended Bill passed the House of Representatives by 210 votes to 205.

The Administration sprang into outraged action and denounced the proposed \$20 cut as a piece of wanton politics which would reduce federal revenue by some \$2.2 billion a year. The Democrats riposted by pointing out that the Administration had cut taxes by \$7.4 billion last year and that the benefits had gone to stockholders on dividend income. It was now "the little man's" turn to share in national prosperity. Mr Humphrey, the Secretary of the Treasury, argued that last year's cuts had been designed to broaden the tax base by stimulating investment and production. The battle was fought out before the Senate Finance Committee and the latter heard Mr Leon Keyserling, formerly chairman of President Truman's Council of Economic Advisers, testify that rising unemployment and economic "slack" made an even larger tax reduction desirable. Nevertheless, the committee rejected the amended Bill by 9 votes to 6. Instrumental in this rejection were two of the most respected Democratic leaders, Senator Byrd of Virginia, chairman of the committee, and Senator George of Georgia. Both of them put their conservative convictions before party loyalty and political tactics. It is expected that the Senate as a whole will reject the Bill by anywhere from six to twenty votes.

But that does not mean that "Mr Sam" is beaten. If the Senate turns down the Bill, it must be thrashed out in a joint House-Senate conference to which Mr Rayburn will send representatives of his choice. Moreover, if the stalemate can be dragged out until March 31st, the Treasury will be in serious trouble for the present corporate and excise taxes will have expired and it will face a loss of \$2,800 million next year. The Administration may have to choose between that loss and the loss involved in Mr Rayburn's amendment. So far, the President has made it clear that he will veto the Bill if it contains the \$20 cut and that he will not be frightened by the "time squeeze." But some form of compromise appears to be in the making. The Democrats do not wish to risk a serious internal split and the Administration cannot let itself be portrayed too long as a spoil-sport.

Oil for the Lamps of Asia

THE entire pattern of American foreign aid has been shifting east of Suez since 1952. In that year, Europe received 75 per cent of all military and economic funds. This year, the Far East is to receive 55 per cent and it is estimated that in the fiscal year 1955-56, 75 per cent of total aid and 60 per cent of non-military funds will go to Asia. The actual figures will not be disclosed before the Administration presents its foreign aid programme to Congress in April, but Mr Stassen's visit to seven Asiatic countries and the Bangkok conference have focused attention on what America is proposing to do.

It is well known that Mr Humphrey, the Secretary of the Treasury, and Mr Stassen, the director of the Foreign Operations Administration, an agency scheduled for extinc-

THE ECONOMIST, MARCH 12, 1955

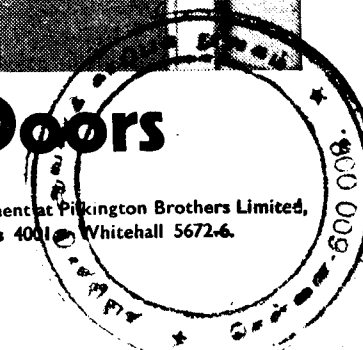
A door with a difference

For modern interiors in offices, showrooms, shops, hospitals and restaurants; for doorways through which the traffic is brisk and businesslike, specify Pilkington's "ARMOURCAST" doors. They are made from $\frac{3}{8}$ " Toughened Rough Cast glass, 78" x 33" or 78" x 30", fitted with hinges and locks in Bronze Metal Antique finish. Non-standard sizes to order.

PILKINGTON'S

"ARMOURCAST" Glass Doors

For further information on the use of Glass in building, consult the Technical Sales and Service Department at Pilkington Brothers Limited, St. Helens, Lancs., or Selwyn House, Cleveland Row, St. James's S.W.1. Telephones: St. Helens 4001 Whitehall 5672-6. Supplies are available through the usual trade channels.



tion on June 30th, have not seen eye to eye on the problem of aid to Asia. Mr Humphrey feels that the ultimate safety of the west depends on American domestic prosperity. He is a stern advocate of a balanced budget and he is not convinced that large-scale monetary aid to underdeveloped countries does anything but demoralise the recipients. Mr Eisenhower is one of his best listeners and many congressional leaders incline to similar views. Mr Stassen, on the other hand, feels that the fight against Communism in Asia has reached a critical stage and that the United States cannot hope to bolster up its allies and keep its friends without a policy of swift and massive economic aid. It is thought that Mr Dulles shares Mr Stassen's anxiety.

A compromise appears to have been worked out between the Treasury and the FOA. It calls for the expenditure in Asia of about one billion dollars, some \$200 million of which will be incorporated in a special fund to be used on a "regional basis," in projects involving two or more Asian countries. It is not yet clear how the projected American aid is to tie in with the Colombo Plan and the conference of Afro-Asian nations meeting in Indonesia in April may want to re-examine the whole programme. Finally, it is by no means certain that Congress is prepared to appropriate the money. Old-fashioned but direct military co-operation, as is taking place between American officers and native troops in Vietnam, seems more to its taste.

Taking Wall Street's Pulse

SECURITY prices on Wall Street, which have continued to break new ground despite the uncertainties of the London market, received their first significant setback this week. By Tuesday evening, the prices of some stocks had dropped by as much as \$5 to reach their lowest level for the current session. For this reverse, certain investors point an accusing finger at the investigation now being carried on by the Senate Banking and Currency Committee at the

ISSUED THIS WEEK

Our three-monthly reports on business conditions in

CHINA, HONG KONG AND FORMOSA
CUBA, PUERTO RICO AND DOMINICAN REPUBLIC
URUGUAY AND PARAGUAY
SOUTH AFRICA
PHILIPPINES
BRITISH WEST AFRICA

Fifty similar reports, covering seventy countries, are issued every three months. The annual subscription to one country or territory is £10 and there are discounts when more than five reports are taken. Single reports cost £3. Subscribers receive ANNUAL SUPPLEMENTS giving useful background data.

For full information about this and other services apply to:

The Economist Intelligence Unit

22 Ryder Street, London, S.W.1. Whitehall 1511 Ext. 144.

request of Senator Fulbright, into the state of health of the stock exchanges.

Public hearings, which started a week ago, have so far been concerned mainly with comparisons between 1955 and 1929. Senator Fulbright wanted to know whether "the wheel of history was about to make a full turn." Mr Keith Funston and Mr Edward McCormick—presidents, respectively, of the New York Stock Exchange and the American Stock Exchange—testified to the soundness of the present boom and expressed their personal belief that it would continue. However, these reassurances faded somewhat when Professor Galbraith, of Harvard University, told the committee that he saw "unhealthy elements" in the boom and urged the government to increase the present 60 per cent margin required on stock purchases to 100 per cent. Another aspect of the enquiry which cast its shadow on Wall Street was the committee's decision to investigate the impact of defence orders on the price of certain stocks. Senator Fulbright has asked the Defence Department for a list of 100 companies; aircraft issues led the way in Tuesday's decline.

Senator Fulbright has already found several points he wishes to pursue further: he is suspicious of stock market tipsters, such as Mr Walter Winchell; he wants to know more about the use of inside information by officers, directors and large shareholders of publicly-held companies; and he questions the ethics of promotional campaigns by the exchanges to persuade the small man to "buy a share in American industry." In this connection it has been pointed out that there are today seven and one half million stockholders in the United States and that nearly one-third have earnings of less than \$5,000 a year and only one quarter earn more than \$10,000.

The congressional enquiry is being pursued in a suitably light-hearted and "friendly" manner and should not seriously disturb the tempo on Wall Street. However, it is unfortunate that at a time when investors are particularly sensitive such an investigation should be conducted so publicly and so near to the headlines. Moreover, not all the members of the committee are proving themselves altogether up to the complexities of their subject; at one point in the proceedings a self-styled "amateur investor" came to the rescue of the bewildered Senators with some simple explanations on how stock indexes worked. At least Senator Fulbright has discovered one important point. "Who does make money on the stock market?" he asked. Mr Funston replied: "The people who own the stock that goes up."

The Risks of Security

LAST week, the Administration finally took a few timid steps towards meeting the mounting criticism of its internal security programme. A number of recommendations were submitted to President Eisenhower by Mr Brownell, the Attorney General, and were immediately accepted. Henceforth, any government employee threatened with dismissal on grounds of alleged disloyalty will be given a detailed statement of the charges against him. The security officers of his department will interview the suspected em-

ployee and give him a chance to clear matters up at once. Hearings before security boards must henceforth be attended by legal officers, and when two government departments disagree in their findings, the case must be submitted to the Justice Department. Finally, efforts will be made to produce government witnesses to testify against the accused "so long as production of such witnesses would not jeopardise the national security."

This latter point is crucial and has been brought into urgent focus by a case now pending before the Supreme Court. It concerns Dr John Peters who was dismissed in 1953 from his post as special consultant to the Public Health Service. Dr Peters challenged the constitutionality of his removal on the ground that he was not allowed to confront hostile witnesses and that this violated the due process of law. Dr Peters's brief appears to have struck uneasy chords in the Justice Department itself. Nevertheless, and in spite of the new recommendations, Mr Brownell has asked the Supreme Court to dismiss the case. He claims that the removal of a federal employee is a discretionary executive function to which due process does not apply. He urges, moreover, that national security would be imperilled if the government were compelled to reveal the identity of its undercover informers and agents. But there are those who point out that dismissal from government service may impair a man's ability to earn a living in any other job and that due process of law must be observed where "property" is involved. The Supreme Court's decision will affect the whole procedure of loyalty investigations.

The case of Dr Peters is not the only one to have aroused impassioned and critical attention. The recent dismissal of Mr Wolf Ladejinsky by the Department of Agriculture, followed by his appointment to the Foreign Operations Administration, revealed the bewildering lack of unified standards and principles in the government's security programme. In Congress, Senator Humphrey of Minnesota, and Senator Stennis of Mississippi have introduced a resolution to establish a bi-partisan commission on government security. The Senate's Civil Service Committee, headed by Senator Johnston of South Carolina, has been voted \$150,000 to conduct a "full and complete investigation" of the loyalty programme. Thirdly, the New York City Bar Association, with a grant from the Ford Foundation, is conducting a detailed study of 200 "risk firings."

The fact that these inquiries are meeting with increasing public support is due, in large part, to the spectacular turnabout of several government informers in recent weeks. Among the outstanding cases are those of Mr Harvey Matusow, who now claims that he has been lying before congressional committees for years, and that of Mrs Marie Natwig. This middle-aged and obviously unstable woman had made circumstantial allegations about supposed prewar associations with the Communist party of Mr Edward Lamb. The latter is a wealthy proprietor of newspapers and radio stations in Pennsylvania and was applying to the Federal Communications Commission for an extension on one of his licences. Mrs Natwig attributed her derogatory statements against Mr Lamb to coercion by the FCC's principal lawyer. No sooner had she been ruled out of the case than Mr Lowell Watson, who, like Mr Matusow, was one of the Department of Justice's "accredited informers," announced that he too had testified falsely against Mr Lamb. Thus, in the course of a single week, it was possible to scrutinise in the flesh three

representatives of that exceedingly powerful and normally anonymous class, the authors of "derogatory information" on whose basis so many government employees have been dismissed. No wonder the incensed Attorney-General is seeking to obtain more expedient and rigid laws against perjurers and has already begun proceedings against Mrs Natwig in order to discredit her recantation.

While no one denies the need for protection against subversion, and while any government is entitled to regard public service as a privilege rather than a right, neither of these shopworn arguments can excuse the infliction of heavy penalties on the mere word of anonymous and often unstable informers. Although the civil servant has the right to a hearing before a board recruited from outside his department, this appearance of judicial procedure has, up to now, been mostly sham. Moreover, the civil servant is often out of work for upwards of a year waiting for his case to advance, and even if the decision is favourable, holding out the prospect of reinstatement and back pay, it may be disregarded by the head of the department. So far, there has been no provision for central review and the new recommendations do not provide for one except in the case of inter-departmental conflict.

It would be difficult to imagine a system more calculated to produce acute frustration and a sense of injustice. The criterion that no one should be kept in government service whose presence is not "clearly compatible with national security," could—if literally interpreted—eliminate practically anyone. Mrs Natwig and Mr Matusow may yet atone for their sins by helping to discredit the system which made these sins possible and remunerative.

The Consumer is for Burning

New York

A REPORT that ignores the impact of atomic energy on the future pattern of fuel consumption can scarcely claim to have formulated a "national fuel policy." And one which pays the merest lip service to the interests of consumers, merits the charge of catering unduly to those of fuel producers. This is the general impression given by the release, two weeks ago, of the long-awaited report of the Presidential Advisory Committee on Energy Supplies and Resources Policy—a distinguished group of seven cabinet officers, including the Secretaries of State, Defence and the Treasury.

Three groups of producers stand to benefit most from this influential document. In the first place, the committee concludes, without giving its reasons, that price regulation and control of the 4,000 independent natural gas producers by the Federal Power Commission is not in the public interest—a decision which contradicts the findings of the Supreme Court last June upholding the legality of federal control. The wind is now set fair for the introduction of a Bill to give effect to this recommendation but it is expected to encounter strong opposition from the representatives of the heavy gas-consuming states; Senator Estes Kefauver of Tennessee has already castigated the committee's report as a "weasel-worded" sacrifice of consumers. Moreover, the President has made it clear that he has not yet made up his mind on the issue.

In the name of both the coal industry and domestic oil producers, the committee emphatically supports the voluntary limitation of foreign oil imports, with an implied threat of congressional action if this regulation is not observed. Such a policy is in blatant contradiction to the committee's virtuous call for an end to currency discrimination by foreign countries against American coal. Moreover, the limitation of oil imports would bring little relief to the coal industry which irrevocably lost its most important markets when the railways switched to diesel-burning locomotives and domestic consumers turned to natural gas. The committee had, however, some more practical suggestions with which to regale coal producers: that the railways should be asked to reduce the present profitable level of freight rates on coal; that coal exports should be subsidised to offset the higher shipping costs which result from the requirement that 50 per cent of all foreign aid shipments be carried in American vessels; and that federal agencies purchasing coal should assist in stabilising the domestic market. But on the underlying problem of the industry, which is the necessity of reducing costs through increased mechanisation, and on the need for research into the more efficient utilisation of coal the report has little to say.

Viva Señor Nixon!

IN the past twelve months, the Caribbean area has been plagued with unrest. Civil war in Guatemala was followed by political assassination in Panama and by a miniature invasion of Costa Rica by forces trained and equipped in Nicaragua. These events have left a legacy of tension in many of the small republics, particularly in Honduras. Washington has watched events with some anxiety because the Caribbean area, with its vital strategic positions and its widespread economic inequalities, is a classical breeding ground for extreme nationalism and even Communism. Special importance was attached, therefore, to a four-week tour of the ten Caribbean nations which has just been carried out by Mr Nixon, the Vice-President of the United States.

Mr Nixon's powers of tact and diplomacy were severely tested during his trip. In El Salvador he discovered that most of the population either believed that President Roosevelt was still in the White House or wished he were. In Nicaragua, President Somoza propelled his guest through a blood-curdling exhibit of weapons supposedly captured from Costa Ricans. In the Dominican Republic, the Archbishop of Santo Domingo saw fit to express the hope that Mr Nixon would soon return as President of the United States. Nevertheless, Mr Nixon returned to Washington with a number of concrete suggestions. Principally, he urged the countries of the Caribbean and Central America to form a regional coalition, thus expanding the present Organisation of Central American States. Mr Nixon promised that he would press for completion of the Texas to Panama section of the Pan American Highway that is intended to link Canada to Argentina. He also pledged his support for speedy aid to Guatemala and for a reconsideration of the Cuban sugar problem.

Even as the Vice-President was making his tour, the

THE ECONOMIST, MARCH 12, 1955

first Inter-American Investment Conference met in New Orleans. Sponsored by the city's International House and Time-Life International, it was attended by nearly 800 American and Latin American businessmen and was inaugurated by a special message from President Eisenhower. The purpose of the conference was to interest United States investors in some 350 Latin American projects requiring more than \$250 million. During the conference, a group of financiers announced the creation of a multi-million dollar trust fund to channel money to approved Latin American enterprises. The conference itself will try to meet annually and will be represented in New Orleans by a permanent Bureau of Inter-American Investment.

SHORTER NOTES

The 300,000 faculty members of private colleges and universities, whose present annual salaries range from \$3,000 to \$15,000, have been offered a collective salary increase of at least \$50 million by the Ford Foundation. Universities receiving a Foundation grant for salary rises will be asked to increase the sum on a percentage basis, from funds obtainable from other sources, and according to their own financial situation. The objective of the new Ford programme is to achieve a higher level of education by making the academic profession more financially attractive to qualified personnel.

★

The Federation of American Scientists has expressed its concern over the potentially harmful effects of nuclear tests. It has called upon the United Nations to undertake a study of the problem of radioactive contamination. The Federation is urging the UN to obtain scientific opinions on the biological and genetic effects of radiation on human beings and to make recommendations as to the procedures required to avoid exceeding the danger threshold.

★

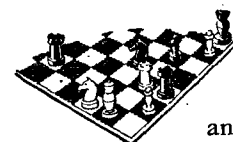
After discovering a potential airfield and base sites to lay the foundation for future explorations and research on the Atlantic side of the Antarctic continent, the USS Atka is returning home from its voyage "half-way around the world." As a result of this survey, the United States hopes to establish several outposts in the Antarctic which will form part of a world-wide network of observation stations during the International Geophysical Year, 1957-58.

★

The fourth major bank merger within the last half-year has been approved by the directors of the National City Bank and the First National Bank of New York. The shareholders of First National will receive from National City \$550 a share for the 300,000 shares outstanding. The new "First National City Bank," with deposits of \$6.2 billion, will still be second in New York to the proposed Chase Manhattan Bank.

THE ECONOMIST, MARCH 12, 1955

What's the next move?



A recurring industrial problem — and one where *THE FINANCIAL TIMES* is of great help. Sound decisions demand the right background, and decisions are unquestionably easier for the executive who regularly reads this important newspaper. He is well-informed on facts and figures, and well-advised by authoritative writers on the possible future course of events. Recognised as the daily newspaper of industry and commerce, *THE FINANCIAL TIMES* supplies a wealth of vital information—carefully marshalled for quick reference—and absorbing articles and comments on many industrial subjects. What's your next move? Order a regular copy of *THE FINANCIAL TIMES* today, and make certain of getting wise counsel.

Men of industry read
THE FINANCIAL TIMES
every day



THE FINANCIAL TIMES • 72 COLEMAN STREET • LONDON • EC2
© FG.9

AN INTERNATIONAL BRIDGE



The Hanover Bank, with its many years' experience and its correspondent banks on every continent, serves as an international financial bridge for firms engaged in foreign trade.



THE HANOVER BANK

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

LONDON ... { 7 Princes Street, E. C. 2
15 Carlos Place, W. 1
NEW YORK ... 70 Broadway

AT NO EXTRA COST

Fly to Bermuda
ON YOUR TRIP TO NEW YORK

At no extra cost you can fly to Bermuda, via any international airline, on your first class fare to New York.

So when business is over in New York, enjoy a holiday in Bermuda. You can travel light—buy clothes, even rent or buy sports equipment in Bermuda. Remember, you'll be in the sterling area. Bermuda is only three hours from New York, and there are frequent daily flights. Bermuda's sunny days, sandy beaches for loafing, sports and pleasant social life will do wonders for you.

For Complete Information See Your Travel Agent or
BERMUDA TRAVEL INFORMATION OFFICE
Regent House, 89 Kingsway, London, W.C.2

**NO DOUBT IN
YOUR FACTORY . . .**

There is **no room** for doubt in the factory. The confident Production Manager **knows** that each "feeder" factory will supply his final assembly line smoothly and without delay. This complete co-ordination can exist only if the many and varied subsidiary processes, which govern the manufacture of piece parts, function perfectly.

The engineers of Cossor Instruments Division examine the needs of industry in order to provide test instruments to analyse the behaviour of materials and mechanisms throughout the stages of their development. These instruments illustrate the practical application of electronics to modern industry.

Truly this is an electronic age, in which the Cossor Group of Companies has always played a major part—in television, radio, marine and aeronautical radar, in communications equipment, and electronic instruments and components.

*Photograph by courtesy of
Morris Motors, Ltd. Cowley,
Oxford.*

COSSOR

THE COSSOR GROUP OF COMPANIES · Highbury Grove · London · N.5

A. C. COSSOR LIMITED

STERLING CABLE CO. LTD

BEST PRODUCTS LIMITED

COSSOR (CANADA) LIMITED

COSSOR RADAR LIMITED

BEAM INSTRUMENTS CORPORATION (U.S.A.)

The World Overseas

New Leaf for Ethiopia

FROM A SPECIAL CORRESPONDENT LATELY IN ADDIS ABABA

PERHAPS the salient feature of Ethiopia is that it is nobody's business but its own. The Conquering Lion of the Tribe of Judah, Elect of God, is comparable in modern history only with the Tsar of Russia or the Sultan of Turkey, who, had they held their thrones, might have enjoyed the same opportunities as the Emperor Haile Selassie. The Ethiopian autocracy is as yet unimpaired by western constitutional accretions. Somehow, the country has skipped the epoch of democracy; a fact which makes this land of about 15 million inhabitants a real curiosity—something as foreign to contemporary Africa as it is to Europe, eastern or western. In its splendid isolation, it is quite impervious to the cold war. From a stay in this rare atmosphere the visitor emerges soothed and invigorated, so long as he has been trying to do business there.

business there.

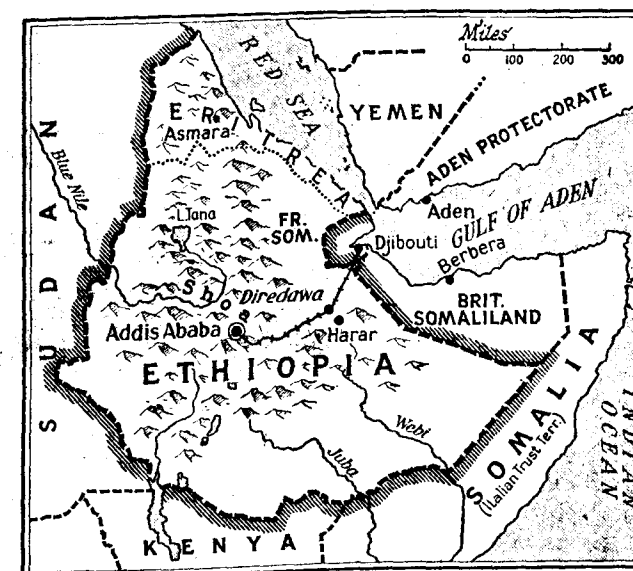
Ethiopia is evolving, not through the transplantation of European political institutions, but as a result of modernising improvements brought about by imperial decree. There is not only no legislature, but also no real deliberative cabinet. All important matters are under the direct control of the Emperor, who is flanked by his Minister of the Pen, a kind of Grand Vizier and secretary-in-chief. Only two or three other ministers have real power. There is no evidence that the parliament established by the constitution of 1931 will, in the near future, become anything more than the dead letter it now is. Haile Selassie is generally interpreted as seeing himself as an absolute ruler by divine right, who has in his generation the special task of reorientating the youth of his country. Before the Italian conquest, only a few hundred young Ethiopians had completed their education abroad, and of these almost all were executed by the Italians for their alleged part in the attempted assassination of the Viceroy, Marshal Graziani. Therefore the problem of building up a class of Ethiopian modern administrators which would gradually supersede the

present effete *notables* has had to be tackled entirely afresh.

The way in which the Emperor has set about this problem well illustrates his political mentality. Although no foreign power—not even the Soviet Union, which languishes in its dim legation—is making any determined effort to secure large influence in Ethiopian affairs, the Emperor has, it seems, no intention of tempting them to do so. Thus it is a French Canadian Jesuit who has been appointed rector of University College, the nucleus of Ethiopian higher education, which was established in 1950. About two-thirds of the staff of the college are French Canadians and the remainder are Polish, or Russian exiles with a small British and American contingent. But the language of instruction is English. The aim of University College is, of course, partly to impart western techniques and methods of organisation; but also it is designed to lead the students to a better understanding of their own tradition. In this double role the Jesuit direction, which is formally debarred from religious indoctrination and works in close harmony with the French-speaking Emperor, is very sensitive to the creative potential of Ethiopian intelligence. Upon the success of the college the success of the whole modernisation programme

depends, for until there are young Ethiopian administrators, it must remain a fragmentary affair in the hands of foreign advisers.

Among these, of course, frustration tends to prevail, as in other underdeveloped countries; the Ethiopian administrative aristocracy has a genius for crossing wires with the experts who are hired to help them. One of the chief lessons that private investors have learned is that Ethiopia, in spite of its rich economic potential, is an expensive place in which to operate because of the high rate of man-hours required to deal with its authorities. Nevertheless, some foreign enterprises seem to be making the grade; among them, for instance, the Dutch-managed sugar plantation at Wonji and



an Israeli firm of cattle-dealers which is pioneering the export, via Djibouti, of meat which it buys on the hoof in remote places from startled proprietors who have hitherto kept livestock for prestige reasons and rarely used a bank-note. To this and other agricultural fields the government, plus the Point Four authorities, are planning to attract foreign concessionaires.

The scope for agricultural development in the central province of Shoa is almost boundless, for the land, which is rich and fairly accessible, could become a granary for the Middle East. In other large areas of Ethiopia which are badly served by roads the farmers know only subsistence agriculture. Transport costs tend in general to prohibit agriculture for market. These obstacles are being steadily, if slowly, tackled by the Development Bank of Ethiopia which is fed partly by loans from the International Bank, amounting to \$E8.5 million since 1950.

It must be said that the capital outlay made by the Ethiopian government has been rather small in relation to the improvement in its revenue. In the four years of a coffee boom which reached its zenith in August, 1954, revenues have been increased by about 35 per cent and expenditure, including development expenditure, only by about 10 per cent. As development expenditure is running at only about 17 per cent of total expenditure, the young Ethiopian with a foreign degree in economics is far from satisfied.

But Ethiopia's major postwar event is the coffee boom. In the autumn of 1949 the world price of coffee doubled within a few weeks, and after some years of steadiness rose by a further 50 per cent during 1954. This has meant a five-fold increase of the value of Ethiopia's coffee exports and the doubling of their volume. Even after a decline in world prices, the industry is still earning well. Its response to the increased demand was remarkable in view of the fact that most of the coffee was harvested wild or else forest-cultivated by very primitive methods. In the last few years the wild crop has been about worked to a standstill and it is now probable that only the planting of new trees can increase production further. For this the growers require both financial aid and technical assistance.

Prosperity Through Coffee

Coffee exports now represent nearly sixty per cent of Ethiopia's total exports and the coffee export duty is thought to have provided as much as \$E9 million out of a total revenue of about \$E100 million in the financial year 1952-1953. At a time when world coffee production is exceeding consumption by one million bags, such dependence upon a single crop may be dangerous, unless Ethiopian producers pay much more attention to selection and grading. As things are, the traveller in the coffee-growing districts of the south-west sees evidence enough of prosperity among the working people as well as the proprietors; women in bright new cottons, sewing machines, shoes, and corrugated roofs replacing thatch. It is significant, however, that the coffee boom which entailed a considerable increase in purchasing power, has not driven up prices as a whole.

Ethiopia is really still basking in a kind of Indian summer of Italian colonialism. There are just enough roads and lorries for the necessary minimum of internal trade; there are just enough buildings to provide a fair amount of public amenities, at least in Shoa. There are villas, garages, hotels and Pompeian public baths for the rich

and the foreign advisers. Italian is still the *lingua franca* and the sole European language understood by Ethiopians outside the intelligentsia. Yet the Italian veneer, which, it must be recognised, gives a delightful finish to the Amharas' fine manners and kindly nature, is bound to wear off soon. To speak Italian was itself perhaps the greatest innovation ever made by a race jealous of its customs and distrustful of change. What is evident to the visitor is that the ruling Amhara race has an ancient way of life that has not yet been seriously challenged by anything which Ethiopia has imported. How, in purely Ethiopian terms, will the Emperor bring about the changes which he wishes to see? How, for instance, will he overcome the allergy of the educated against learning jobs that entail putting on overalls? Once during a display of some agricultural machinery the Emperor was informed that the young man who was sullying his hands in order to demonstrate performance and maintenance was a university graduate. "What I need as an exhibit here," said the Emperor, "is not that tractor; it is that young man."

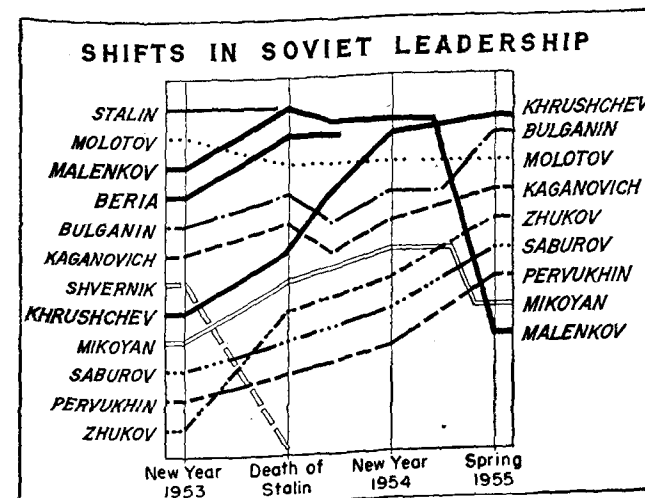
Two Years Without Stalin

THE second anniversary of Stalin's death evoked no lamentation from Moscow radio last week—although in all the satellite capitals paeans of praise for the dead "leader of genius" went up. There is no question of his being deliberately stripped of honour in his own country; if there was, Warsaw and Budapest would not have dared to praise him. It is more probable that the present Soviet leaders were anxious not to evoke his memory too plainly at a moment when it is uncomfortably lively. For Stalin's ghost walked the Kremlin last month when Malenkov was publicly humbled.

Indeed, the history of Russia in the past two years can be largely written in terms of the conflict between those who argued that the Stalinist political structure and production pattern were outworn, and those who held that little could be changed with impunity. Immediately after the old despot's death, the stage seemed set for rapid changes. His heirs, led by Malenkov and Beria, facing a population which obviously hoped that the changes would be pleasant ones, switched into reverse the "vigilance" campaign launched during Stalin's last months of life, and heartened the public with much talk of civil liberties, peace, and plentiful food and household goods. The Jewish doctors were exonerated, their torturers in turn denounced, and the anti-semitic wave curbed. An amnesty for minor and non-political offenders was proclaimed, and a new legal code promised. Beria, the supreme policeman, warned his subordinates to watch their step; Beria, the Georgian, had an obvious hand in the check to the "Russifiers" in minority areas. And, at a decent interval, the satellites also began to adopt the new course.

The conservatives, however, were quick to point out the dangers, and the difficulties with supplies that followed the relaxing of discipline were strong arguments for them to use. The June rising in Eastern Germany doubtless clinched their case and brought the first phase of the post-Stalin era to an end. Beria was the first victim of the swinging pendulum. Much of the popular applause that

greeted his fall was genuine enough; how many Russians would see a setback for a reform movement in the execution of the head of the dreaded MVD? The army's reward for its share in his removal was to be freed of the grip of the security services. Soon afterwards Khrushchev was officially named First Secretary of the Soviet Communist Party. He had in fact headed the secretariat since Malenkov was forced to leave it, "because of pressure of work," only a fortnight after Stalin's death; and he had thus been able to imitate Stalin in filling key Party posts throughout the country with his own men. But Khrushchev's followers won no final victory when Beria was overthrown. Malenkov, dexterously changing horses in midstream, retained not only the premiership but also a



wide degree of command; and the silent struggle continued.

Beria had gone, but not all the new policies of the first phase had gone with him. True, the promised legal code was now forgotten; but it was evidently still felt that living standards must be quickly raised. In a major speech in August, 1953, Malenkov promised a "sharp rise" in the supply of consumer goods "within two to three years." He did not, as is now implied, belittle the importance of heavy industry but he argued that the mighty Soviet state could now afford to do more for its people. It was an indirect attack on the niggardly Stalin who had kept the purse strings too tight. Soviet propaganda now dwelt on household equipment and television sets, instead of plugging heavy industry in the name of "vigilance" and dogma. At the same time, Malenkov announced new incentives for the farmer. Khrushchev lost no time in climbing on to this bandwagon with promises to revive livestock production and improve food supplies. As time went on, Khrushchev stole more and more of the limelight, particularly in regard to the popular topic of food; he revealed the grain shortages and began the present hectic drive to "conquer virgin lands."

But the very necessity for that drive showed how little fruit the 1953 agricultural policy had borne. Last year, with poor harvests, food shortages were felt throughout the country. At the same time the state planners, needing directives for the new five-year plan, complained that durable consumer goods, especially housing, were proving a dangerous competitor for scarce resources. At this point Khrushchev's faction evidently made a decisive stand against the policy of quick plenty, and gained the upper hand. During the second half of 1954 a violent press campaign was launched against the "vulgarisers of Marxism" who put their main emphasis on consumer goods. Soon after-

wards, Khrushchev declared that the building of factories must take priority over housing. The battle was won, and when he and Bulganin set off for Peking in October they were probably already Russia's new leaders.

There will long be dispute about the interplay between foreign and domestic policies in this obscure drama. It is arguable, on the one hand, that Stalin's first successors, both more nervous than him and more imaginative in their dealing with the outside world, linked their plans for an easier life at home directly to their diplomatic strategy; that their triumphs in the latter field were the creation of the "Geneva mood" and the French rejection of the EDC last summer; and that the swift appearance of the Western European Union plan on the heels of the EDC enabled the Khrushchev school to claim that the western alliance could not be disrupted by blandishment, and that armaments and heavy industry must not be jeopardised to please the consumer.

But the logical links in this chain can be challenged. Malenkov first brandished the Soviet hydrogen bomb at the very moment when he gave his pledges to the consumer. He sent Molotov to Geneva to compromise, but, earlier, to Berlin to stonewall. He cut the 1954 defence budget, at least on paper, but his successors now claim that Russia caught up with America in regard to nuclear weapons during Malenkov's premiership. It can likewise be argued that the present disenchantment of the Soviet consumer is necessitated by a genuine failure to establish an adequate heavy industrial basis for agriculture and light industry; and that a new wave of propaganda, for domestic consumption, about external threats is needed to persuade the public to take its disappointment quietly. And there is no doubt that the budget presented in February, with its emphasis on armaments and heavy industry, was at least in part a contribution to the campaign against Western Union; or that the new government is already showing itself as capable of making friendly gestures abroad as the old one.

Meanwhile the new structure of the Soviet leadership must be regarded as provisional. The army, as always at moments of stress, has gained new ground; Marshal Zhukov is now defence minister, and Bulganin's appointment as premier implies a compromise between army and Party. Khrushchev is rid of his greatest rival, but he does not yet occupy Stalin's vacant seat. A new period of struggle seems inevitable. But the post-1953 "thaw" has left its mark. Each time a leader is dismissed, not all his policies go with him; and the victors in turn develop new divisions. The policies of Beria and Malenkov were popular because of the people's inarticulate aspirations towards freedom and wellbeing, and if Khrushchev intends to silence these

"Motor Business"

The current issue of this quarterly research bulletin for the motor and allied industries deals with:—
The domestic and export markets for agricultural tractors.

Car ownership and purchase in Britain.

Second-hand price indices of cars and vans.

The bulletin is fully illustrated by charts.

For full particulars of this service apply to:—

THE ECONOMIST INTELLIGENCE UNIT

22 Ryder Street, St. James's, London, S.W.1
Whitehall 1511. Ext. 47

aspirations he must revive the theme of "the fatherland in danger" and the "vigilance" campaign. Soldiers, however, tend to come off best in a period of sabre-rattling, and Zhukov will not be sent back to Odessa as easily as Stalin sent him after the war. Two years after Stalin's death the problems of the succession and of Russia's future course seem as unsettled as ever, and as obscure.

Mr Deshmukh's Budget

FROM OUR CORRESPONDENT IN INDIA

MR DESHMUKH, the Indian Finance Minister, has budgeted from success; and the success is not the less great because he has been modest about it. Last year he took a big chance. He decided that if he had to choose between fulfilling India's five-year plan and deficit finance, he would take deficit finance. The pundits were doubtful, but he plunged nevertheless; and, aided by an excellent monsoon, he has been triumphantly vindicated. Of his capital expenditure, in 1954-55, £156 million is being met by created treasury bills; yet currency in circulation has gone up by only £57 million; the balance of payments in 1954 was £3 million in surplus, and both wholesale prices and the cost of living dropped considerably—wheat, for example, by 16 per cent. The government has been rewarded for its concentration on agricultural development. There has been the food and the cloth to mop up extra purchasing power; and in the countryside the proportion of produce going into the market for money has been going up steadily as increasing output moves the peasant further above the subsistence line. There is a genuine need for an expanding money supply; and in India this comes mainly from the government, not from the banks. Demand deposits went up only three-quarters as much as currency in circulation.

In 1955-56, therefore, Mr Deshmukh is giving the country a larger dose of the same medicine. This year's deficit finance is to be £239 million. This is rather over half the size of the ordinary revenue budget, and nearly twice as much as Mr Deshmukh expects to get from net borrowing and foreign aid together. But it is well under half the total amount which is to be spent on the plan. The Centre alone is spending, or lending for others to spend, £432.5 million on capital account, and to that one has to add the very large amounts being spent on development out of revenue—such items as schools and hospitals, which bring in no tangible return. Total expenditure on the plan in the coming year may well approach one-third of the total planned for the five years. There is not only more money to be spent, there is more capacity to spend it as organisations are expanded and technicians trained. Indeed, the increases in the backward states are positively spectacular. And the increases are being obtained soundly, by steadily pushing ahead on every priority front from steel to irrigation, and from electric power to railways.

All of this has not been obtained without a considerable increase in taxation. Except for higher taxes on agriculture in Madras, and the betterment levies on newly irrigated land which are being introduced in half a dozen states, no new taxes are being levied by the states. These are at the

THE ECONOMIST, MARCH 12, 1955

Centre; they will produce £19 million and are only a first instalment. Mr Deshmukh has recently received the report of his Taxation Enquiry Commission, and he has made it clear that he intends in due course to accept more of their recommendations; he was limited this year by time.

Already, however, one can see a pattern in Mr Deshmukh's taxes. The "socialistic pattern of society" to which the Congress recently so enthusiastically pledged itself means in India economic equality above all; so earned income relief is to go or be reduced on the larger incomes, air-conditioned railway fares have gone up, the supertax limit has been moved down from £1,875 per annum to £1,500 per annum and perquisites, entertainment allowances and compensation for losing a job or a managing agency are to be taxed; for a senior salaried businessman this may easily mean a quite ruinous increase in tax; Mr Deshmukh is clearly prepared to go a long way to meet the demand that there should be a ceiling placed on all incomes.

Nevertheless, there are not enough rich in India for them to be able to pay for development alone. The poor must also bear their share; and this they are going to have to do through excises—a policy begun by Sir Jeremy Raisman in the early war days. This year's instalment includes a sharp increase in the taxes on cotton cloth and sugar, and new excises on such everyday items as woollen cloth and electric bulbs. At the same time, these excises are used to protect employment in the cottage industries. Mill-made cloth pays, handloom cloth is subsidised; sugar pays, gur does not; and cottage matches have had their excise reduced. It is a waste of resources; but with unemployment the opposition's major stick, it is, temporarily at least, perhaps inevitable. Finally, Mr Deshmukh has carried a little further four policies he has now been pursuing for some time; first raising duties and reducing quantitative restrictions; second, adjusting export duties to what the traffic will bear; third, putting imported raw materials as far as possible on the free list; and fourth, and most important, however the consumer is squeezed, the encouragement of industry; there is to be an investment allowance of 25 per cent in addition to ordinary depreciation and losses may in future be carried forward indefinitely.

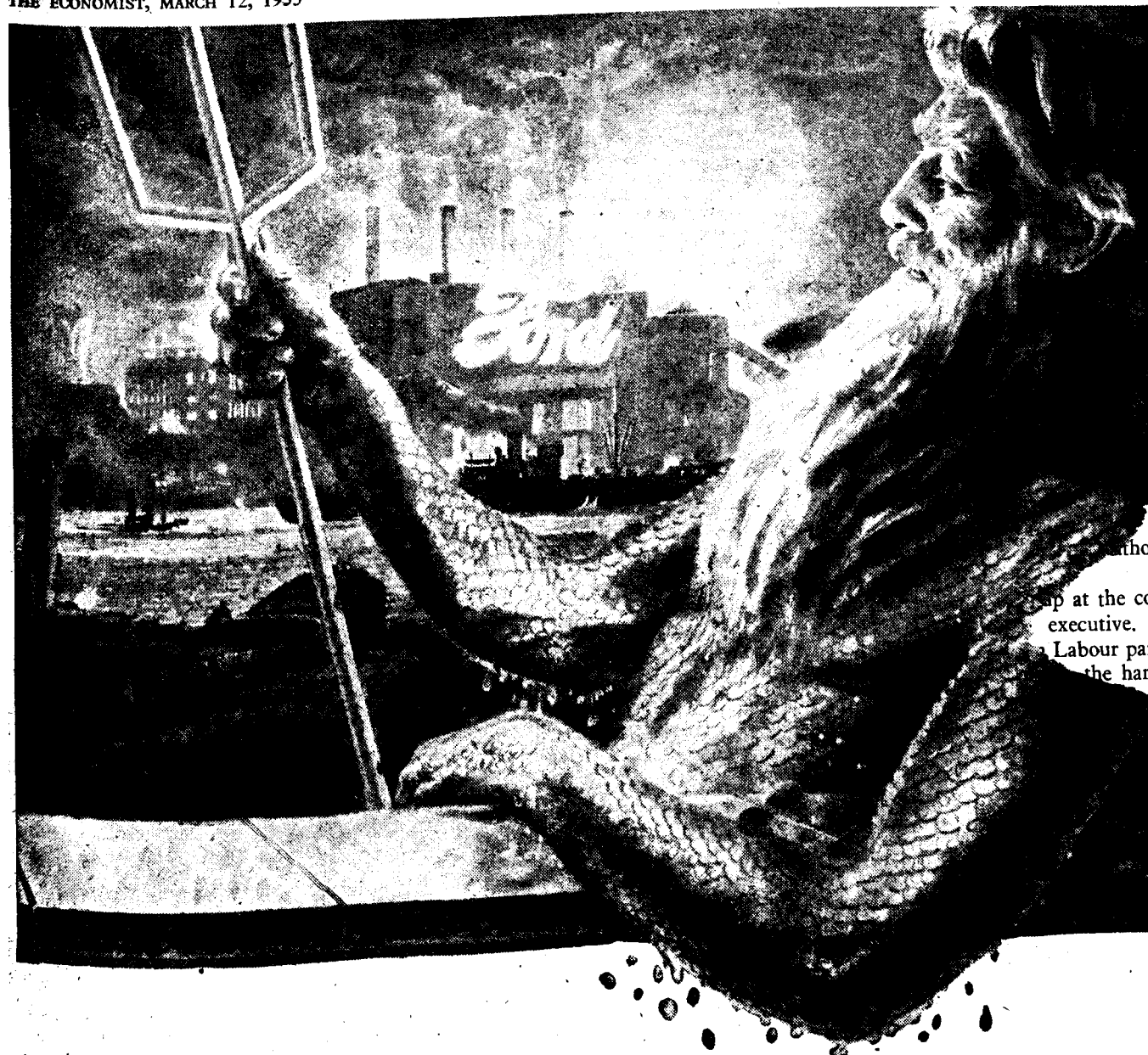
German Socialists and Democracy

FROM OUR SPECIAL CORRESPONDENT IN BONN

IT would not be too much to say that the fate of Germany's new-born parliamentary democracy hangs on the decisions that are now being made by the Social-Democrat and Trade Union Federation leaders. The question is—will they accept the fact that the *Bundestag* has voted for ratification of the Paris treaties? Will they, as Dr Adenauer hopes, co-operate in setting up the new army, and ensure that it will protect the democratic state in the troubled times to come? Or will they continue to rouse public opinion against the army, with demonstrations, unofficial plebiscites and other appeals to "the people"?

One thing is certain. The Communist call for united

THE ECONOMIST, MARCH 12, 1955



"I'll give eighty-two million!" says Father Thames

THE HUGE FORD FACTORY AT DAGENHAM uses 82 million gallons of Thames water every day—enough to float a battleship. Why this enormous quantity? ... mainly for the Blast Furnace and the big Power House. For FORD make their own iron, produce their own electricity. What does this mean to you as a user of motor transport? It means higher quality at lower costs. The unique siting of the Dagenham Factory

affords the benefits of waterborne transport of raw materials and finished products—saving in costs both ways—and the advantages of cheap and abundant water for producing iron and electricity at lowest cost. These large fundamental savings in overheads are passed on to you, the user of Ford products. "Ford '5-Star' Motoring—the best at lowest cost" is not a mere claim: it is a fact, based on facts like those above.

"Taken!" say

FORD

of Dagenham



FORD PRODUCTS — THE BEST AT LOWEST COST





From hand-to hand-to hand-to mouth!

In the reign of the first Elizabeth, a perfect complexion was a rose of very real worth. For, alas, most ladies were marked, to a greater or a lesser degree, with unsightly blemishes. The reasons? Perhaps the most important was that their foodstuffs, being passed from hand to hand, were exposed to the manifold infections that swept through the land like ravening wolf packs.

Now those 'good old days' are gone. Thanks

to modern packaging our food is protected to a degree unknown to our ancestors. And over half the packaging board produced in Britain is made by Thames Board Mills. So the higher our standard of living rises, the greater the demand for "Thames Board" and "Fiberite" cases. Vital indeed is the part that Thames Board Mills play in the nation's economy.



Thames Board Mills Limited

THE LARGEST MANUFACTURERS OF BOARD AND PACKING CASES IN BRITAIN

PURFLEET, ESSEX AND WARRINGTON, LANCs

"THAMES BOARD" for cartons, boxes, bookbinding, etc. "FIBERITE" Packing Cases in solid and corrugated fibreboard.

action outside parliament to overthrow the Bonn régime has been rejected. Revolution hand-in-hand with Herr Ulbricht is not on the Socialist or trades union executive's programme. The TU federation issued a statement after the Bundestag's ratification of the treaties stating that it would not advocate political strikes. And the Social-Democrat chairman, also rejected an alliance with the Communists.

So far so good. But the Social-Democrat party executive has not paid the tribute to parliament that might have been expected of it. It has not told the German public that the verdict of its elected deputies is final. Certainly, the process of ratification is not yet complete: the SPD can point out that the upper house has still to vote, and the Saar might still throw everything into the melting-pot again. But the moment is already passed when the Socialists could have immensely strengthened the prestige of democracy by bowing to the vote in the lower house. Instead, the party executive is reported to have decided on a policy of continued opposition for the time being. The published announcement stated that the party considered the Bundestag vote was not of immediate practical importance (*unaktuell*) until all countries had finally ratified the treaties, and that it would continue its campaign against them with all constitutional means. Demonstrations against rearmament will not be organised from the centre as before, but local party activity, it is said, will be allowed wherever the public seems in the mood to demonstrate. And the party will not positively support the army, until such time as it is convinced beyond all doubt that agreement with Moscow on German reunification is out of the question. As the party believes in holding conference after conference with the Russians, it is hard to say when, if ever, this moment will be reached.

"Adenauer Must Go"

The excuse of the Socialists for this attitude is that there is opposition to the Paris treaties among the people in any case, and they can canalise it into a non-Communist channel. That may be so. But it is evident that the SPD and Dr Adenauer's Christian-Democrats are both manoeuvring. The Socialists warn that, without their positive support for the army among the workers, morale will be so low that it will be very little use as a fighting force. In any case, ask the champions in all the parties of reunion-before-rearmament, what is to give the West German soldiers the will to die? Artificially fostered hatred of the East German army? The question is hard to answer unless it can be argued that the German army will never be called upon to prove its valour. The Christian-Democrat party leaders undoubtedly realise the value of a blessing on the new force from the working-class party and the trade unions. And it is possible that they might some day secure it if the SPD is not rushed. The dust raised by the ratification debates will settle; and in a mood of disappointment with Mr Molotov much might be possible.

There are some moderate Social-Democrat leaders who would consider a "grand coalition" with the Christian-Democrats. But their price is not only talks with the Russians, but—"Adenauer must go." It is the Socialist opposition's present price even for a bipartisan foreign policy. But there seems no grounds for expecting Dr Adenauer to resign. Health will not be a reason; he is again extraordinarily robust, physically and mentally. On present form it seems as if he will outlive many politicians

a generation younger than himself. And a man with a mission never gives up of his own free will.

Australian Labour Puts Back the Clock

FROM OUR CANBERRA CORRESPONDENT

FOR the first time for several years, left-wing forces are now dominant in the Australian Labour party. This is the result of the election of a new State executive in Victoria, and of behind-the-scenes manoeuvres in other States. Right-wingers will be hopelessly out-voted at the biennial Federal conference which begins in Hobart on Monday and is the supreme governing body of the party. The turning point in the struggle to control the conference came when the State executives in Western Australia and Tasmania instructed their delegates to the conference to support the Federal executive's stand in Victoria. The latter had ordered the election of a new Victorian executive after hearing charges that the old one was dominated by "The Movement," a politically active offshoot of Catholic Action.

All the bitterness within the party welled up at the conference which elected the new Victorian executive. A minority of unions and a majority of Victorian Labour party branches boycotted the conference, leaving it in the hands of 27 "rebel" unions which contain some of the most rabidly left-wing elements in the party. Those "moderates"—notably the Victorian Premier and Deputy Premier, and officials of the Australian Council of Trade Unions—who had been won over to support the conference, found themselves powerless to avert complete domination of the new executive by the rebellious industrial wing of the party, which immediately made no bones about the fact that it would order the political wing how to behave.

Steamroller Tactics

The moderates and political realists who sponsored or supported the use of the steamroller in Victoria got more than they bargained for, and now realise that they themselves are under the dominance of a group of union officials supporting socialist policies at home and a "soft" foreign policy; a combination that wins little support from Australian electors today. It is a matter of indifference to most of the professional union leaders whether the political Labour party wins elections. Severe electoral losses, in fact, could help them by eliminating a number of their opponents among the Labour politicians. So they can be expected to pursue an uncompromising "Bevanite" policy whatever the political consequences.

Although the left-wing victory is most complete in Victoria, the Federal conference is expected to complete the demolition of right-wing policies and will probably strongly re-state the socialist objective. Undoubtedly politicians supporting "The Movement" committed indiscretions and excesses in Victoria, but the outcome of the struggle has been merely to break one outside influence and replace it with another. But the only new social thinking in the Labour party since the war has come from the right wing. Unfortunately for the Labour movement, the new Victorian conquerors have not been content to restrain their opponents while admitting their contribution to hitherto fossilized Labour thought; they have preferred to put the clock back.

The Consequences of Andhra

FROM OUR DELHI CORRESPONDENT

THE overwhelming victory of the Congress party in India's linguistic state of Andhra is chiefly due to two factors that would seem at first glance to be bizarrely remote from the lives of Andhra's 21 million rice-growing peasants. One was the fall of Mr Malenkov, the other an article in *Pravda* praising Mr Nehru. Yet both of these proved to be manna from heaven to the hard-pressed Congress "united front" in India's first straight political tussle between the Congress and the Communists.

Andhra is little more than a year old; it was grudgingly carved out of the State of Madras to satisfy the Telugu-speaking people, but failed to include all of them. Its brief political history has been unsavoury, with constant opportunist shifts of allegiance among the leaders, including Congressmen. The Communists held 40 seats in the dissolved Assembly of 140 and were the most cohesive and disciplined group. In the new Assembly, which has been enlarged to 196 members, they will have only 15 members, while the Congress party will have 119—or 146 with the "united front." As late as last November, Mr Nehru announced that the Congress party would not take any other parties as allies in the forthcoming elections. In December, however, he changed his mind and formed a hurried alliance with the Praja (People's) party and Krishikar Lok (Peasants) party, some of whose leaders had until then been denouncing the Congress party as "a dunghill full of worms." The "united front" thus formed approached the elections barely united and poorly organised; the Communists on the other hand were full of confidence.

Mr Nehru Perplexes

Matters were not much improved by Mr Nehru's hurried visit to Andhra. His most important meetings as usual drew large crowds, but many people defiantly carried red hammer-and-sickle flags. Those who did not, and who were quite prepared to show more positive disapproval of Communism if given a lead, were dampened and perplexed by the Prime Minister's seemingly ambivalent attitude. On the one hand he deplored the Communists' "methods," which he condemned as "reactionary"; but on the other he declared that "personally I like Communism." Fortunately the day was partly saved for the Congress by the Communist leader, Mr P. Sundarayya, who responded to Mr Nehru's "soft" line by denouncing him as "a traitor." This alienated from the Communists a good many voters whom Mr Nehru himself had caused to waver the other way.

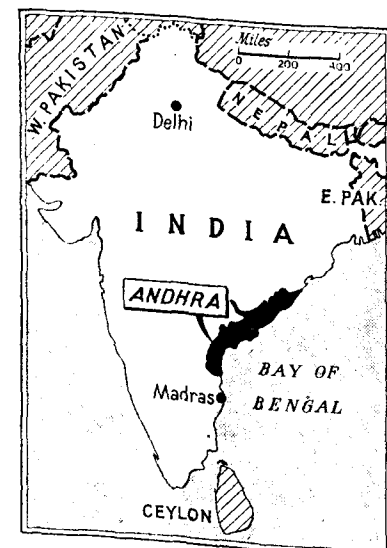
Shortly afterwards Mr Nehru departed for London for the Commonwealth conference, leaving the election campaign in Andhra in the charge of Mr S. K. Patil, the Bombay Congress chief. In Bombay in recent years the Communists have lost ground as rapidly as they have been gaining it in some other places; and in Andhra, Mr Patil lost no time in applying the anti-Communist tactics which he has made familiar in Bombay. Blandly ignoring the Nehru "line," he attacked the Communists both in India and in Russia and China as well as the whole creed of Communism. In village after village, speaking far into the night from makeshift bamboo platforms garishly lit by hurricane lamps, Mr Patil sternly preached the lesson that the atrocities which

THE ECONOMIST, MARCH 12, 1955

Indian Communists had perpetrated in this very region only a few years before were not simply localised incidents but sprang from the nature of Communism as such. He never hesitated to mention Russia and China by name, or to dwell on the number of leaders purged and people butchered in those countries.

Out of this cloud of oratory, of a kind to which Mr Nehru had got people quite unaccustomed, the abrupt "resignation" of Malenkov fell on the Communists like a thunderbolt. The aptness of the event probably startled even Mr Patil; but he lost no time in making the most vigorous use of it. The Communists' discomfiture was completed by a leading article in *Pravda* which, with small regard for the Communists' chances in Andhra, lavishly praised those domestic policies of the Indian government on which the Indian Communists had concentrated all their energies with accusations of "fake Socialism" and "rotten bourgeois reactionarism." The Congress party gleefully printed several hundred thousand translated copies of the *Pravda* article and distributed them among the voters of Andhra.

The significance of the Andhra elections is twofold. First, local issues (on which the Congress record was bad, little or nothing having been done for the progress of the infant and backward State) were entirely submerged by international ones: the voters of Andhra were virtually asked to pass judgment on Russia and China. Second, the voters, the vast majority of them peasants and a large minority of them landless, responded astonishingly once they were given a bold, clear, unambiguous lead.



It now seems probable that the Congress party and its anti-Communist allies would, despite a late start, poor organisation and a dubious local record, have won the elections even without the aid of *Pravda* and Mr Malenkov's fall. The *Pravda* article did not convince the voters that Nehru was right because *Pravda* said so, it convinced them that the Indian Communists were liars who did not enjoy even the support of their foreign mentors; and the fall of Malenkov convinced Andhrans that Patil was right when he said India did not want the only kind of government that Communism had so far been able to devise.

But the extent of the Congress victory and of the Communist defeat in Andhra strongly suggests that Indians, not in Andhra alone, have been suspecting such things for some time, and that this is why the bold open onslaught on Communism has paid off such handsome political dividends. That onslaught appears to have been made regardless of Mr Nehru's advice, in his absence, and possibly at severe upshot, which must give enormous encouragement to those Indians who, daring official black looks, have been arguing that the "soft" approach to Communism is wrong.

THE ECONOMIST, MARCH 12, 1955



Continuous Performance

'EVERYTHING FLOWS, NOTHING IS STILL' said the Greek sage Heraclitus 2,500 years ago—but he might have been speaking of an I.C.I. chemical plant today. One of the main lines along which chemical manufacturing is developing is in the introduction of continuous processes to replace production in batches. This line of development is also being followed, of course, in other, more familiar fields. Just as the smooth surge of power from the jet engine is replacing the supply of little 'packets' of energy by the piston engine, so in modern chemical plants the continuous transformation of raw materials into finished products is replacing the batch by batch methods of yesterday. In these developments, I.C.I. is playing a pioneering part.

There are still certain products where so many different varieties of material have to be specially made that 'batch' production is unavoidable but, whenever possible, I.C.I. has introduced continuous processing, and most new plants—such as those now operating or under construction on the great new site at Wilton, in North Yorkshire—are designed to operate 60 minutes in every hour, night and day. One outstanding example is the new Wilton plant for making an important synthetic resin for the plastics industry. This resin used to be made in a series of stages; today, the finished product emerges on a conveyor belt in a continuous stream. A process of this type places heavy demands upon the designers of special instruments and automatic controls, because these devices are the very crux of the operation. But the skill and experience of I.C.I.'s engineers and instrument experts has been equal to all eventualities, and the latest I.C.I. plants set new standards for efficiency in production.

Chemical Industries Limited



Mr and Mrs Impala
and family are
'At Home' to you

IN THE
KRUGER
NATIONAL
PARK



IN SUNNY SOUTH AFRICA

... from May to October. This is undoubtedly the best time of the year to see not only the Kruger National Park but the Victoria Falls. You can save enough to visit both, by taking advantage of the reduced return fares for sailings from Southampton during April, May or June—with option of return by any Mailship in August, September or October.

REDUCED RETURN FARES

FIRST CLASS FROM £155 CABIN CLASS FROM £117

Also—Round Africa Liners leave London twice monthly for a 15,000 mile voyage of approximately nine weeks duration.

Details from Travel Agents or 3 Fenchurch Street, London EC3

UNION-CASTLE



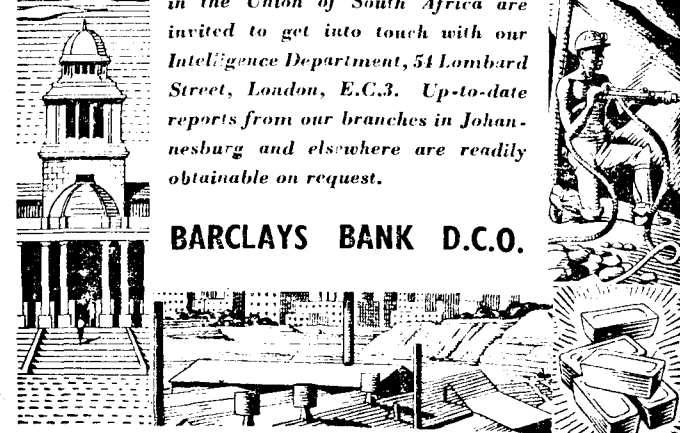
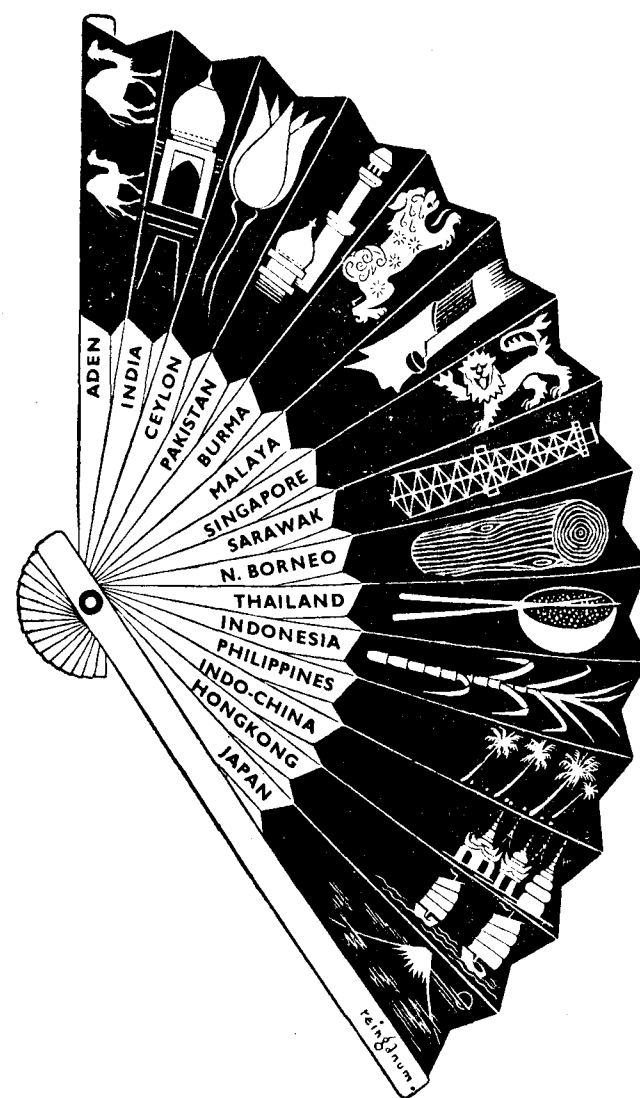
SOUTHAMPTON TO SOUTH AFRICA
EVERY THURSDAY AFTERNOON AT 4.0



JOHANNESBURG:
It was the discovery of gold on the Witwatersrand in 1886 which brought about the transformation of Johannesburg from a vast plain covered with tall grass into a modern commercial centre with its skyscrapers, wide streets and great department stores. In that year a Mr. Oosthuizen, part-owner of a farm at Langlaagte, invited two prospectors to go over his land and look for gold or other metals. In a brief affidavit issued subsequently, one of the prospectors expressed the opinion that from his long experience as a gold-digger he thought the land was a payable goldfield. The accuracy of this report has been amply confirmed over the years, for since that date over 500 million ounces of fine gold, valued at more than £3,000,000,000, have been produced on the Rand.

Business men who require information on current commercial conditions in the Union of South Africa are invited to get into touch with our Intelligence Department, 54 Lombard Street, London, E.C.3. Up-to-date reports from our branches in Johannesburg and elsewhere are readily obtainable on request.

BARCLAYS BANK D.C.O.

Spanning the East

Branches of The Chartered Bank of India, Australia and China under British management directed from London are established in most centres of commercial importance throughout Southern and South Eastern Asia and the Far East. At all these branches a complete banking service is available and, in particular, facilities are provided for the financing of international trade in co-operation with the Bank's offices in London, Manchester and Liverpool, its agencies in New York and Hamburg and a world-wide range of banking correspondents. In London and Singapore the Bank is prepared to act as executor or trustee.

**THE CHARTERED BANK OF INDIA,
AUSTRALIA AND CHINA**
(Incorporated by Royal Charter, 1853)

Head Office: 38 Bishopsgate, London, E.C.2

THE BUSINESS WORLD

House Loans through the Roof

THE building societies always emphasise that their interest rates are not closely linked to Bank rate. Their reasons are obvious. There are nearly 1,900,000 mortgage borrowers, with an average debt of barely £850, and interest and repayment on that debt is a matter of long-term family budgeting. Most mortgages are now in a form that allows interest payments to be varied, but it would be irritating to the borrower and prejudicial to the lender if they were subject to frequent variations in interest cost.

Building societies acknowledge that in the longer run their charges must conform to general movements of interest rates. Unlike the local authorities, who can relend money borrowed long-term from the Public Works Loans Board at fixed rates, the societies borrow short money from their shareholders and depositors and lend long money to their mortgagors. Only by modifying their interest scales, both paid and charged, can they cover the opposed risks of not having the money they need or of having more of it than they can use. To anyone who doubts that the rate of interest works, the experience of the Halifax last year surely proved it. From the beginning of October to the beginning of this month the Halifax was charging a general 4 per cent on mortgages while other societies were charging

4½ per cent. Four of those months come into the Halifax accounts for the year ended January 31st, yet the Halifax, which has rightly prided itself on its liquidity, has in the year seen £3.2 million of its liquid assets absorbed and its ratio of cash and trustee securities to total assets fall from over 18 per cent to under 15 per cent. The demand for 4 per cent mortgages was overwhelming, and borrowers had to be drastically

rationed while savings for investment were more than usually easy to attract. The Halifax is a great and growing society—the biggest in the world and one of the strongest with a reserve ratio still above 5 per cent of total assets—but it had to step quickly back into line on interest rates, not only raising its mortgage interest to 4½ per cent but giving shareholders a rise from 2½ per cent net to 2½ per cent. Bank rate provided a convenient opportunity for second thoughts.

The episode of rate reducing is now over. There remains the question whether a new era of higher building society charges is about to begin. If the higher Bank rate heralds a long period of dearer money, building society interest rates will have to move up too. The societies provide one of the great fields for investment, holding between £1,600 million and £1,700 million of the public's money. But if they do not keep roughly in line with other forms of investment they will

BUILDING SOCIETIES' NEW PEAK

£ millions	1952*	1953*	1954†
Total assets	1,478	1,642	1,870
of which			
Mortgage Balances	1,263	1,396	1,578
Cash and investments	203	234	277
Other	12	12	15
Ratio liquid to total	13.7%	14.2%	14.8%
Total liabilities	1,478	1,642	1,870
of which			
Shareholders	1,186	1,338	1,540
Depositors	197	203	220
Reserves	77	83	90
Other	17	18	20
Ratio reserves to total	5.2%	5.0%	4.8%
Year's mortgage advances ..	266	298	370

Sources: (*) Registrar of Friendly Societies. (†) Building Societies Gazette.

not continue to draw their quota of public savings.

The problem is not how to comply with changes in the long-term trend of interest rates but how to distinguish them from the shorter fluctuations that can be, and should be, disregarded. A school of thought exists among building societies, as elsewhere, that the recent Bank rate increases will be transient—a gesture to stiffen sterling, presently to be forgotten. It is easy to dispose of such arguments: if dearer money does not produce an effect it will not have done its work; it would then have to be maintained if not reinforced.

It is not easy to rebut the more serious argument that the societies are under no pressure to take an immediate decision. The movement is strong enough to wait a few months to see which way the real trend lies. That view, as Sir Harold Bellman's recent speech shows, is strongly held in the Abbey National, and it is held in other societies too. The year 1954 was one of unprecedented activity in house building, and the societies financed a larger share of that growing total: policy favoured the unsubsidised owner-occupier house in preference to the subsidised council house, and the Macmillan arrangement joining the Treasury and the local authorities with the societies to make larger advances possible, assisted that policy. Yet the societies took that extra demand in their stride. Liquidity on the average increased, even while unprecedentedly large advances were being made. The percentage of liquid

BORROWING £1,000 AT 4½ PER CENT.

	20 years	25 years	30 years	35 years
Monthly payment	£6 8s. 2d.	£5 12s. 6d.	£5 2s. 4d.	£4 15s. 5d.
Capital debt at end of year:				
1	£968	£978	£984	£988
2	935	954	966	975
3	900	930	948	961
4	864	904	930	948
5	826	877	910	933
10	608	724	799	849
15	337	534	659	745
20	Nil	296	486	615
25	...	Nil	270	453
30	...	...	Nil	252
35	...	...	...	Nil
Total payments over period ...	£1,537	£1,686	£1,842	£2,005

assets to total assets for the whole movement rose from 14.2 per cent to 14.8 per cent.

House building should remain active but it cannot indefinitely expand at the rate of the last few years. The trend of house prices is downwards and the margin in price between the new house and the existing house with vacant possession is narrowing. There are always some societies that could use more money but some of the big ones are beginning to think more about where the new mortgage business is to come from, and less about the flow of funds that investors will provide. If

Bank rate had not risen schemes for restricting the inflow of investment money might soon have been needed. At December 31st the Woolwich Equitable was 18.4 per cent liquid, compared with 15.0 per cent a year earlier, the Cooperative Permanent 15.4 per cent, against 14.2 per cent, and the Abbey National 14.7 per cent, compared with 13.0 per cent. The right policy now is to remain liquid, to keep new mortgage business to a figure well within the limits of resources, and to stop chasing records. Special reasons exist for maintaining high liquidity ratios this year. Reserves have grown less rapidly than total resources, and they are now on the average less than the 5 per cent of total assets recommended by the Building Societies Association. Part of those reserves should be considered earmarked against the fall in gilt-edged securities since the last balance sheet dates notwithstanding some skilful handling of gilt-edged portfolios. Moreover, the movement holds some money—temporary surpluses of trading companies are a typical example—which cannot safely be regarded as permanent.

Yet some societies do not relish the growth of liquid funds that barely earn their keep and there are signs of energetic efforts to open up new business. One of the most energetic is the Cooperative Permanent, which has recently been advocating a revision of the law governing building societies, to allow them to do business outside this country. That would involve amendments of Acts of Parliament dating back to the 1870s. The Cooperative is also offering mortgages for up to 35 years' duration. On newly built and other small modern houses the Woolwich Equitable has followed suit up to 30 years' duration. The extension in the length of the mortgages is open to criticism. It does not fit in with the curb now applied to credit sales elsewhere, nor can it be offered without a considerable increase in total payments by an owner-occupier. The borrower of £1,000 for 35 years saves £1 12s. 9d. per month in his payment compared with the borrower for 20 years, but he knocks off only £12 of the debt in the first year compared with £32, and over the whole period of the loan he pays out in interest and capital £468 more.

If building societies decide to hold their interest rates at 4½ per cent on mortgages and 2½ per cent net on shares until they can see which way money rates in general are moving, no harm and some good will have been done. Demands for mortgages will remain high. Building society mortgages costing 4½ per cent will be more competitive with local authority mortgages now costing about 4½ per cent than they were before March 1st when the local authorities using Public Works Loans Board money usually charged 4 per cent. The inflow of money into the societies may be checked if other types of investment become more attractive. But the movement is liquid enough to risk such a check and if some of the societies with idle funds see those funds evaporate they may feel less itch to indulge in the more debatable forms of mortgage hunting.

Multiples for the Million

THE chairman of a large chain of stores is said to have put one of his managers through this catechism:

"Do you like your site?" "Yes, sir."

"Do you like your staff?" "Yes, sir."

"Do you like your windows?" "Yes, sir."

"Do you like your stocks?" "Yes, sir."

"Then it must be you. You're fired."

Apocryphal though that anecdote is, it sums up the getting methods of the multiple furnishers, drapers and tailors and the men who run them. Hard-working and ruthless they have to be for they are building the new empires of hire purchase. They seek the weekly shillings of the newly wed for a dining room suite, of the milkman for his new Sunday suit and of the typist for her summer dress. Prices are much higher than before the war, and few have nest eggs to pay cash down to equip their homes. Wages are high, employment full, and the demand for yet more new houses convinces the managers of the multiples that the market and their enterprises will go on growing for years. The new hire purchase controls have not much disturbed this thinking. Some of the multiples have had to stiffen their credit terms, notably by requiring a uniform 15 per cent deposit instead of trimming that deposit to the financial standing of the customer. But these controls hit first the marginal trader, who sought custom by the easiest credit terms, and the multiples can afford to smile at them—but not to relax.

The feature of the growth of the multiples is its versatility. The groups, through their subsidiaries, sell everything for the home, from the fancy hatpin to the veneered cocktail cabinet. Small independent traders still hold the bulk of the trade but two groups dominate: Great Universal Stores and United Drapery Stores. The retail structure of these two chains differs. (The accompanying chart illustrates that structure but it has no pretensions to completeness.) United Drapery Stores prefers to sell its wide range of goods across the counters of numerous department stores, but it also runs a door to door retailing business. Apart from its multiple tailoring interests it does not penetrate far into manufacture. Great Universal Stores does, even though it has sold off some of its manufacturing subsidiaries. Its retail outlets are usually individual chains of stores concentrating upon one type of goods, but it is adding to the number of department stores it owns and, through other subsidiaries, does an extensive mail order business.

Take-over follows take-over, bid counters bid, as these two chains continue to grow. Their recent growth can be illustrated by the book value of their fixed assets:

	Great Universal Stores	United Drapery Stores
	End-March	End-January
1952	£15,200,563	£2,959,993
1953	£15,618,875	£3,044,874
1954	£17,896,971	£6,076,583

The chains claim that they do not have to scout for prospective sellers of businesses. They are known to be in the market and the sellers come to them hat in hand. Why do the independents sell out? They may be feeling the pinch of competition, perhaps finding it difficult to finance their hire purchase sales cheaply enough. Many of them are family businesses threatened by the death duty axe. In others the founder of the firm may not feel sure about the business ability of the next generation. The chains certainly turn away more offers than they receive. And unlike some other share-bidders their intention is to buy the business in order to build it up and run it. If, as they often do, they take out the windfalls from property values that is only incidental.

What, then, is the impetus behind the growth of the credit multiples? It is not simply property values. An expanding market would explain new entrants but not the amalgamations into ever bigger groups. Economies of large-scale vertical and horizontal integration are the answer. The aim of multiple trading is not to expand retail profit margins, but to collect all the margins that are going—including wholesalers' and sometimes even manufacturers' margins—into its own kitty, to rely on easy payments to make the sales and on heavy sales to swell total earnings. At the manufacturing end, for instance, Great Universal Stores holds a tight control on prices, margins and quality through its ownership of furniture workshops and clothing and drapery factories, and just simply by being the biggest buyer of furniture in the country. The multiples are big enough to secure the keenest terms from manufacturers. An independent draper has made their point:

The intractable problem is not meeting the chain store mark up, but the economies of much larger orders than we prefer to put down, tailored into a machine production geared to much longer runs than before the war. While we place seasonal orders and pay the overhead, the excess capacity is available to the long runs of the multiples and chains at little above prime cost.

The heavy guns of Rego and Town Tailors, rivalled by those of Joseph Collier and Montague Burton, in one shopping centre can batter the trade of the independent clothier. The multiples can sell off shops in a particular locality where their group is too heavily represented. Or they can convert them to sell different goods by different methods; often they try to preserve some goodwill of the old business by keeping its trade name but they change its stocks and its policy.

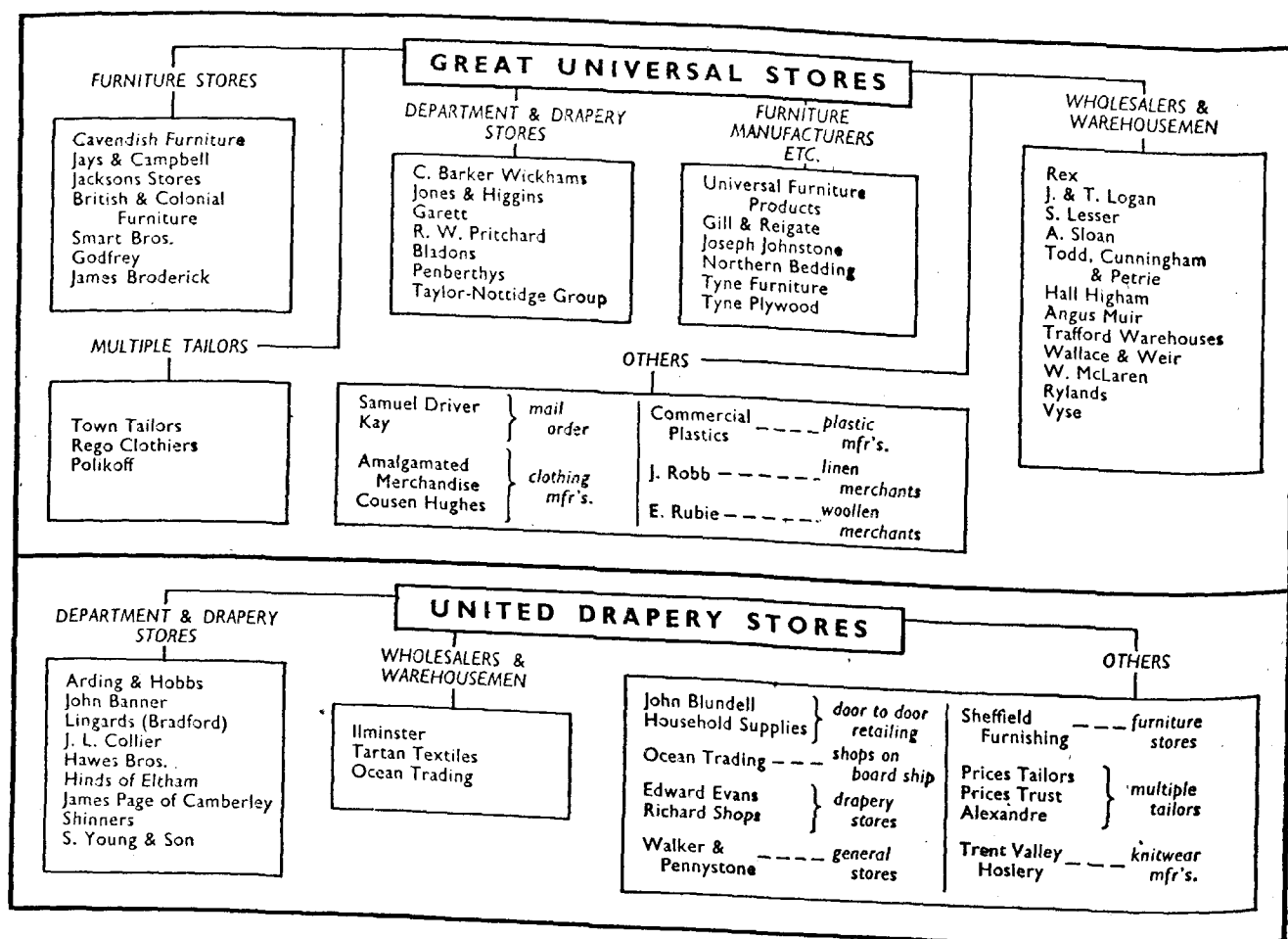
Not less important for the groups (of whose trade over two-thirds is on hire purchase) are the economies of administration. The cost of inquiry, of booking and of debt collecting is reduced by a centralised organisation. Such a group also finds it easier and cheaper to finance

its hire purchase sales out of its reserves, or by borrowing from its own trade creditors or from the joint stock banks for its general purposes instead of discounting hire purchase paper with the specialist finance companies. The economic drive behind the growth of the multiples is compelling. But the compelling reason for their recent growth is the personal drive and ambition of the men who run them.

The success that these men and their creations have achieved turns on the careful choice of subordinates. Hard work is demanded but appropriate rewards are offered. The emphasis throughout the multiples is on selling. Hence in Great Universal Stores half the money a shop manager carries home with him is commission; that is the average. Not less important for success is the intangible goodwill of a hire purchase contract. The contract makes the contact. When a suite of furniture is nearly paid for it is easy to suggest the purchase of a new set of curtains. The paradox is that the hire purchase customer may thus be of more value to the multiple than the one who pays cash down.

Any further growth in hire purchase will almost inevitably be followed by a further extension of multiple trading. The men behind the multiples rely on such an expansion and on the continuation of their own process of buying up shops to preserve their empires in a trade where a newcomer needs only a little

capital to set up shop. Some day mere size and human limitations may prevent the men at the centre from controlling the tips of the tentacles. Then the limits of large scale distribution would emerge. That time is not yet; when it occurs will depend on the personality of the Wolfsons of another day. When an investor buys Great Universal Stores or United Drapery ordinary shares he puts his stake on a man as well as a business. The share registers of both companies bulge with investors taking small limited chances. There is only one large nominee holding in Great Universal Stores, controlling about one-fifth of the equity. The operation of that holding may temporarily disturb the Throgmorton Street price but ultimately the market price reflects the decisions of hundreds of small investors. "Gussies" is a volatile stock that attracts the speculator as honey does the bee. Even the smallest investor is tempted more by the chance of a capital gain than by income prospects. Hence it is that "Gussies" drop most quickly in a slump in Throgmorton Street and then, quite often, rally most quickly. Recently, that stock and the other multiple equities have been put to the double test of dearer money and the hire purchase restrictions. They did not emerge unscarred but they were not mortally wounded. There will be other testing times. But they will face them as equities grown out of a suspect adolescence into lively manhood.



Business Notes

Sterling's Recovery

MODEST but satisfactory progress has been made by sterling this week. The official rate has improved from \$2.78½ to around \$2.79½, and as far as can be discerned from the evidence of market activity, that recovery would seem to have occurred independently of any supporting operations on the part of the Exchange Equalisation Account. Indeed, there has been some, though very slight, evidence that the authorities have on certain days taken rather than given dollars and thus recouped a small part of the cost involved in last month's supporting transactions. The official market for sterling is beginning to feel the benefit of the appreciation in the rate for transferable sterling and of the consequent diminution in commodity shunting operations. At long last some dollars, representing the proceeds of sales of sterling tin to the dollar area, have made their appearance in the official market. Transferable sterling has again hardened this week, moving

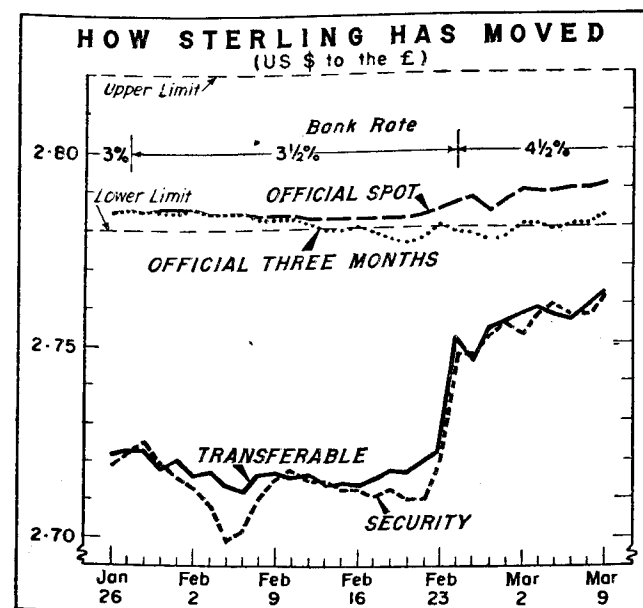
interest arbitrage basis, therefore, sterling is flatteringly valued in the forward market. This may be due to the fact that no substantial amount of short-term money is being attracted to London by the relatively high rates. But American firms have been buying forward sterling against their future import commitments and some British engineering firms have been selling forward dollars, sometimes on extended delivery dates, in respect of contracts recently secured by them in the United States.

Almost as significant as the recovery of sterling in terms of dollars has been the similar movement in terms of the Deutsche Mark. As transferable sterling has strengthened so German marks have weakened—from 11.76½ when Bank rate was raised to 4½ per cent to 11.80½. This movement reflects the end of the substantial selling of transferable sterling on German account, which became such a marked feature of the free market last month. A large proportion of the liberated blocked or Sperr marks were in fact switched into dollars. This operation was effected in two stages, first by converting marks into sterling through the EPU mechanism, and then by selling the sterling against dollars in the free market. The conversion, in other words, has been effected largely on sterling's back and illustrates one of the leaks through which supplies of transferable sterling were being replenished in the early weeks of 1955. This nonrecurring burden on sterling must by now have largely spent its force.

Finding a Level

THE money machine works slowly, but it works. The first reactions of City markets to the big change in money rates that has occurred in the last few weeks are not necessarily a fair reflection of the ultimate consequences. The City has, however, begun to adapt itself to slightly longer range thinking during the past week. The air of buoyancy that surprisingly followed both Bank rate increases has disappeared in the gilt-edged market and even more noticeably in the industrial share market. In the industrial market the Stock Exchange settlement provided a special reason for restraint. That settlement (of the account that ended last week) covered a period of violently fluctuating prices and there were a few substantial losses to pay. Some selling of gold shares at mid-week looked as though it might be loss covering of that origin.

The result has been a downward drag in security prices. In the gilt-edged market, though a large number of small buying orders—presumably reflecting personal investment business—came in at the beginning of the week, prices and the volume of business have both since declined. The



up from \$2.75½ to \$2.76½. There has been some evidence of continued official intervention in this market though the scale of these operations can hardly be assessed since the market extends to the four corners of the earth.

In the forward market sterling in terms of dollars remains at a discount of about ½ cent for a month and ¾ cent for three months. The latter represents a discount in terms of the spot rate of exchange equivalent to about 1½ per cent per annum, a figure which is well below the bill rate differential between New York and London. With the Treasury Bill rate in New York at 1½ per cent and in London at 3½ the differential is 2½ per cent. On an

Financial Times Government Security Index declined fractionally each day in the first half of the week and on Thursday reached 97.84, a decline of 0.99 since the end of last week. The industrial index has fallen more rapidly; it reached 178.9 on Wednesday compared with 186.4 at the end of last week. On Thursday the all-round decline was fairly steep. Long dated gilt-edged falling half a point and nearly all industrial groups closing sharply lower, partly because the banks seemed to be adopting a stricter scrutiny of loans. The process of adjustment to dearer money is thus seen to be seeping through into a market that is far from active. Outside the market, in trade and industry, even the first effects of dearer money are barely visible. It must take a matter of months for some of those effects—for example, the impact on imports—to appear.

In that atmosphere it is difficult for issuing houses and brokers arranging new issues to decide how far they ought to adjust terms to meet the new situation. But they are trying. In addition to the Thomas Firth and John Brown offer one other issue has given an indication this week of how events are moving. A private placing has been arranged of £1½ million 4½ per cent debenture stock 1979/83 for Philip Hill Investment Trust at £98½. Here is a fixed interest security of medium length and good medium quality placed at a redemption yield of about 4.6 per cent. It is believed that had the operation been done at the beginning of the year, the rate of interest would have been 4 per cent and the price about £1 lower to yield about 4.2 per cent. That difference of around 8s. per cent in the redemption yield is a rough measure of what has happened so far.

Firth Brown Offer

INTO a new issue market barely settled after the Bank rate changes steps the Iron and Steel Holding and Realisation Agency with another steel company for sale. Next week it will offer through Hambros Bank (not through the consortium) the whole capital of Thomas Firth and John Brown, the former 82 per cent subsidiary of John Brown and Co. The offer consists of 5½ million £1 ordinary shares at 25s. per share and £3 million 4½ per cent redeemable debenture stock 1980/85 at £97½. The agency is retaining £575,000 in cash. The sale will thus be one of the agency's more profitable operations. Thomas Firth and John Brown was nationalised for £8,631,000 in Government stock, and no fresh capital has had to be found for it. So the profit—subject to the costs of this offer—will be £1,744,000.

This is also the first occasion on which the agency has offered a steel Debenture stock to the public, though some of the institutions have been keen to obtain a slice of the prior charges to mix with the ordinary stocks they have bought. The price of £97½ to give a redemption yield to the latest date, of about £4 13s. per cent, has obviously been trimmed to the new level of interest rates sufficiently to make it attractive. The ordinary stock with an estimated well covered 8 per cent dividend offers a yield of 6.4 per cent and takes a middle position in the range of steel yields. It looks fairly priced compared with the identical yields currently obtainable on United Steel and John Summers and 5.9 per cent on Whitehead Steel Co.

John Brown and Co. are not reacquiring their former majority interest in the company, and that decision rebounds to the advantage of the shareholders of that company who receive preferential consideration along with the former minority shareholders and the former debenture holders of the Firth Brown company. Conventional underwriting has been used—not the method of making underwriters make firm applications—but underwriters have been required to underwrite in blocks consisting of both ordinary shares and debenture stock. The public, when the lists open (and close) on Thursday, will be under no such compulsion. The ordinary shares (10s. on application) and the Debenture stock (£25 per cent on application) can be separately applied for.

The offer has to test the market in conditions that are still uncertain, but it has much to commend it. Thomas Firth and John Brown is a maker of stainless special steels of high reputation. And it is a company that will not need to come to market again for capital in the near future. A £3 million development programme is in hand, but the company expects to finance the whole of it out of retained earnings.

Debate on Cotton

THE debate on the cotton industry revealed nothing that was new, nor did it bring to Lancashire the promise of early action. But it may have helped to put the industry's problems into perspective, and for that Government spokesman, rather than the Opposition, can take the credit. Imports of cheap Indian cloth may be injuring the spinning and weaving sections of the industry, but restriction of such imports will not solve the industry's main problem which is to increase exports in the face of competition from low-cost producers and high tariffs. The answer to that must rest mainly with the industry itself. The Government could give some help by reducing—if not abolishing—the purchase tax on cotton textiles. That would encourage the production of the higher quality goods in which the industry's export prospects are brightest (it would also reduce the advantage that the present fiscal system gives to wool and wool mixtures), but quality is not the sole touchstone; a few firms have a large export trade in textiles that are cheap enough to escape purchase tax at home, and which succeed abroad by innovation of design and style.

On the question of imports of Indian cloth, the President of the Board of Trade, Mr Thorneycroft, rightly dismissed Mr Harold Wilson's suggestion of a central purchasing agency that would have the sole right to import yarn and cloth and would restrict imports into the home market of goods based on "unfair" competition. Mr Wilson argued that this would not conflict with Britain's international obligations, and cited the Jute Control as a precedent. Yet that control, a legacy of wartime, is blatantly protectionist in character and has always offended the spirit of these obligations. As Mr Thorneycroft emphasised, any action that might be taken should be taken openly. And as restriction would be bound to have international repercussions, the Government is plainly right in refusing to be jostled into hasty decisions. It is now awaiting the outcome of the discussions that Ministers, including the Prime Minister, are to have with the Cotton Board, probably next week.

Hire Purchase Controls

THE monthly figures of hire purchase contracts for February issued by HP Information reach to the end of the period in which hire trading was uncontrolled. The figures (from which industrial machinery has been dropped because the returns were known to be incomplete) show a great stride forward particularly in motors and motor cycles. From March onwards the figures will begin to reflect the reimposed physical controls, dearer bank money and the policy outlined by Lord Aldenham, President of the British Bankers Association, to member banks this week. The banks are advised: (1) to grant no addition to the credit lines already outstanding in favour of hire purchase finance houses, and (2) not at present to consider hire purchase finance business from new customers. Notably the decision of the banks does not involve cutting back the credit facilities that the finance houses already enjoy.

NUMBER OF H.P. CONTRACTS

		Feb., 1954	Jan., 1955	Feb., 1955
Cars	New	2,873	6,069	6,754
	Used	14,307	18,026	22,507
Commercial vehicles.	New	997	2,972	2,644
	Used	2,638	3,134	3,405
Motor cycles and side cars	New	2,018	2,887	4,123
	Used	6,094	6,737	11,032
Tractors	New	255	462	582
	Used	452	256	423
Farm equipment ...	New	251	276	360
	Used	...	51	88
Aircraft and engines.	New	...	...	...
	Used	1	2	...
Caravans	New	602	412	679
	Used	90	161	225

Source: H.P. Information.

With the single, but perhaps significant, exception of a plea from the National Association of Retail Furnishers to the President of the Board of Trade, the comments on the new controls by the traders affected have been mild and mostly favourable. Mr Eric Gamage, the chairman of Gamag-s, described the new controls as "quite right." He obviously felt that abuses would be curbed, but that reputable traders were hardly affected. Mr W. A. Olds, the chairman of Olds Discount Company, told shareholders that he thought the new controls equitable and likely to produce a good effect. He criticised the removal of all controls last July. By way of contrast the retail furnishers are appealing to the President of the Board of Trade to make the minimum initial deposit 10 per cent instead of 15 per cent, disclosing that 10 per cent was the figure the association recommended to the trade when controls came off furniture in 1952.

The basic assumption in the utterances of all these traders and financiers is the same:—that they, being cautious traders, will not be hurt by the new controls, or that if they are it must be due to some mistake in the order. That assumption may be right; a large part of the hire purchase field may escape almost unscathed. But if the traders are right, then government policy must be ineffective. A control cannot both be effective and hurt no one. That is part of the case against specific controls.

A Little Back from Brazil

ARISE of 1 per cent in the dividend of the Bank of London and South America that has paid a steady 6 per cent for many years, almost a promise from the chairman, Sir Francis Glyn, that it will be possible to maintain the higher rate, and the slight cheer that remittances from South America (specifically excluding Argentina) are a little better than a year ago, are the main features of the accounts of the Bank of London and South America. The profits are not higher; they disclose a tiny fall from £395,860 in 1953 to £393,681 last year, and though banks may hide their true figures, it is unwritten law that they do not conceal the trend; the true net profit must have been slightly down. Clearly the answer is to be found in the changes that have taken place in Brazil and to a less extent in Chile. There the exchange has broken, but it has been possible to get profits out at a price.

In 1953 the bank took the first strain of the break in the Brazilian exchange. Assets that had been frozen at 52.70 cruzeiros to the £ became unfrozen at a rate that year of 144 to the £. In 1954 the rate broke further to 210 cruzeiros to the £. It may be inferred that the bank was able to remit its profits at those rates, and that its disclosed profit has borne a large part of the inevitable strain of writing down the current assets in Brazil to cover the exchange depreciation. Without that writing down the profit would evidently have looked much more rosy. The extent of what has had to be written off is naturally not disclosed, but the total assets are down from £161.1 million to £134.8 million and the writing off in Brazil, Chile and Paraguay more than accounts for that fall. It follows also that no such heavy writing down is to be expected to recur. The Brazilian exchange may break further; the bank may lose on the exchanges still more of its remitted income. But in terms of balance sheet assets it has much less left to lose in Brazil, Chile and Paraguay.

For the British business man in the South American market Sir Francis Glyn has two good hints. He does not believe that the new and more liberal attitude of Argentina towards fresh foreign capital will itself attract much foreign capital to a country that has so long regarded it with suspicion. A real improvement in economic conditions is wanted there. On credits for South America, Sir Francis is not among those who believe that the British exporter of capital goods is still inadequately served. The charge that medium term financial assistance was lacking has, he feels, been refuted.

Material for Publication

Our Publications and Press Service prepares articles, notes, statistics and diagrams for all kinds of publications and can undertake all editorial functions for clients' own newsletters, magazines and other regular and occasional publications.

Further details from:—

THE ECONOMIST INTELLIGENCE UNIT
22 Ryder Street, St. James's, London, S.W.1.
Whitehall 1511. Ext. 144

Gatt into OTC?

THE marathon conference on the review of the General Agreement on Tariffs and Trade which opened in Geneva last October, has come to a somewhat disappointing close. Hopes of re-writing the agreement into a "super-Gatt," which were expounded so vigorously in some of the opening speeches—and in particular in that of Mr Peter Thorneycroft—were quickly doomed. Attempts to reinforce the clauses relating to quantitative restrictions on imports and thus to secure trade rules that would make the world safe for convertibility, were undermined by the diversionary endeavours to secure various waivers from the basic provisions of the Agreement. The two principal "waiverers" were the United States and the United Kingdom; and in the face of their tactics it is hardly surprising that the attempt to strengthen Gatt should have been a failure. Both waivers were in effect granted. The United States will have the right to continue to impose quotas on imports of those agricultural products the prices of which are being supported by the Administration. That waiver was granted despite the vehement opposition of countries such as Canada and Denmark. With this example before them the other contracting parties of Gatt could hardly be blamed for seeking their own favourite waivers rather than toughening the agreement.

The United Kingdom waiver will enable wider margins of preference to be granted to colonial produce. It has been sought under the guise of the provisions made in Gatt for the protection of industries in underdeveloped countries. Such countries are allowed to protect industries by putting tariffs or other obstacles in the way of imports of the particular goods in question. It would, however, hardly help the West Indies, for example, to put a protective tariff against the import of citrus fruit. The waiver in effect regards the United Kingdom market as part of the domestic colonial market for the goods in question and therefore to make it possible for the United Kingdom to increase the preferences on such colonial produce as citrus fruit, tobacco, and cigars, although Article I of Gatt would deny such new preferences.

The text of the new Gatt is to be issued in ten days' time. It will probably be little changed other than in Article 18, which deals with the under-developed countries. These countries will probably be given *carte blanche* to do what they wish in the matter of infringements of the basic Gatt code, though they may have to justify such infringements from time to time. The revision of the Agreement has also produced a proposal for setting up a new international organisation, to be known as the Organisation for Trade Co-operation which will have the responsibility of administering Gatt. In future, therefore, adhering countries will no longer be "contracting parties" of Gatt but members of the OTC. United States membership of this organisation will have to receive Congressional sanction. Reports from Washington seem to suggest that grave doubts are harboured concerning the willingness of Congress to do for OTC what it refused to do for ITO—the International Trade Organisation whose elaborate charter agreed at Havana was not ratified by Congress.

Television Merry-go-Round

THE structure of one of the four commercial television programmes contractors has undergone a drastic change. The Associated Broadcasting Development Company, which was founded by Mr Norman Collins and which is to provide programmes from the London transmitter during the weekend and from the Birmingham transmitter on week days, has gone into partnership with one of the unsuccessful applicants, the company formed by Mr Prince Littler. The capital structure of Associated Broadcasting Company is an issued £770,000 in 675,000 "A" ordinary shares of £1 each, 75,000 ordinary shares of £1 each and 400,000 1s. deferred shares, together with £750,000 of 6 per cent loan stock 1960/63. One-third of this loan stock is convertible at par into "A" ordinary shares, which gives it a speculative flavour. The latest date, 1963, is chosen because the proposed licence extends only until 1964 and for the very reason that it is short it has been found easy to place with City institutions.

Commercial television is an untried industry in Britain; estimates of earnings must be based largely on hypothesis, but it is hoped at some future date to go to market for a quotation. Control, then, must not be for sale through the market. Voting control is therefore reserved for the £75,000 of ordinary capital and this is not transferable without the consent of the ITA. As a placing operation the stockbrokers arranging the placing, Messrs W. Greenwell and Co. and Joseph Sebag and Co., have placed the shares in parcels of 10 ordinary and 90 "A" ordinary. They have placed into some strong hands. Mr Littler (including the Warburg interest) takes 250,000 shares. Other shareholders, since national papers are ruled out, are believed to include Iliffe Press, Westminster Press as proprietors of Birmingham papers, Pye Radio and Associated Electrical Industries. The ITA has agreed to transfer the licence originally offered to Mr Collins's company (which ceases to exist) to the new enterprise, but it is significant that Mr Littler's company, known as the Incorporated Television Programme Company, will continue to have a separate existence as programme producers for all four contractors. The principal objection to employing this company as programme contractor when it originally applied for a licence was that through its contracts it had a partial monopoly of entertainment talent. The new agreement implies that ABC will not have an exclusive claim to this talent.

Good Year for Eastern Banks

THE annual statements of the chairmen of the Eastern exchange banks always make good reading both for the layman and the expert in the Asian economies; this year the banks' accounts make good reading for their shareholders too. The Chartered Bank of India has made a straight increase in its dividend, from 14 to 15 per cent; and the Mercantile Bank of India and the National Bank of India increased their distributions through last year's capitalisations of reserves, the effective distribution (on the 1953 capital) by the Mercantile Bank being from 14 per

YALE
REGISTERED TRADE MARK

MATERIALS HANDLING EQUIPMENT

MANUFACTURING PLANTS IN EUROPE

REPRESENTATIVES

YALE & TOWNE
REGISTERED TRADE MARK

Materials Handling Equipment is Entirely Manufactured in the United Kingdom and Europe by

Wednesfield, Staffs., England — Velbert Rhld., Germany
and under licence by

FENWICK
St-Ouen, Seine, France

REPRESENTATIVES

FRANCE
Fenwick Paris

SPAIN
Fenwick Barcelona

SWITZERLAND
Forrer-Fenwick Zurich

HOLLAND
Van Eyle & Ruygers Rotterdam

ITALY
Fenwick Milan

BELGIUM
Fenwick Liège

DENMARK
V. Löwener Copenhagen

NORWAY
A/S Löwener, Mohn, Oslo

SWEDEN
A/B V. Löwener, Stockholm

THE YALE & TOWNE MANUFACTURING CO. CHRYSLER BUILDING, N.Y. USA

THROUGHOUT THE WORLD . . . as in Britain



AUSTRALIA, vast homeland of 9,000,000 of our cousins, is the world's most abundant source of wool. Livestock raising, dairy farming, agriculture and mining—Australia's other great and ever-growing industries, steadily enrich a young progressive nation and contribute mightily to the strength of the Commonwealth.

ACCOUNTING & ADDING MACHINES put business on record...at less cost

COMPLETELY VERSATILE,—The *National* "CLASS 31" DIRECT-ENTRY ACCOUNTING MACHINE. INSTANTANEOUSLY ADAPTABLE to all phases of Commercial, Industrial and Financial accounting. PAY-ROLL and SALARY RECORDS ★ LEDGERS of EVERY KIND (with simultaneous analysis and completion of related records and documents) ★ STORES RECORDS ★ MATERIAL and STOCK CONTROL ★ COSTING and all varieties of special records for particular requirements.



FOR SUPER SPEED AND ACCURACY over the entire range of listing and primary book-keeping operations; the "E.N." SERIES of NATIONAL ADDING MACHINES—in simplex and duplex versions, with and without wide platens and shuttle carriages. High, medium and low capacities.

THE NATIONAL CASH REGISTER COMPANY LTD.

LONDON, and all provincial business centres in Britain and throughout the world.



cent to 16½ per cent and by the National Bank from 16 per cent to 18½ per cent. The Eastern Bank and the Hongkong and Shanghai Bank merely maintained their dividends, but the latter has made a scrip issue of one-for-four, to rank for dividend in 1955.

The more liberal dividend policy appears to have been soundly based. The three exchange banks that have already published their accounts report a revival in activity, reversing the decline suffered in 1953. The Chartered Bank and the Eastern Bank also report increases in net profits, whilst the Mercantile Bank shows only a fractional fall. The banks have by now made good much of their loss of business in China by expansion in other parts of Asia; in China itself good progress is reported in winding up, though the chairman of the Chartered Bank, Mr Vincent Grantham, states that an indication has been given that China will "welcome the participation of British banks in the finance of external trade."

Good progress among the free Asian countries there certainly has been. The higher prices of tea and rubber have helped Ceylon and Malaya; quickening development in India, along with the creation of the new finance corporations, augurs well for the future of banking there, and the banks do not appear unduly worried lest that future should not be for them; Mr Grantham finds the decision to establish a State Bank of India, with its own nationwide system of branches that will in the process absorb the Imperial Bank of India, merely "interesting to note." Over Pakistan there is understandably much concern about political instability; but all five exchange banks joined with the International bank last year in granting a loan to the Sui Gas Company for the transmission of natural gas.

Competition from German Shipyards

ATTENTION was drawn to the strong competitive position of German shipyards by the launching on one day last week of two tankers of 38,000 tons deadweight each and of one passenger liner of about 10,000 tons gross—the first ship of its type to be built in Germany since the war. These three vessels are all for export, the tankers for Liberian registry and the passenger liner for Israel under the reparations agreement. Last year German shipyards launched 268 ships of 963,114 tons gross, compared with 253 ships of 1,408,874 tons in the United Kingdom; but the German total for export was 94 ships of 520,695 tons, compared with only 79 ships of 481,825 tons in Britain. By the beginning of this year Germany had risen to second place as a shipbuilding country, accounting for 13 per cent of the total tonnage of merchant ships under construction in the world, compared with 36.5 per cent for Britain. Although ten years ago German shipyards were derelict, they are now producing a much larger volume of new ships than ever before the war.

The remarkable increase in German shipbuilding capacity since the war is due mainly to two factors. The complete destruction of the German yards enabled them to be re-equipped entirely with new plant and laid out to take the best possible advantage of modern methods. Less

palatable is the fact that their shipyard workers are prepared to work much longer hours, and to work the three-shift system round the clock with a minimum of restrictive trade union practices. Nor, it seems, are they obsessed with the fear that by stepping up output they are going to work themselves out of a job. On the contrary, their ability to guarantee early delivery dates enabled them to obtain the giant's share of the orders for dry-cargo ships placed recently, including three out of four refrigerated cargo liners ordered by a British company. In fairness it must be acknowledged that British shipbuilding productivity is also improving, and that many British yards are prevented from offering early delivery because of the surplus of orders booked in earlier years and still to be worked off; and in view of the continual pressure for higher wages in the engineering industry they can scarcely be blamed for hesitating to commit themselves to fixed-price contracts for performance so far ahead. The Germans, having built up their order books again, are no longer so ready to offer fixed prices nor so free to promise early delivery. But they have put themselves in a strong competitive position which will test British yards in coming years.

Penny at the Pump

COMPETITION at the petrol pumps shows signs of increasing. Petrol prices generally were increased by ½d. a gallon in January in obedience to movements of prices in the Gulf, but opportunities for buying petrol at a discount appear to be growing. The attention recently attracted by the plans of Mr Cyril Kieft, who is primarily a manufacturer of racing cars and machine tools, to set up a local chain of pumps might equally have been directed on the activities of some of the oil companies themselves. Mr Kieft distributes petrol and diesel oil in the Wolverhampton district, and by concentrating his operations in a small area offers petrol for 1d. a gallon less than the big distributors. Neither he nor the other small distributors over the country who sell at prices lower than those charged by the big oil companies appear to get special terms from their suppliers; the difference in price comes out of their own margins.

Mr Kieft can probably get up to 400,000 gallons of commercial petrol and diesel oil a year on a long-term contract from the Lobitos refinery at Ellesmere, which refines Peruvian crude primarily for making lubricants and has some motor spirit and fuel oil as by-products. It does not produce any premium petrol, and Mr Kieft's plans for getting a regular supply of premium petrol were based on contracts with one of the larger companies not all of whom have found it easy to dispose of the tonnage of premium grades that they have available. These plans may have received a set-back since they became widely known, because oil companies do not like to give open support to price competition between distributors however marginal the quantities involved. But the fact remains that, quite apart from the bulk discounts given to big fleet users who are driving hard bargains with the oil companies in certain districts, some motorists who are good regular customers

are able to get discounts; the amount seems to vary from 1d. to ½d. a gallon. The biggest distributors do not believe that price differentials as small as this can have any significant effect, but they may make a substantial difference to the smaller oil companies who are finding competition in the premium market increasingly difficult.

Turbo-alternators Under Stress

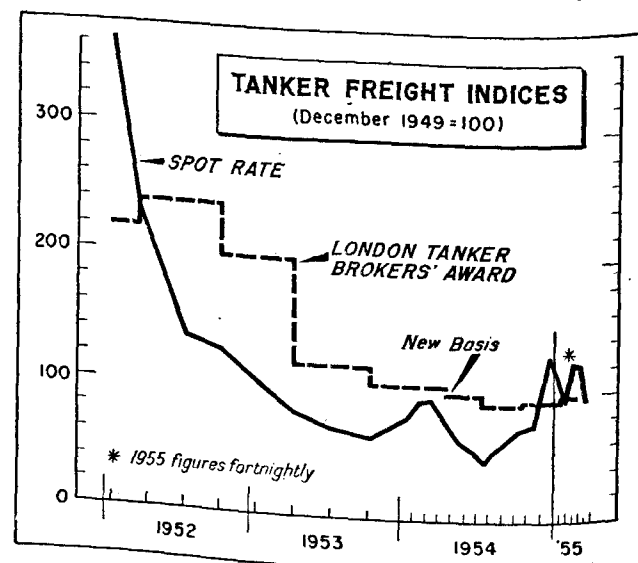
Two of the four 100 MW turbo-alternators that a British firm had built for a Toronto power station suddenly and mysteriously failed within a few days of each other last April after two years' service. The manufacturer immediately informed the British Electricity Authority (which was using similar sets), other British turbo-alternator makers, and certain consulting engineers. An exhaustive investigation was started to discover the reasons for these failures, which had features in common with breakdowns previously experienced by another manufacturer. Sir Claude Gibb, chairman of C. A. Parsons & Company, Ltd., the firm concerned, has given at a recent meeting of the Institution of Mechanical Engineers a full and frank account of these mishaps and their origin; it is a most commendable example of adding lessons learnt from bitter experience to the fund of engineering knowledge.

The cause of the trouble at Toronto was metal fatigue—an ill-charted phenomenon that received much publicity in the Comet accidents. The points of failure in these turbo-alternators were the end-bells, which support the end turns of the rotor windings. These are now made from non-magnetic austenitic steel—a combination of non-ferrous materials—instead of magnetic low alloy steel, and are produced by sub-contractors using cold working methods. Despite the special step-by-step forging technique employed, some residual stress is produced, varying from bell to bell and from forge to forge. In addition, ventilation holes drilled in these end-bells to reduce the temperature in the set when it is running resulted in a high local concentration of stress and seriously weakened them. The third contributory factor was the stress cycle caused by shutting down and restarting the machines. Manufacturers were aware of these troubles and had allowed what were thought to be wide safety margins, but subsequent tests showed that the fatigue strength of drilled non-magnetic end-bells could in practice be much shorter than earlier calculations revealed.

The industry has drawn the conclusion that ventilation holes and all other forms of stress raisers must be avoided. Recent experiments, moreover, have shown that it is possible to reduce the residual stress in non-magnetic end-bells, and BEA has found a way of curtailing the temperature fall during a shut-down period. Another series of tests by BEA showed that some of its alternators were suffering from stress corrosion which can be caused by condensation when the end-bells are stationary. Although this did not contribute to the Toronto breakdowns, these bells have since been removed from BEA's service, and steps are to be taken to control temperature and humidity in places used for the storage of turbo-alternators.

Tanker Freight Rates Fall

THE seasonal rise in oil shipments to Western Europe and the Atlantic seaboard of North America usually brings good rates for tanker owners, and they have been able to fix tonnage this winter much more favourably than at any time in the past two years. But the re-opening of the Iranian oilfields has at times led to some very wide and rapid fluctuations in these rates. At one time Persian Gulf fixtures, at scale rates plus 50 per cent to 60 per cent, were between 30 per cent and 40 per cent above those from the Caribbean. In the last few weeks, however, much more tanker tonnage has become available than charterers have needed, and voyage rates fixed from both oil exporting



areas have dropped. The Persian Gulf rate has fallen like a plummet to scale flat. The Caribbean rate, also for end-March and April loading, has dropped to scale rate plus 10 per cent, and is expected to fall further. The peak demand for spot tonnage is now almost over, but there are grounds for believing that summer rates this year will not fall as far as they did last year, when July shipments were fixed at scale rate minus 47½ per cent.

All this activity has been confined to voyage charters. The time charter market has almost ceased to exist. No real business has been reported since November when Shell renewed some old charters and fixed a few fresh ones. With the uncertainty created by this heavy see-sawing in the voyage market, neither tanker-owners nor charterers have been willing to make period contracts. But, since it may be difficult for charterers to depend entirely upon voyage-to-voyage fixtures, tanker-owners expect to see some revival in time charters before very long.

Rotating Raw Wool

THERE are two ways of stockpiling wool. One, as practised in this country, is to keep a stock of raw wool that can be drawn upon in an emergency for the production of fabrics for military and other essential purposes. The American way is to give priority to the Army's need for

ACCOUNTANTS WANTED for the ARMY EMERGENCY RESERVE

to spend
**FIFTEEN DAYS
IN CAMP**
earning full pay and allowances
plus
a total of

£9 IN TAX FREE BOUNTY & EFFICIENCY GRANT

You can spend fifteen days with your friends, earning full Regular Army pay and allowances. As a member of the Army Emergency Reserve (Cat. IIA) you have no other duties during the year. If a grave national emergency should arise, you may be called up for service in the United Kingdom. You can be called out for overseas service only by Proclamation. Volunteers are accepted from 18 years of age and engagement is for two, three, or four years. If you have served before in a non-commissioned rank there is every possibility of your filling an existing vacancy or of being promoted as soon as a vacancy occurs.

**Lend your skill to Britain,
doing the job you know best**

Send this coupon now for details of how to join to:

**O.C. HEADQUARTERS,
ARMY EMERGENCY RESERVE
R.A.P.C.**

District Pay Office, Aldershot District, Hospital Hill, Aldershot.

NAME

ADDRESS

EU/563



and have you looked into
the cost of I.T.?

If you are looking into the cost of intercommunication now, ask Interoffice Telephones Ltd. for their terms—they are really competitive in every way. The cost of full intercommunication is a rental from 1/3 weekly per point. Many customers are paying hundreds of pounds per year for their systems but the smallest order receives the same attention from I.T. Enquire now for full particulars.

INTEROFFICE TELEPHONES LTD.

Internal Telephones—
Factory Broadcast
Systems.



18-20 York Buildings, Adelphi, London,
W.C.2. Phone: TRAJalgar 3824 (P.B.X.).
64, Washway Road, Sale, Manchester.
Phone: Sale 2205-6.



FISHERMAN'S FAMILY by Michael Ayrton

No. 8 in a series of advertisements showing the work
of contemporary artists.

Brotherton

One of the world's largest manufacturers of
hydrosulphites, liquid sulphur dioxide and hexamine.
Makers of an extensive range of Metachrome
dyes for dyeing wool in all its forms.

Brotherton & Co. Ltd., City Chambers, Leeds, 1.
Telephone: Leeds 2-9321 • Telegrams: "Brotherton, Leeds."

The choice for a lifetime

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



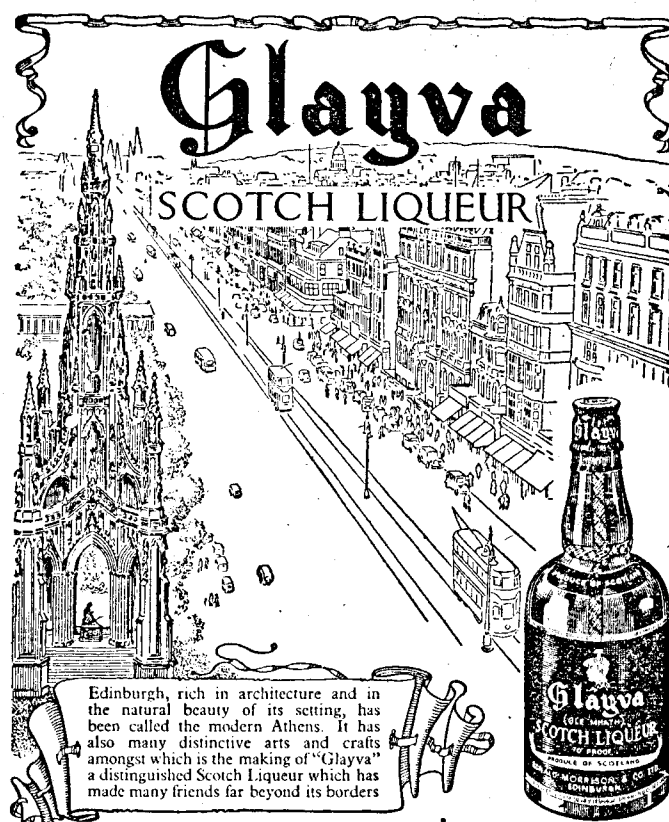
Also in 1 OZ. PKTS. 4/5^d

PLAYER'S MEDIUM
NAVY CUT TOBACCO

Ask for this AIRTIGHT 2 oz. pocket tin 8/10^d

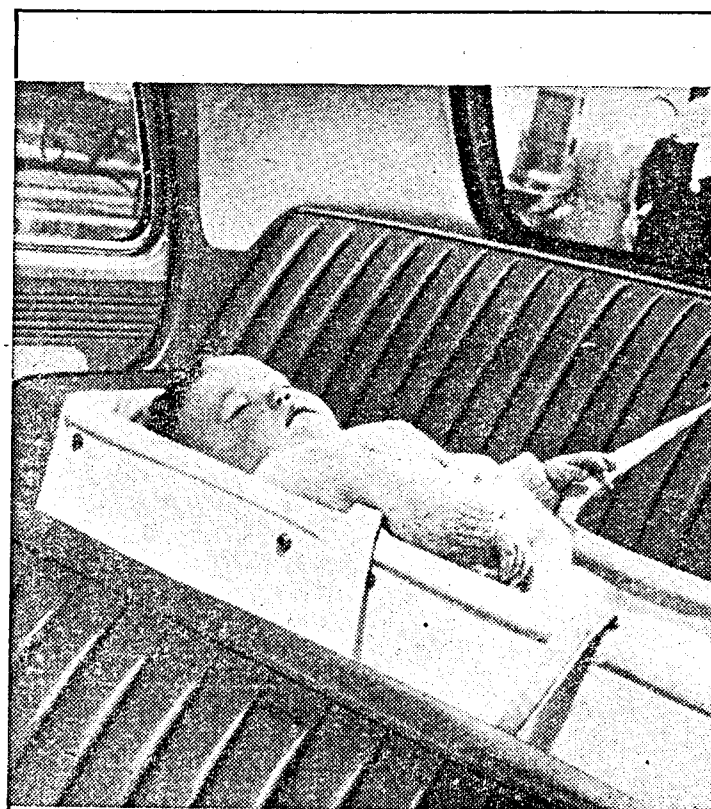
John Player & Sons, Branch of The Imperial Tobacco Co. (of Great Britain & Ireland), Ltd. [NCT 820]

Glavya
SCOTCH LIQUEUR



Edinburgh, rich in architecture and in the natural beauty of its setting, has been called the modern Athens. It has also many distinctive arts and crafts amongst which is the making of "Glavya" a distinguished Scotch Liqueur which has made many friends far beyond its borders.

RONALD MORRISON & CO. LTD. EDINBURGH



The sleeping baby test

WAIT till your baby is asleep; then put it in the back seat of your car. (If you haven't got a baby, borrow one.) Now fill up with Shell with I.C.A. and go for a drive. Try ticking over, driving slowly, accelerating, cruising. Don't, of course, brake violently, swerve sharply, or hoot loudly. Above all, don't sing, though the way Shell makes your car behave may easily make you want to.

Assuming well-surfaced roads and good springs, the baby will stay asleep. This means that Shell with I.C.A. makes your car run more smoothly.

Why? Two main reasons. The I.C.A. in Shell prevents pre-ignition, which is the main cause of engine roughness. At all speeds your engine turns over more smoothly and more quietly. This means better performance and longer engine life, too.

Secondly, Shell has better "mixture distribution". This means that an exactly equal amount of petrol vapour enters each cylinder on the induction stroke, so each piston is driven with exactly the same force. Your engine runs as smoothly and efficiently as it can.



the most powerful petrol you can buy

cloth, and he has the advantage that cloth will keep indefinitely if properly stored, and that the disadvantage that military needs may change. The British method gives flexibility, but the stock has now come over to prevent deterioration. The time has of course to start rotating the British stock, and the Board of Trade has sensibly followed the policy adopted when the stock was acquired: the quantities to be bought and sold will be stated publicly well in advance, and its operations will be conducted through normal market channels.

The entire stock of about 100 million lb (clean basis), or roughly 500,000 bales, will be replaced during the next seven to ten years, and the British Wool Federation will again act as agents. The wool to be rotated will be sold in London, the first sale probably being in May, and the new wool will be bought in the Commonwealth auctions, as was the original stock. The maximum quantity replaced in the first year ending March, 1956, will be only 30,000 bales. A particular grade in the stock—about half of which is merino and half crossbred wool—will not necessarily have to be replaced by exactly the same grade.

Both the buying and selling will be spread over the year, though it will not be possible to ensure that the two operations are always in step, for the London and the Dominion markets are not always operating at the same time. Naturally there is no intention of trying to operate in the markets at the most favourable moment; that would break the rules, and it is also unnecessary. The object is simply to sell at prices that cover the cost of replacing wool. Plainly the operation is designed to minimise the disturbance to the market, and there is no reason to think that it will be harmful. The quantities likely to be rotated in any single year are negligible in comparison with a world production of about 2,500 million lb clean and with the Commonwealth's own production of about 2,000 million lb. Rotation will not be a negligible factor on the London market, however, where the turnover is some 300,000 bales a year, but buyers may welcome the opportunity of obtaining more spot wool there.

Mixed Blessing in Cotton

THE maze of regulations governing the disposal of surplus American commodities has frequently proved the despair of officials in Britain and other receiving countries. The regulations cut across normal commercial practice, but as laws of Congress they cannot be modified in substance, and the American Administration, with one eye on Capitol Hill, is reluctant to give way on matters of detail. At present Whitehall is unhappily digesting the implications of a transaction that clearly ought to help the cotton industry, but would compromise government policy. It arises out of the recent American aid agreement with Pakistan, one part of which covers the supply of surplus commodities. Pakistan evidently did not want American raw cotton and is taking cotton textiles to the value of \$20 million instead, hard though it may be to see how cotton textiles come within the definition of "surplus." The United States, which does not normally sell cotton textiles to Pakistan, is anxious to avoid treading on the toes of the traditional exporters to that market. America has therefore agreed that the textiles shall be made in "third" countries

to which raw cotton of the same value will be shipped. Tenders have been opened by the Pakistan government, and Lancashire has submitted bids for the textiles that it is best fitted to supply.

Here the troubles begin. If Lancashire exporters are successful, someone must take delivery of the raw cotton, find buyers for it, and pay the exporters out of the proceeds. The British government, having turned its back on state trading, would be most reluctant to assume any responsibility for these transactions, and no doubt it hopes that raw cotton merchants and the exporters would jointly take responsibility. The value of the textiles will naturally be higher than their raw cotton content, so some cotton will be left over. How could the government satisfy the Americans that this part of their gift had not merely reduced Lancashire's normal purchases of American cotton? Another snag is that half the raw cotton must be shipped in American vessels. The government accepted that condition when it bought surplus American coal for sterling, but it could not do so again and expect any protests against this disputed form of flag discrimination to be taken seriously. Yet if it does not accept the 50 per cent rule, Lancashire would claim that its own interests were once more being sacrificed for the interests of other British industries.

Rio Tinto Down Under

CABBAGES at Rum Jungle fetch 7s. 4d. a lb. Shares in the uranium mines in the Northern Territory and other areas of Australia have fetched equally fantastic prices on the City stock exchanges while the geiger counters cluck in the back of beyond. The average grade of uranium ore is higher there than in South Africa. In the Union uranium production lives on the back of gold mining; in Australia uranium comes first and the other minerals mined with it are side dishes to the feast. But the ore, occurring in local pockets, varies in grade, and even with guaranteed prices for the uranium it is uneconomic to mine some ore bodies in these inaccessible and inhospitable areas unless a treatment plant is put up on the spot.

Only faint echoes of the Australian uranium boom reach this country. One came to the City recently, when Rio Tinto put some of its negotiations with the Australian producers on view. These negotiations, together with its interests in the Algom Mines in Canada, show that Rio Tinto, having sold off most of its Spanish properties, is becoming interested in uranium in the Commonwealth on a large scale. But it is picking its way forward with care. It first made an attempt to secure a stake in the Alligator-Sleisbeck uranium field in the Northern Territory, with the ultimate intention of building a treatment plant there. That approach failed when Rio Tinto's proposals were turned down by Northern Uranium Development and Uranium Development. Those two mines were satisfied to send their ore to the Rum Jungle treatment plant, a hundred miles or so away. Another producer, North Australian Uranium, was prepared to go along with Rio Tinto, but this company had announced earlier that it would be uneconomic to send its ore for treatment at Rum Jungle. The inference, presumably, was that the ore was of a low grade, but a treatment plant for that mine alone was out of the question.

Having failed in one direction, Rio Tinto has succeeded in another a long way to the south-east in the Mount Isa-Cloncurry area of Queensland. There it has bought a controlling interest in Mary Kathleen Uranium; it will assume the direction and financing of the exploration and development programme. Australasian Oil Exploration, which will provide much of the technical aids, will have a 39 per cent interest, and Walton McConachy Vendors, representing the original prospectors, a 10 per cent interest in the venture. If, as is hoped, the ore reserves justify further development, Rio Tinto will be prepared to put up the money, probably running into millions, for the erection of a treatment plant and ancillary equipment.

No Potash from ICI

IMPERIAL CHEMICAL INDUSTRIES has abandoned its plan to exploit the vast Yorkshire potash deposits which were expected to provide enough home-produced potassium chloride for fertiliser production for 200 years. Early surveys suggested that the deposits could be won in the same way as salt, by dissolving the potassium salts in water and pumping them to the surface. Seven years of experiment and £400,000 spent have shown that the process would not work satisfactorily and, faced with the alternative of mining the deposits at a depth of 3,500 to 4,500 feet, ICI have pleaded ignorance of mining techniques and withdrawn.

Whether new plans will be made to mine the deposits depends on the value of a home source of potash. There is no difficulty in obtaining as much potash as the fertiliser industry requires from Western Europe; France and Germany between them supplied most of the half million tons imported last year at a round figure of £15 a ton. Both Fisons, who would have been the principal customers, and ICI have already embarked on one expensive venture designed to replace imports of sulphur with home-produced sulphuric acid. It would not be surprising if it was decided that the cost of deep-mining the potash, which is now the only way of getting the deposits to the surface, outweighed the cost of importing the whole of the country's potash requirements.

Wholesalers in a Backwater?

THE surge of buying in the home market has largely passed the wholesalers. Until late in 1954, the value of their sales was little higher than in the preceding year. Trade has recently improved as retailers ran down their high stocks of textiles; in January the value of sales was nearly 6 per cent higher than the year before. But if this improvement is compared with the expansion in retail sales, which for last year as a whole showed increases of about 10 per cent for the big shops, it seems that a good deal of the extra trade has missed the wholesalers. Their turnover seems to be closely linked with that of the independent retailers. It would be wrong to think that the independents are steadily losing business to the big shops—they have captured a big proportion of the boom in

household goods and in radio and television. sales—but they have not done so well in clothing sales, where the competition of the multiples has been the most dominating feature in the retail market for more than two years.

The good results shown by the department stores have largely been due to the big expansion in sales of household goods, on which profit margins are attractive, and competition from the multiples negligible. Their high made it possible to cut margins on those goods where competition from the multiples has made the most serious inroads, and the evidence suggests that sales in the household departments are continuing much as usual. There is little that the wholesalers can do under circumstances like these to capture more trade. The multiples do not deal with them, and their turnover depends on the level of clothing and textile sales by other retailers who do. When many retailers are anticipating a wave of price cutting in Lancashire, they will probably be inclined to keep their textile orders to a minimum.

SHORTER NOTES

British overseas trade in February—a short month—was in slightly better balance than in January. Exports amounted to £233.0 million fob, re-exports to £9.0 million and imports to £309.5 million cif; the trade deficit fell by £5.9 million to £67.5 million. The average value of exports (excluding re-exports) in the five months from October, when the dock strike began, was 2½ per cent higher than in the same months of 1953-54, whereas the October-January average had been slightly below that of the same period a year ago.

British Overseas Airways Corporation is expected to show a net profit for the financial year that ends this month, the fourth successive year in which the corporation has paid its way. For 1953-54, BOAC reported a gross profit of £2 million and a net surplus of nearly £1 million after payment of interest and tax. This year's profit is expected to be smaller; the grounding of the Comets in April having cut the corporation's capacity by a quarter.

Steel production exceeded the annual rate of 20 million tons for the first time last month, and pig iron output was also a record. But supplies are still very tight. The industry now expects that about one million tons of steel products will have to be imported this year, twice as much as it previously thought.

Cocoa prices have weakened further; Accra cocoa for March-May shipment is now about £322 a ton compared with £410 a ton at the end of January.

The rate of wool consumption in the British wool industry rose slightly in January and was 1½ per cent higher than in January, 1954; consumption in topmaking, however, was still 2½ per cent less than a year ago, but woollen consumption was 9 per cent higher.

Company Notes

J. SEARS (TRUE-FORM BOOT). Mr Charles Clore so changed the structure of J. Sears last year, turning it from a boot and shoe company into a holding company for his interests, that a direct comparison between the profits of 1954 with those of 1953 is of little value. So far that matter is a direct comparison of dividend payments. The new J. Sears is to pay a dividend of 100 per cent for 1954; in 1953 the old J. Sears paid a dividend of 50 per cent. And the directors of the company intend to make a 400 per cent free scrip issue so as to consolidate the 1s. ordinary and "A" ordinary shares into 5s. units.

The preliminary results, subject to audit, of two of the principal subsidiaries show that Mr Clore's interests are doing well. The boot and shoe company, Freeman Hardy and Willis, reports a gross profit of £978,000, compared with £720,000. It is this company which has to bear the cost of the new rent rolls, following the freehold-leasehold transactions. Thus this new profit is struck after charging £250,000 for rents on properties sold and leased back after February, 1953, but before charging £116,000 for interest and rents payable to the holding company. The company is paying a tax free dividend of 20s. per share, against 14s., and making a special distribution which will absorb £920,312 from the revenue reserves of the boot company; so far as that distribution accrues to J. Sears it will be added to the company's capital reserves. The other company, Bentley Engineering, which controls the hosiery machine manufacturers, Mellor Bromley, reports a profit of £1,635,000 (compared with £1,163,000) and effectively increases its dividend from 12½ to 25 per cent. For what the comparison is worth, J. Sears made a profit (including pre-acquisition profits of £1,559,000) of £3,200,000; in 1953 the company returned a profit of £1,131,000.

STORE PROFITS. Three of the smaller department store groups, A. W. Gamage, John Barker and Bentalls, have recently announced their dividends and trading results for the year to January 31st. Each of the dividends disappointed the market and the prices of all three ordinary stocks were marked down. Some investors had hoped for a dividend of 30 per cent from A. W. Gamage. They received 27½ per cent, compared with 25 per cent in 1953-54. Some looked for something more than the maintained dividend of 22½ per cent declared by John Barker. And after a 400 per cent free scrip issue some had anticipated a bigger increase in dividends from Bentalls than the effective increase from 20 to 25 per cent actually made. Yet investors had been correct in seeing that bulging pay packets, easy credit, and higher consumer spending

must spell higher profits from all three companies.

All these three department stores trade in London and its suburbs; their results strengthen the impression that trade in the metropolitan stores was a little brisker than in the provincial centres. Of the three, the biggest increase in profits—of 17 per cent, from £341,477 to £400,531—has been reported by the Kingston store, Bentalls. A. W. Gamage comes next with an increase of nearly 12 per cent, from £333,341 to £372,969. John Barker has been able to manage an advance of only about 7 per cent, from £678,795 to £724,553, and it is the only one of the three not to pay a higher dividend.

BRADFORD DYERS. A cut in the final ordinary dividend from the equivalent of 7½ per cent to 6 per cent brought down the price of the £1 ordinary stock units of Bradford Dyers from 29s. to 26s. Hopes had been kindled last September by the increase in the interim payment, but the final, making 10 per cent for the year, leaves the total distribution effectively unchanged from the 15 per cent distribution made in 1953 before the 50 per cent scrip issue.

There is a reason for the directors' caution. The net profit available to the parent company is down from £552,191 to £419,608. Outwardly at least the setback in profits seems to have arisen in Britain. The trading profit of the parent company and its British subsidiaries has fallen from £1,672,135 to £1,415,344 while profits of the overseas subsidiaries have gone up from £725,385 to £834,614. This is the exact reverse of 1953. But this simple division between British and overseas profits may not tell the whole story, for about 40 per cent of the output of the Association's British factories is for export. Thus it may be that the decline in profits on the home front reflects the disappointing performance of British textile exports. The sudden drop in the price of the Association's stock units showed that investors had misjudged the immediate situation; they now yield 7.7 per cent.

DORMAN LONG. The financial year of Dorman Long had ended but its accounts for that year had not been audited when its ordinary shares were offered to the public in November. Commenting on these recently published accounts, Sir Ellis Hunter can now welcome the resumption of "the association with shareholders . . . a much healthier relationship" but the prospectus itself has stolen most of his thunder.

Last year the group spent about £5,800,000 on capital account, completing the second stage and just beginning the third stage of the development programme. The largest of the projects now in hand is the installation of rolling mills

at Lackenby to balance the new steel making capacity of the group and to produce universal beams, structural sections and billets. That installation is the largest single item of the estimated bill of £33½ million for the final stage of the programme. Hence, it is not surprising that outstanding capital commitments stand in the accounts as at October 2nd at £13,952,000. Once this stage has been completed, the group's "integrated capacity" will be increased by about 25 per cent though the number of employees will go up by only about 500.

	Oct. 3, 1953	Oct. 2, 1954
<i>Cons. balance sheet:—</i>		
Gross fixed assets	22,504,587	28,148,551
Depreciation	7,650,988	1,965,315
Net fixed assets	14,853,599	18,983,236
Net current assets	14,257,228	15,326,997
Stocks	12,721,309	13,990,927
Cash	3,019,658	3,007,356
Capital reserves	2,585,625	4,161,416
Revenue Reserves	18,048,716	21,427,881
Ordinary capital	7,515,243	7,515,243
<i>£1 ordinary stock at 26s. 3d. yields 6 2s. per cent.</i>		

The course of trade while Dorman Long is completing this enormous programme should be favourable. On the structural engineering side of the business, for example, Sir Ellis tells shareholders that "orders on hand will ensure steady employment for many months, reflecting the confident view of the future of industry generally." Similarly, the bridge building subsidiary is "handling a larger volume of work than for several years and by far the greater part of this lies overseas." And the railway and road programmes in this country should offer an opportunity to that subsidiary at home.

LEYLAND MOTORS. Leyland Motors in the year to September 30th exported about half its total output. That was a record for the company and an

	Years to Sept. 30, 1953	1954
<i>Consolidated earnings:—</i>		
Trading profit	2,997,498	3,135,383
Total income	3,038,220	3,255,616
Depreciation	565,310	579,186
Taxation	1,425,141	1,484,899
Net profit	771,297	1,056,311
Ordinary dividends	251,339	301,607
Ordinary dividends (per cent)	25	30
Retained profits	478,003	712,749
<i>Cons. balance sheet:—</i>		
Net fixed assets	4,178,186	4,124,640
Net current assets	10,087,128	11,315,175
Stocks	12,028,438	11,447,178
Cash	264,493	1,126,308
Bank overdrafts	1,440,454	972,130
Capital reserves	5,995,661	6,102,319
Revenue reserves	4,363,173	5,175,922
Ordinary capital	1,827,920	1,827,920
<i>£1 ordinary stock at 12½s. 3d. yields 4 19s. per cent.</i>		

achievement as yet unmatched by any other commercial vehicle maker. The directors have thus good reason for being more interested in the state of overseas markets than most. These markets are highly competitive, but Leyland's salesmen were seen in every part of the world last year, including Russia and China. Here too is the origin of Mr C. Basil Nixon's comments on the necessity of designing and building a dual range of vehicles, one for the home market and one

for overseas. Batch production like this adds to costs and trims margins, and these may already have been squeezed by last year's wage increases and the reduction of some selling prices. The volume of sales abroad, however, was going up and at home the rate of sales improved steadily as the year progressed. Before the end of the year "urgent measures" had to be taken to speed up production.

Expanded sales explain the latest increase in trading profits (from £2,997,498 to £3,135,383) but the narrowness of profit margins explains why the increase was modest. Additional production was achieved without adding to working capital. Indeed the total of stocks and debtors was reduced, with a consequent reinforcement of liquid resources. And since the end of the financial year the bank overdraft, already reduced in the course of the year, has been extinguished. The £1 million capital programme that Leyland Motors has in prospect will presumably have the first call on these cash balances, but the remarkable improvement in liquidity, coupled with the sharp advance in net profits from £771,297 to £1,056,311, must have some bearing on the directors' decision to raise the ordinary dividend from 25 to 30 per cent. That increase, the 100 per cent free scrip issue and the news of more deliveries in the current financial year may tempt investors to treat the directors' warning about future dividends as a homage to convention.

ASSOCIATED ELECTRICAL INDUSTRIES. The accounts of Associated Electrical Industries were drawn up before the acquisition of Siemens Brothers was completed. Hence, that purchase is not consolidated in the

group's assets. Even so, the net assets representing the preference and ordinary stockholders' interests in the AEI group topped £50 million last year. At over £48½ million the net assets attributable to the ordinary capital alone are more than double the figure (£22½ million) applicable seven years ago. One of the most significant figures in the accounts is the £7,863,000 of outstanding capital commitments; at the end of 1953 that figure stood at only £2,890,000.

The accumulation of assets has been financed in part by a steady expansion in trading profits. Last year they went up

	Years to Dec. 31, 1953	1954
Consolidated earnings:—		
Trading profit.....	13,456,282	14,758,811
Depreciation.....	1,248,521	1,465,760
Replacement reserve ..	1,377,000	1,404,000
Taxation.....	7,812,314	7,223,951
Net profit.....	2,933,264	4,512,589
Ordinary dividends.....	1,097,736	1,366,073
Retained by subsidiaries	1,433,153	2,368,227
Retained by parent co.	553,156	934,681
Cons. balance sheet:—		
Net fixed assets.....	12,014,070	14,158,781
Net current assets.....	42,106,539	44,344,771
Stocks.....	36,769,846	38,867,454
Cash & T.R.C.'s.....	6,810,973	5,205,079
Bank overdrafts.....	921,808	38,265
Capital reserves.....	5,197,861	6,092,131
Revenue reserves.....	21,493,229	24,734,913
Ordinary capital.....	17,741,192	17,741,192
Ordinary stock at 67s. 9d. yields 4 3/4 per cent.		

from £13,456,282 to £14,758,811, and the ordinary dividend was raised from the equivalent of 11½ per cent to 14 per cent. The directors announce that yet another record in both the value and volume of production lies behind the increase in profits. They add—as a significant pointer to the future—that although foreign competition has grown even keener there was "a substantial increase in export orders last year." In 1953 they were able to report only that the level of export orders had been maintained.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950 = 100)					Average Yields (per cent)				
	Feb. 23, 1954	Nov. 30, 1954	Dec. 28, 1954	Jan. 25, 1955	Feb. 22, 1955	Feb. 23, 1954	Nov. 30, 1954	Dec. 28, 1954	Jan. 25, 1955	Feb. 22, 1955
2½% Consols.....	90.6	94.7	93.0	90.7	86.3	3.91	3.73	3.80	3.90	4.10
Debt securities:										
Industrial.....	87.8	92.0	92.8	92.4	88.8	4.69	4.48	4.44	4.46	4.63
Investment trust.....	90.0	94.2	94.4	93.9	91.6	4.59	4.38	4.37	4.39	4.51
Preference stocks:										
Industrial.....	91.7	97.4	97.1	95.4	89.4	4.95	4.67	4.68	4.77	5.10
Investment trust.....	88.5	93.5	93.3	91.0	86.7	4.98	4.72	4.72	4.85	5.09
Ordinary stocks:										
Banks.....	97.1	115.5	113.0	112.1	108.0	4.50	4.01	4.10	4.24	4.40
Industrial insurance.....	117.7	137.8	135.7	135.0	127.3	4.90	4.38	4.46	4.48	4.75
Investment trust.....	147.3	193.9	199.5	211.2	212.2	4.92	4.33	4.21	4.07	4.19
Electrical engineering.....	108.3	142.6	139.3	148.8	150.0	5.49	4.65	4.77	4.50	4.53
Engineering.....	122.6	173.3	173.3	183.7	179.0	5.07	4.17	4.28	4.08	4.17
Motors and aircraft.....	125.8	166.7	167.0	180.7	173.6	5.74	5.12	5.17	4.75	5.05
Breweries.....	104.0	123.5	120.9	123.0	113.6	6.38	6.06	6.31	6.23	6.73
Chain stores.....	179.7	267.2	274.1	283.3	246.0	3.88	3.03	2.95	3.25	3.70
Cotton textiles.....	116.3	122.2	124.7	125.1	116.8	6.46	7.16	7.19	6.81	7.34
Household goods.....	124.1	162.5	160.1	171.4	158.3	4.85	4.98	5.05	4.73	5.30
Rayon.....	84.3	86.2	80.4	85.5	77.4	4.77	5.61	5.76	6.23	6.94
Tobacco.....	84.6	94.8	94.2	93.1	88.9	6.98	6.84	6.90	6.84	7.41
Wool textiles.....	106.5	125.1	129.0	127.1	124.5	5.81	5.56	5.49	5.67	5.84
Chemicals.....	143.9	191.5	188.7	202.7	188.8	4.51	4.08	4.12	3.88	4.14
Oil.....	139.5	190.9	186.0	204.4	183.6	6.30	5.73	5.96	5.47	6.03
Shipping.....	126.3	155.5	160.1	180.1	164.0	6.06	4.96	4.81	4.31	4.73
Total (capital goods).....	119.6	161.3	160.5	171.5	167.1	5.55	4.81	4.90	4.58	4.75
Total (consumption goods).....	115.9	140.6	139.9	144.1	132.7	5.63	5.46	5.55	5.44	5.96
Total industrial (all classes).....	120.5	153.2	152.1	160.1	148.4	5.60	5.15	5.24	5.62	5.45

LONDON STOCK EXCHANGE

Next Account begins: March 16th
Next Contango Day: March 16th
Next Settlement Day: March 22nd

INVESTORS began to have second thoughts this week. Equities had remained firm until the week-end, but after the week-end their prices began to drift down in the face of light selling in a quiet market. Turnover contracted. The heaviest falls came on Wednesday, when the market was unsettled by the overnight setback on Wall Street; on that day the Financial Times ordinary share index dropped from 184.0 to 181.3, having touched 186.2 just before the week-end. Equity prices began to drift downwards on Monday although gilt-edged prices remained quite steady. The Funds, however, were unsettled later and the shorts and short-mediums were marked down on the stringency in the money market. This weakness communicated itself to the long dated and undated issues. Similar conditions ruled on Wednesday and further declines throughout the gilt-edged list were recorded. In the foreign market buying of German issues continued immediately after the week-end but this demand soon dried up.

Net losses in the industrial market were not particularly heavy but the weakness in prices persisted. Store shares were marked down at first quite heavily on profit taking just before settlement day. Many of the other losses were reported in shares which were affected by the announcement of trading results and dividends. Electrical equipment and engineering issues were notably weak. Steel shares moved against the trend at first on the strength of Sir Ellis Hunter's statement to the Dorman Long shareholders, but later on these prices, too, fell away. Dollar stocks were all marked lower in sympathy with Wall Street.

The oil market was enlivened at the beginning of the week on vague reports of scrip issues pending from Royal Dutch and Shell; some of the buying of their stocks was reported to have come from America. But prices reacted and gains were wiped out. Rubber shares were quiet and tea shares were marked down on the fall in price of the commodity. Kaffirs rallied on Tuesday on Cape and Continental support but some weak selling brought prices down later.

FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Mar. 2.....	184.7	108.80	4.03	4.71
" 3.....	185.3	109.02	4.02	4.70
" 4.....	186.2	109.22	4.02	4.68
" 7.....	184.9	109.50	4.02	4.71
" 8.....	184.0	109.46	4.04	4.73
" 9.....	181.3	109.28	4.07	4.80
1955, High.....	197.5	115.97		
(Feb. 3) (Jan. 7)				
" Low.....	177.0	107.61		
(Feb. 24) (Feb. 24)				
1954, High.....	184.0	118.10		
(Dec. 31) (Nov. 18)				
" Low.....	131.1	111.78		
(Jan. 1) (Jan. 5)				
* July 1, 1935=100. † 1928=100.				

LONDON ACTIVE SECURITIES

Prices, 1955 Jan. 1 to Mar. 9		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Mar. 2, 1955	Price, Mar. 9, 1955	Net Yield, Mar. 9, 1955	Gross Yield, Mar. 9, 1955	Prices, 1955 Jan. 1 to Mar. 9		Last Two Dividends (a) (b) (c)			ORDINARY STOCKS		Price, Mar. 2, 1955	Price, Mar. 9, 1955	Yield, Mar. 9, 1955
High	Low							High	Low								
97½	94½	Exchequer 2% 1960.....	95½	95½	2 1 7	3 0 4	42/9	35/9	15 c	17½	STEEL & ENGINEERING			38/-	38/-	4 12 1½	
99½	95½	Exchequer 2½% '63-64.....	94½	94½	2 3 8	3 8 0	13/10	10/-	15 c	3½	B.S.A. 1.....			12/7½	12/4	5 19 7	
104½	98½	Exchequer 3% 1960.....	99½	99½	1 15 6	3 2 8	28/10	27/3	...	...	Cammell Laird 5/-			28/-	28/-	...	
102½	98½	Exchequer 3% '62-63.....	98½	98½	1 18 8	3 16 11	27/11	23/-	...	...	Colvilles 1.....			28/-	28/-	...	
100½	96½	Serial Funding 2½% 1957.....	97½	97½	1 19 8	3 2 8	74/3	63/6	10 b	5 a	Dorman Long 1.....			25/3	26/3	6 1 11	
100½	99½	Serial Funding 3% 1955.....	99½	99½	1 9 5	3 9 2	50/3	42/-	...	...	Guest Keen N'fold 1.....			68/9	67/9	4 8 7	
100½	98½	War Bonds 2½% '54-56.....	99½	98½	2 1 8	3 5 5	31/7	27/6	3 a	6 b	Stewarts & Lloyds 1.....			46/10	47/-	5 6 5	
100½	98½	Funding 2½% '52-57.....	98½	98½	1 18 11	3 6 6	32/6	27/6	4 a	6 b	Summers (John) 1.....			30/6	30/-	6 8 4	
100½	98½	War Loan 3% '55-59.....	98½	98½	1 19 0	3 5 7	43/10	36/-	15 c	2½	United Steel 1.....			31/3	31/3	6 8 0	
100½	94½	Savings Bonds 3% '55-65.....	95½	94½	2 4 10	3 13 0	...	...	...	...	Vickers 1.....			38/9	38/9	3 17 5½	
100½	95½	Funding 2½% '56-61.....	97½	95½	2 2 0	3 4 7	30/4	25/9	4 a	6 b	Bradford Dyers 1.....			28/3	25/9	7 15 4	
97	90½	Funding 3% '59-69.....	91½	90½	2 8 4	3 16 7	33/4	27/3	12 b	3 a	Brit. Celanese 1.....			30/3	29/9	6 1 0	
98½	90½	Funding 3% '66-68.....	92½	92½	2 6 5	3 15 0	29/6	24/1	10 b	2½	Coats (J. & P.) 1.....			26/-	25/-	6 0 0½	
95½	88½	Funding 3½% 1959-2004.....	90½	90½	2 5 4	3 19 7	43/6	35/6	4½ b	4 a	Courtaulds 1.....			38/-	37/6	4 5 4½	
103½	98½	Funding 4% '60-90.....	101½	101	2 3 2	4 1 11	32/6	27/9	10 a	7½	Lancs. Cotton 1.....			31/6	30/6	8 3 11½	
96½	87½	Savings Bonds 3% '60-70.....	90½	90½	2 8 5	3 17 2	36/0	29/3	15 b	2½	Patons & Baldwins 1.....			31/-	30/-	6 13 4½	
95½	87½	Savings Bonds 2½% '64-67.....	89½	89½	2 8 3	3 13 2	...	...	...	...	MOTOR & AIRCRAFT			...	...	...	
105½	98½	Victory 4% '20-76.....	100½	100½	2 2 8	3 18 6	20/10	17/4	6½ b	3½	Bristol Aeroplane 10/-			19/6	19/-	5 5 3	
94½	85½	Savings Bonds 3% '65-75.....	87½	87½	2 8 5	3 17 9	12/9	9/10	4 a	8½	British Motor 5/-			11/3	11/3	5 11 1	
97½	90½	Consols 4% att. Feb. '57.....	93½	92½	2 7 1	4 5 10	27/3	21/10	7½ c	1½	De Havilland 1.....			25/-	24/3	6 3 9	
89½	79½	Conv. 3½% att. April '61.....	83½	82½	2 6 5	4 4 3	90/6	74/4	12 c	5 a	Ford Motor 1.....			78/9	76/10	3 1 9	
103½	95½	Conv. 3½% 1969.....	96½	96½	2 4 10	3 17 2	57/6	43/1	3 a	7½	Hawker Siddeley 1.....			49/9	49/3	4 5 5	
99½	95½	Conv. 2% 1958-59.....	96½	96½	2 1 0	3 0 2	131/-	100/6	25 c	30	Leyland Motors 1.....			122/6*	121/3*	4 18 11	
66½	59½	Treas. 2½% att. April '75.....	62½	61½	2 4 9	4 1 3	88/6	71/3	12½ b	5 a	Rolls Royce 1.....			77/6	79/-	2 19 2½	
78½	70½	Treas. 3% att. April '66.....	72½	72½	2 5 9	4 3 1	8/-	6/10	12 c	12 c	Standard Motor 5/-			7/3	7/3	8 5 6	
98½	91½	Treas. 3½% '77-80.....	92½	92½	2 6 11	4 0 7	32/6	25/-	22½ c	10 a	Boots Pure Drug 5/-			27/9*	27/-	4 3 4	
99½	91½	Treas. 3½% '79-81.....	92½	92½	2 6 9	4 0 1	32/6	25/-	7½ d	20 b	Debenhams 10/-			38/9	40/-	6 17 6	
88½	78½	Redemption 3% '86-96.....	81½	81½	2 7 0	3 18 0	45/3	36/9	45 b	15 a	Gt. Universal 5/-			52/6	51/6	3 12 10½	
88½	79½	War L'n 3½% att. Dec. '52.....	83½	83½	2 6 5	4 4 10	62/6	43/9	17½ b	5 a	Lyons (J.) 'A' 1.....			103/9	106/3	4 2 10	
66½	60½	Consols 2½%.....	62½	61½	2 4 7	4 0 11	114/-	97/6	45 b	15 a	Marks & Spen. 'A' 5/-			65/-	65/-	2 17 8	
94½	86½	Br. Elec. 3% '68-73.....	88½	88½	2 8 11	3 17 9	76/-	58/6	20 a	36½	Woolworth 5/-			60/3	58/-	4 6 3½	
93½	85½	Br. Elec. 3% '74-77.....	87½	87½	2 7 9	3 17 1	71/9	57/-	...	...	OIL			...	...	...	
109½	100½	Br. Elec. 4½% '74-79.....	102½	102½	2 3 6	4 0 1	88/9	68/6	37½ b	5 a	British Petroleum 1.....			75/-	72/6	2 6 11½	
98½	91½	Br. Elec. 4½% '76-79.....	92½	92½	2 6 11	4 0 9	88/9	68/6	17½ c	7½	Burmah 1.....			111/3	111/3	3 2 11	
88½	79½	Br. Trans. 3% '78-88.....	82½	82½	2 8 7	3 17 9	138/-	100/-	12 b	6 a	Royal Dutch 100 d.			55/2	55/2	2 5 11½	
94½	86½	Br. Trans. 3% '68-73.....	88½	88½	2 8 11	3 17 9	58	50/9	10½ b	5½	Shell Reg. 1.....			118/9	123/½	3 13 9	
105½	98½	Br. Trans. 4% '72-77.....	99½	99½	2 4 10	4 1 7	132/-	109/9	5½ a	15½ b	Trinidad L'holds 5/-			31/3	30/3	6 0 3	
88½	79½	Br. Gas 3% '90-95.....	86½	86½	2 6 8	3 18 0	35/1½	26/9	...	...	SHIPPING			...	...	...	
102½	94½	Br. Gas 3½% '69-71.....	92½	92½	2 4 11	3 17 3	37/3	30/-	16 c	13 a	Cunard 1.....			33/6	33/-	5 16 4½	
105½	99	Br. Gas 4% '69-72.....	100½	100½	2 3 6	3 19 9	37/3	30/-	12 c	13 a	Furness With...			50/6	50/6	...	

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	Mar. 5th	Western Europe:	
Production and Consumption	This week	Production and Trade.....	Mar. 5th
Manpower.....	Feb. 19th	British Commonwealth	This week
External Trade.....	Feb. 26th	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	Feb. 19th
Industrial Profits.....	Jan. 15th	United States	Feb. 26th
	World Trade.....	Jan. 15th	

UK Production and Consumption

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

		Unit	Monthly averages			1953		1954				1955
			1952	1953	1954	Nov.	Dec.	Jan.	Oct.	Nov.	Dec.	Jan.
INDUSTRIAL PRODUCTION												
Index:												
All industries.....		1948=100	114	121	128	133	121	127	137	139	128	132-133
Mining and quarrying.....		"	109	109	110	119	108	117	118	118	107	...
Building and contracting.....		"	103	110	...	119	106	108	...	...	...	...
Gas, electricity and water.....		"	127	132	142	146	148	162	140	158	161	...
Manufacturing, total.....												
Engineering, shipbuilding, electrical goods		"	115	123	132	136	123	129	143	143	132	...
Vehicles.....		"	127	129	...	144	132	136	...	...	...	...
Chemical trades.....		"	124	138	...	151	138	150	168	...	...	...
Textiles and clothing.....		"	132	151	...	169	151	164	169	165	...	...
Food, drink and tobacco.....		"	99	114	...	121	105	119	126	121	...	...
		"	108	114	...	122	114	108	122	121	...	...
BASIC MATERIALS												
Production of:												
Coal (t) (t).....	W	'000 tons	4,332	4,300	4,300	4,691	4,251	4,591	4,598	4,587	4,132	4,518
Pig-iron.....	W	"	202	215	229	229	225	230	231	235	234	236
Steel, ingots and castings.....	W	"	310	339	356	363	339	360	374	377	355	381
Sulphuric acid.....	M	"	125.5	156.3	...	171.2	178.5	174.6	169.4	163.0	...	...
Newsprint.....	W	"	10.32	11.60	...	12.71	10.99	11.92	12.24	12.97	...	...
Electricity (t).....	M	mn. kwh	5,166	5,459	6,075	6,099	6,533	7,122	6,241	6,984	7,354	...
MANUFACTURING												
Textile production:												
Cotton yarn, single.....	W	mn. lb.	14.82	17.97	19.17	20.59	18.63	19.80	20.67	20.79	18.25	19.10
Worsted yarn.....	M	"	14.84	18.40	18.80	20.00	18.85	19.27	20.46	20.46	18.47	...
Rayon and synthetic fibres, total.....	M	"	23.59	34.94	37.30	36.13	34.86	37.24	38.88	37.99	36.04	38.20
" " staple fibre.....	M	"	10.59	16.85	19.00	17.54	16.69	18.68	20.48	19.50	17.97	19.30
Cotton cloth, woven.....	W	mn. yds.	32.5	35.2	38.3	41.0	36.5	39.1	42.0	41.8	36.6	39.3
Wool fabrics, woven.....	M	mn. sq yds	31.5	34.3	34.5	36.0	33.4	36.8	37.4	39.2	34.9	...
Engineering production:												
Passenger cars and chassis.....	W	'000s	8.62	11.44	14.79	13.35	12.11	13.38	16.25	15.77	15.20	...
Commercial vehicles and chassis.....	W	"	4.65	4.61	5.17	5.20	4.71	5.00	5.92	6.12	5.58	...
Metal-working machine tools.....	M	'000 tons	12.58	12.63	...	11.95	10.86	10.09	12.47	...	...	...
Internal combustion engines.....	M	'000 BHP	331	311	...	312	303	330	362	407	...	...
BUILDING ACTIVITY												
Permanent houses completed: (t)												
Total.....	M	'000s	19.99	26.56	28.97	29.38	33.51	24.60	31.52	29.32	30.66	20.97
For private owners.....	M	"	2.86	5.24	7.55	6.47	6.80	5.60	9.13	8.29	8.77	6.76
For local housing authorities.....	M	"	16.11	19.91	19.58	21.05	24.42	17.13	20.63	19.67	20.20	13.37
Other.....	M	"	1.03	1.41	1.83	1.85	2.29	1.86	1.76	1.36	1.70	0.84
WHOLESALE SALES (t)												
Textile houses:												
Total home sales.....		Av. value 1950=100	90	95	95	116	87	53	129	115	94	56
Women's and children's wear.....		"	90	96	96	109	85	52	128	110	90	56
Men's and boys' wear.....		"	82	91	90	120	86	48	123	111	94	52
Piece-goods.....		"	68	66	63	59	57	46	69	58	52	40
RETAIL SALES (t)												
Large retailers:												
All merchandise.....		Weekly av. value 1950=100	117	124	132	132	162	118	131	141	179	...
Clothing and footwear.....		"	110	113	125	124	175	99	125	136	200	...
Household goods.....		"	102	110	125	126	133	112	137	149	160	...
Independent retailers:												
Clothing and footwear.....		"	95	94	97	99	131	90	97	101	138	...
Household goods.....		"	109	120	132	137	149	120	152	156	177	...
STOCKS												
Basic materials:												
Coal, distributed (t).....		'000 tons	15,801	17,614	15,686	18,451	17,614	15,441	17,430	17,275	15,686	12,898
Steel.....		"	817	1,112	...	1,100	1,112	1,027	1,051	972	...	...
Copper (t).....		"	131.9	55.3	...	50.4	55.3	60.4	61.5	61.6	...	...
Sulphur.....		"	211.8	66.8	...	89.7	66.8	53.8	92.6	68.5	...	...
Newsprint.....		"	189.7	110.6	...	115.4	110.6	111.6	102.8	103.0	...	...
Textiles:												
Wholesale houses, total (t).....		Av. value 1950=100	74	89	95	94	89	101	108	106	95	104
Large retailers, clothing and footwear (t).....		"	92	102	107	118	102	95	123	125	107	...

(t) Great Britain.

(t) Provisional estimate.

(t) 1954 figures exclude all screening losses normally amounting to around 5,000 tons a week.

(t) Excluding government stocks from August, 1953.

British Commonwealth

PRODUCTION OF FUEL AND POWER (1)

Monthly averages or calendar months	Coal				Crude petroleum		Electricity				
	Australia	Canada	India	S. Africa	Canada	Pakistan	Australia	Canada	India	N. Zealand	S. Africa
	'000 tons				million kwh		million kwh				
1938.....	973	805	2,362	1,526	72	...	363	2,168	...	510	478
1952.....	1,617	1,153	3,025	2,302	679	17.3	975	5,149	552	252	1,044
1953.....	1,534	1,031	2,987	2,362	897	19.3	1,079	5,457	...	286	1,112
1954, July.....	1,759	749	2,966	2,466	1,218	22.2	1,359	5,478	633	357	1,318
" August.....	1,751	641	2,958	2,406	1,213	21.8	1,321	5,447	635	353	1,299
" September.....	1,810	954	3,171	2,432	1,176	...	...	5,510	648	331	1,219
" October.....	1,732	1,037	2,921	2,494	1,155	...	...	6,131	627	320	1,252
" November.....	...	1,196	3,323	2,500	1,100	...	...	6,206	...	304	1,229

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	million kwh						
1938.....	17.7	17.7	4.2	30.0	5.31	100	96	78	25	132.7	394	1,013.4
1953.....	16.0	28.4	8.2	47.9	5.20	171	306	126	106	89.7	338	994.7
1954.....	19.5	28.8	7.8	48.7	5.93	...	238	...	...	...	...	1,102.3
1954, September.....	18.4	31.0	8.2	53.6	6.65	197	221	133	114	97.3	374	1,140.7
" October.....	21.8	29.9	7.5	50.3	6.10	200	249	143	116	88.8	380	1,157.6
" November.....	20.9	28.8	9.9	54.8	5.94	178	256	...	119	...	...	1,163.1
" December.....	21.2	28.8	11.2	54.6	5.72	...	255	...	...	...	...	1,191.8
1955, January.....	...	...	9.6	57.2	...	...	...	...	...	...	...	1,162.3

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
1953.....	42.5	70.9	365	348	471	442	16.01	19.60	112.6	125.8	35.45	27.93
1954.....	62.7	62.0	341	329	...	...	...	...	...	...	...	...
1954, August.....	66.7	44.1	335	327	455	455	21.7	9.7	96.0	57.6	37.7	22.0
" September.....	70.3	55.0	325	337	485	504	24.8	19.2	79.2	74.6	34.7	23.4
" October.....	64.6	74.0	333	318	542	475	...	14.9	88.5	90.4	34.0	29.9
" November.....	54.7	51.0	373	369	603	656	...	12.3	...	...	...	...
" December.....	64.6	86.2	337	395	...	...	...	...	...	...	...	...

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	281	220	485	41	259	69	66	35	72	...	68	71
1953	1,361	1,826	1,765	204	295	178	120	108	134	112	130	136
1954	...	1,955	1,782	174	414	...	120	...	140	...	...	137
1954, September	...	1,908	1,781	240	347	179 ^a	121	104	141 ^a	110	134	136
„ October	...	1,908	1,770	209	365	...	121	...	...	111	134	136
„ November	...	1,931	1,761	180	373	...	121	...	141	110	135	136
„ December	...	1,955	1,782	174	414	...	121	...	...	...	...	136
1955, January	...	1,946	...	...	395	...	...	...	...	...	...	...

Financial Statistics

EXCHEQUER RETURNS

For the week ended March 5th there was an "above-line" surplus (after allowing for Sinking Funds) of £21,913,000 compared with a surplus of £29,170,000 in the previous week and a surplus of £17,835,000 in the corresponding period of last year. This brought the cumulative account to a surplus of £510,130,000 compared with a surplus of £219,432,000 in 1953-54. Net expenditure "below-line" last week reached £21,412,000, bringing the total cumulative surplus to £542,296,000 compared with a deficit of £164,211,000 in 1953-54.

£'000	Estimate, 1954-55	April 1, 1953 to Mar. 5, 1954	April 1, 1954 to Mar. 5, 1955	Week ended Mar. 5, 1954	Week ended Mar. 5, 1955
Ord. Revenue					
Income Tax	1,800,000	1,608,562	1,713,274	70,593	75,516
Sur-tax	132,000	118,309	120,500	4,500	4,900
Death Duties	164,375	152,300	174,000	3,300	4,500
Stamps	55,000	52,493	65,270	900	1,300
Profits Tax & E.P.T.	172,000	170,400	160,400	2,500	2,500
Excess Profits Levy	60,000	60,650	72,650	1,100	1,000
Special Contribution and other Inland Revenue	1,000	1,220	1,180	...	...
Total Inland Rev.	2,384,375	2,169,832	2,311,274	82,895	89,616
Customs	1,062,500	979,955	1,029,238	19,806	17,950
Excise	719,000	705,870	749,692	6,335	15,473
Total Customs and Excise	1,781,500	1,685,825	1,778,930	26,241	33,423
Motor Duties	77,900	72,404	78,258	239	...
PO (Net Receipt)	...	6,900	12,500	1,000	...
Broadcast Licences	21,000	15,050	20,100	...	...
Sundry Loans	24,000	37,418	22,941	2,400	29
Miscellaneous	245,000	108,071	185,337	2,121	14,211
Total	4,532,875	4,093,501	4,409,323	114,797	137,729
Ord. Expenditure					
Debt Interest	570,000	569,239	562,854	32,774	31,183
Payments to N. Ire.	...	...	...	...	...
Land Exchequer	51,000	47,496	47,352	2,568	2,620
Other Cons. Fund	10,000	9,010	8,481	...	...
Supply Services	345,739	321,398	325,173	57,136	77,514
Total	4,480,739	3,839,732	3,864,860	92,481	111,319
Sinking Funds	36,000	34,337	34,333	4,480	4,047
"Above-line" Surplus or Deficit		219,432	510,130	17,835	21,913
"Below-line" Net Expenditure*		383,643	445,834	6,541	21,412
Total Surplus or Deficit*		164,211	64,296	11,294	501
Net Receipts from:					
Tax Reserve Certificates	42,900	14,118	2,962	11,839	...
Savings Certificates	17,800	41,450	1,690	...	...
Defence Bonds	55,970	19,385	11,711	185	...

* Since end September the capital expenditure of the Post Office has been charged directly on the Exchequer (instead of being financed from the Savings Funds) and is consequently included in "below-line" expenditure and the total deficit. As at March 5th this item stood at £38,700,000.

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1954					
Mar. 6	3,060-0	1,358-2	286-2	1-0	4,705-4
Nov. 27	3,480-0	1,571-7	271-2	...	5,322-8
Dec. 4	3,470-0	1,613-4	254-6	...	5,385-0
" 11	3,450-0	1,672-7	256-4	3-8	5,382-8
" 18	3,440-0	1,727-1	262-2	...	5,443-3
" 31	3,420-0	1,825-5	263-4	...	5,509-9
1955					
Jan. 8	3,400-0	1,771-4	264-7	...	5,436-0
" 15	3,350-0	1,719-2	260-4	...	5,330-0
" 22	3,310-0	1,662-7	262-3	...	5,235-0
" 29	3,270-0	1,642-2	243-2	...	5,155-4
Feb. 5	3,240-0	1,575-9	235-8	...	5,053-7
" 12	3,190-0	1,557-1	251-8	...	4,998-9
" 19	3,160-0	1,674-1	286-4	...	5,120-4
" 26	3,150-0	1,691-5	268-0	...	5,109-5
Mar. 5	3,160-0	1,674-1	286-4	...	5,120-4

THE MONEY MARKET

The authorities are continuing their policy of keeping the money market on a tight rein. On four successive working days, from Friday last to Tuesday of this week, the market was "in the Bank"—though the total borrowing amounted to much less than that forced on the market in the four working days before the increase in Bank rate to 4½ per cent on February 24. Before the weekend the amount of penal borrowing was trifling and limited to only two or three houses; on Monday more houses were affected—some had seven-day loans to repay—despite a fair amount of official aid (given indirectly through the banks).

The credit squeeze kept demand for bills from the banks and other domestic buyers small for most of the week, whilst Continental and North American demands declined as premiums on forward exchange cover widened further. On Wednesday, however, a marked easing of credit in Lombard Street permitted moderate business in April and May maturities at 3½ per cent, and at 3¼ per cent in some May and early June bills.

The average Treasury bill rate at last Friday's tender rose by 3½d. per cent to £3 15s. 8½d. per cent (or just over 3½ per cent), but the rise was wholly due to lower bids by outside tenderers; the market itself maintained its bid at £99 1s. per cent, so that despite an increase of nearly £9 million in total applications (a good part of it on overseas account) the market's allotment also remained unchanged at 50 per cent.

LONDON MONEY RATES

Bank rate (from 3½% 24/2/55)	Discount rates
4½	Bank bills: 60 days 3½
	3 months 3½
	6 months 3½
	9 months 3½
	12 months 3½
	15 months 3½
	18 months 3½
	21 months 3½
	24 months 3½
	27 months 3½
	30 months 3½
	33 months 3½
	36 months 3½
	39 months 3½
	42 months 3½
	45 months 3½
	48 months 3½
	51 months 3½
	54 months 3½
	57 months 3½
	60 months 3½

*Call money

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot						
		March 9	March 3	March 4	March 5	March 7	March 8	March 9
United States \$	2-78-2-82	2-78½-2-79	2-78½-2-79	2-78½-2-79	2-78½-2-79	2-78½-2-79	2-78½-2-79	2-78½-2-79
Canadian \$	...	...	...	...	...	...	...	...
French Fr.	972-65-987-35	976½-977½	976½-977½	976½-977½	976½-977½	976½-977½	976½-977½	976½-977½
Swiss Fr.	10-56-10-72	12-26½-12-27	12-26½-12-27	12-26½-12-27	12-26½-12-27	12-26½-12-27	12-26½-12-27	12-26½-12-27
Belgian Fr.	138-95-	139-55-	139-55-	139-55-	139-55-	139-55-	139-55-	139-55-
Dutch Gld.	10-56-10-72	10-62½-10-63	10-62½-10-63	10-62½-10-63	10-62½-10-63	10-62½-10-63	10-62½-10-63	10-62½-10-63
W. Ger. D.Mk.	11-67½-11-84	11-80½-11-81	11-80½-11-81	11-80½-11-81	11-80½-11-81	11-80½-11-81	11-80½-11-81	11-80½-11-81
Portuguese Esc.	79-90-81-10	79-90-81-10	79-90-81-10	79-90-81-10	79-90-81-10	79-90-81-10	79-90-81-10	79-90-81-10
Swedish Kr.	14-57½-14-59	14-54½-14-55	14-54½-14-55	14-54½-14-55	14-54½-14-55	14-54½-14-55	14-54½-14-55	14-54½-14-55
Danish Kr.	19-19½-19-48	19-37½-19-38	19-37½-19-38	19-37½-19-38	19-37½-19-38	19-37½-19-38	19-37½-19-38	19-37½-19-38
Norwegian Kr.	19-65-20-15	20-01½-20-02	20-01½-20-02	20-01½-20-02	20-01½-20-02	20-01½-20-02	20-01½-20-02	20-01½-20-02
One Month Forward Rates								
United States \$	...	...	...	...	...	...	...	...
Canadian \$	...	...	...	...	...	...	...	...
French Fr.	...	...	...	...	...	...	...	...
Swiss Fr.	...	...	...	...	...	...	...	...
Belgian Fr.	...	...	...	...	...	...	...	...
Dutch Gld.	...	...	...	...	...	...	...	...
W. Ger. D.Mk.	...	...	...	...	...	...	...	...
Swedish Kr.	...	...	...	...	...	...	...	...
Danish Kr.	...	...	...	...	...	...	...	...
Norwegian Kr.	...	...	...	...	...	...	...	...
Gold Price at Fixing								
Price (s. d. per fine oz.)	251/3½	251/3½	...	251/3½	251/3	...	251/3½	...

BANK OF ENGLAND RETURNS

	£ million		
	1954 Mar. 10	1955 Mar. 2	1955 Mar. 9
Issue Department:			
Notes in circulation	1,561-8	1,568-9	1,578-0
Notes in banking dept.	13-6	56-4	47-3
Govt. debt and securities	1,571-7	1,721-2	1,721-2
Other securities	0-7	0-7	0-8
Gold coin and bullion	2-9	3-4	3-4
Banking Department:			
Deposits:			
Public accounts	16-9	12-8	15-5
Treasury special account	4-7	6-5	6-5
Bankers	277-4	265-3	275-9
Others	65-4	64-1	63-5
Total	364-4	349-7	362-4
Securities:			
Government	333-5	269-1	288-9
Discounts and advances	15-6	25-1	26-9
Other	17-7	15-2	15-5
Total	366-8	309-4	331-3
Banking department reserve	16-0	57-8	49-7
"Proportion"	4-3	16-8	13-7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,775 million to £1,725 million on January 20, 1955.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment %	Allotted at Max. Rate %
	Offered	Applied For	Allotted		
1954					
Mar. 5	270-0	412-9	270-0	41	3-85
Dec. 3	250-0	411-2	250-0	33	6-12
" 10	260-0	425-4	260-0	34	8-97
" 17	270-0	396-2	270-0	35	10-51
" 24	270-0	382-4	270-0	36	11-56
" 31	260-0	373-5	260-0	37	3-82
1955					
Jan. 7	230-0	375-5	230-0	38	4-29
" 14	230-0	344-1	230-0	38	11-97
" 21	220-0	351-1	220-0	40	3-46
" 28	210-0	376-8	210-0	46	7-33
Feb. 4	220-0	387-4	220-0	46	3-17
" 11	230-0	363-0	230-0	46	3-57
" 18	250-0	366-9	250-0	46	3-97
" 25	260-0	381-9	260-0	75	5-32
Mar. 4	260-0	390-7	260-0	75	8-93

* On Mar. 4th tenders for 91 day bills at 199 1s. 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 £270 million.

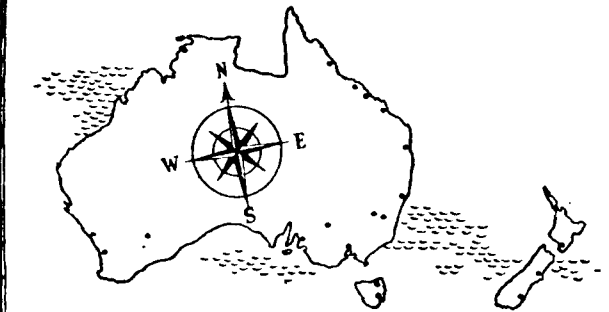


for
complete
insurance protection
and service

Head Offices:

1 North John St. LIVERPOOL 2
24/28 Lombard St. LONDON E.C.3

What ARE the Business Prospects?



readily
The answer is available from
The Commercial Bank of Australia Limited
(INCORPORATED IN VICTORIA)

where specially trained officers
obtain Trade Information from all points
in AUSTRALIA and NEW ZEALAND

LONDON OFFICE: 12 Old Jewry, E.C.2.
Telephone: MONARCH 8747-9

Enquiries welcomed

Head Office: 335-339 Collins Street, Melbourne
Chief New Zealand Office: 328-330 Lambton Quay, Wellington.
690 OTHER OFFICES

Founded: 1866

SECURITY AND MORE

Let your money
earn a tax-paid
return of

2¾%

EQUIVALENT TO 5% ON AN INVESTMENT

TAXED AT STANDARD RATE

Interest accrues from day of investment.
Facilities for prompt withdrawal. For full
details, write or telephone:

**City Prudential
Building Society**

ASSETS EXCEED £8,000,000

17 HOLBORN VIADUCT, LONDON, E.C.1. TELEPHONE: CITY 8323
131/132 PARK LANE, LONDON, W.1. TELEPHONE: MAYFAIR 9581
AND AT BELFAST · BIRMINGHAM · BRADFORD · BRIGHTON · LERDS
LIVERPOOL · MANCHESTER · READING · SWANSEA · WEMBLEY · WORCESTER · WORTHING

**BANK MELLI
IRAN**

(NATIONAL BANK OF IRAN)

Incorporated by Law in 1927

HOLDER OF EXCLUSIVE RIGHT OF
NOTE ISSUE

CAPITAL FULLY PAID Rials 2,000,000,000
RESERVE (Banking Dept.) Rials 491,500,000
DEPOSITS Rials 15,882,930,230

Governor and Chairman of Executive Board:
MR. ALI ASGHAR NASSER.

HEAD OFFICE: TEHRAN, IRAN

Over 190 Branches and Agencies throughout Iran

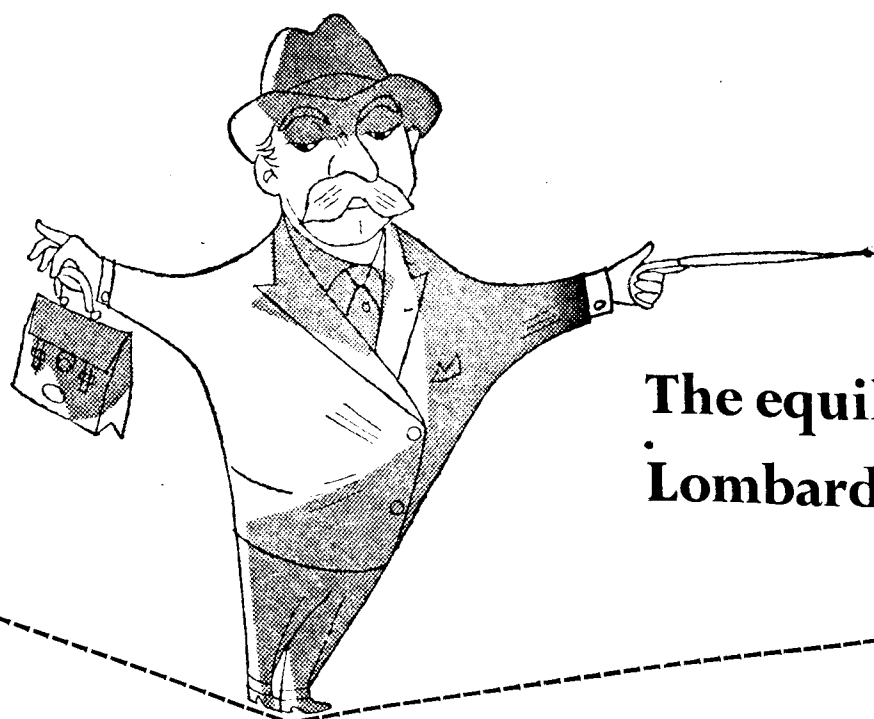
New York Representative

One Wall Street, New York

CORRESPONDENTS IN IMPORTANT
CENTRES ALL OVER THE WORLD

The Bank, through its Banking Department, offers
complete banking service for Foreign Exchange
Transactions, provides special facilities for Documentary
Credits, etc., and with its numerous Branches in Iran
deals with every description of banking business.
Especially services for all kinds of information regarding
import, export and trade regulations in force in Iran.

ADMINISTERS NATIONAL SAVINGS



The equilibrist of Lombard Street...

Delightful as it might be to finance trips to the moon or devices for perpetual motion—would you do it with money entrusted to you for safe-keeping?

The investment experts of the Insurance Offices are sometimes criticised for not indulging heavily in so-called 'risk' investments. But the funds which they handle are, in the main, the savings of millions of policy-holders. These funds *must* be safely and shrewdly invested.

The Insurance Offices are really much more enterprising than their critics believe. They are by no means wedded to 'gilt-edged' for life. One third of their assets are invested in Industry: and in 'equities' alone £500 million.

In fact a happy balance is preserved between security and enterprise. Because Insurance funds are vast and safe, people trust Insurance. And only because people trust Insurance are the funds vast and safe. Insurance is being responsibly, resourcefully—yes, even creatively—handled by practical people with *your* interests in the forefront of their minds.

British Insurance Offices

Opportunities in CANADA

There is still a vast field for expansion in Canada. If you are considering a business investment in this prosperous country let us help you find the special situation to suit your requirements.

Through a network of over 670 branches across Canada we can provide you with particulars of available business opportunities and factory sites together with information regarding taxes, labour supply and records on current market conditions.

THE CANADIAN BANK OF COMMERCE

2 Lombard Street, London, E.C.3
Head Office: Toronto, Canada

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 FUNDS STERLING	...	£6,000,000
RESERVE LIABILITY OF MEMBERS	...	\$20,000,000

HEAD OFFICE: HONG KONG
Chairman: C. BLAKER, M.C., E.D.
Chief Manager: MICHAEL W. TURNER
London Office: 9, Gracechurch Street, E.C.3

London Managers: S. A. Gray M.C., A. M. Duncan Wallace, M. D. Scott.

BRANCHES:

BURMA Rangoon	INDIA Bombay Calcutta	MALAYA—contd. Johore Bahru Kuala Lumpur Malacca Muar	PHILIPPINES Davao Manila
CEYLON Colombo	INDO-CHINA Saigon	Penang Singapore Singapore (Orchard Rd.) Sungei Patani Teluk Anson	SIAM Bangkok
CHINA Shanghai DJAWA (JAVA) Djakarta Surabaya	JAPAN Kobe Osaka Tokyo Yokohama	NTH. BORNEO Brunei Town Jesselton Kuala Belait Sandakan Tawau	U.T.D. KINGDOM London
EUROPE Hamburg Paris	MALAYA Cameron Highlands Ipoh	U.S.A. New York San Francisco	
HONG KONG Hong Kong Kowloon Mongkok			

* Not at present operating.

BANKING BUSINESS OF EVERY KIND TRANSACTED

A comprehensive service as Trustees and Executors is also undertaken by the Bank's Trustee Companies in

HONG KONG LONDON SINGAPORE

A HOME FOR YOUR SAVINGS



The savings of today ensure the homes of tomorrow.

Help yourself and the nation by saving regularly.

- ★ INTEREST AT 2½% PER ANNUM FROM DATE OF INVESTMENT.
- ★ £1-£5,000 ACCEPTED.
- ★ WITHDRAWALS AT SHORT NOTICE.

TEMPERANCE

The Gateway To Security



PERMANENT BUILDING SOCIETY

223-227 Regent Street
London W.1.

Phone: Regent 7282

Branches throughout the Country

Announcing an intermediate Compound Bonus of

42/-

PER CENT

THE intermediate bonus on participating policies has been increased from 40/-% to 42/-% per annum on the sum assured and attaching bonuses.

This rate of bonus if maintained, is sufficient to add 50% to the face value of a policy in 20 years. The new rate will apply from 1st March, 1955, in respect of each full year's premium due and paid after 15th November, 1952.

THE STANDARD LIFE ASSURANCE COMPANY



'Yours for Life'

Head Office: 3 George Street, Edinburgh

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

THE CENTRAL BANK OF INDIA LIMITED

(Incorporated in India. The Liability of the Members is limited)
Established 1911

HEAD OFFICE:
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 (£2,359,000)
Reserve Fund and
Other Reserves...Rs. 4,00,22,194 (£3,001,000)
Deposits...Rs. 126,84,78,112 (£95,135,000)

Note: The Sterling equivalents of the rupee figures shown above have been converted at the rate of 1/5d. per Rupee.

290 branches and pay offices throughout India, Pakistan and Burma.

Banking business of every description transacted

London Adviser - - Sir Cecil Trevor, C.I.E.



"If it hadn't been for him I should not have been provided for"

LIFE ASSURANCE
PROVIDES FAMILY INCOMES
WHEN MOST NEEDED

ASK THE MAN FROM THE PRUDENTIAL



SAFETY-FIRST INVESTMENT

2½%
per annum

Income Tax
paid by the Society

Equal to £4.10.10 per cent
to investors subject to
Income tax at the standard rate

The current rate of interest on share accounts is 2½%, and on ordinary deposit accounts 2%, with income tax paid by the Society in each case. Sums up to a total holding of £5,000 are accepted for investment in Abbey National. For further particulars apply for a copy of the Society's Investment Booklet.

Total Assets £213,461,000

ABBEY NATIONAL BUILDING SOCIETY

HEAD OFFICE:
ABBEY HOUSE, BAKER STREET,
LONDON, N.W.1

For address of Local Office see Telephone Directory



COMPANY MEETINGS

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

BETTER ECONOMIC OUTLOOK IN THE EAST

MR V. A. GRANTHAM'S SURVEY

The one hundred and first ordinary general meeting of The Chartered Bank of India, Australia and China will be held on March 30th in London.

The following is an abridgement of the statement by the chairman, Mr V. A. Grantham, circulated with the report and accounts for the year 1954:

INTRODUCTORY

Last year, when I addressed you, it appeared that the painful readjustment imposed on most Eastern economies by the collapse of the Korean war boom had on the whole been completed and that the future could be regarded with rather more hope. During the past year most of the primary products of the East have enjoyed steady markets, and tea and rubber prices in particular showed substantial increases towards the end of the year. Rice is in a special position for, although its price has fallen to the disadvantage of producing countries like Burma and Thailand, the vast populations elsewhere in South East Asia who depend upon it as a vital foodstuff have benefited.

With export earnings more assured, the economic outlook in the East has shown corresponding improvement. Japan, whose position a year ago was causing anxiety, has succeeded in restoring some measure of stability, and the Indian economy has made substantial progress. On the other hand, the situation in Indonesia continues to cause grave concern and, although the fighting in Indo-China is mercifully at an end, the task of rehabilitating the Vietnamese economy after so many years of war remains considerable.

The various development schemes which are intended to raise Asian living standards continue to make good progress and economic prospects in the East during the present year do not appear unfavourable.

SIGNS OF RELAXED TENSION

During the year under review there were signs that tension between the Atlantic countries and the Communist bloc was relaxing and that conditions were becoming more favourable to an expansion of international trade. The fighting in Vietnam was brought to an end almost at the moment when an extension of the conflict had become inevitable. The volcanic situation in Korea remained quiescent during the year and the People's Government of China displayed more willingness to restore normal diplomatic relations with the United Kingdom. The conference at Geneva, although it propounded no settlement of the clash of ideologies in Asia, did at least demonstrate that diplomacy can be better conducted by plenipotentiaries than by commissary broadcasters. The most significant, if most menacing, development during 1954 has been the shifting of the centre of gravity in world affairs from the Elbe to the Formosa Straits.

In some of the eastern countries there

persist political, social and economic problems which appear to be increasingly difficult to solve but in every land to which its establishment extends the bank is still able to make important contributions to the prosperity of its hosts by facilitating the international exchange of goods and services. Because the bank is peculiarly fitted and particularly well equipped to discharge this function it may be less exposed to nationalistic prejudice than other foreign enterprises engaged in purely domestic trade and industry in countries newly-emancipated and over conscious of their independence.

ADJUSTMENT AND ADAPTATION

Since nationalism was awakened in Asia, and this occurred quite a long time ago, the overseas organisation of the bank has undergone a protracted process of adjustment and adaptation. This process has been accelerated since 1945 and we can now begin to discern what will be the ultimate form of the bank's relations with the governments and peoples of the eastern countries.

It has never been possible for the bank to rest upon its laurels, since any failure to adapt itself to mutable world conditions and changes in the direction of international trade would have led to stagnation. Although the bank may again be able to participate in the financing of the external trade of China, the conditions under which it can be accomplished will bear no resemblance to those which obtained when our branches conducted a thriving general banking business in the former treaty ports. Almost a generation has passed since we were engaged in what was the most interesting and fascinating of all banking business, the operation of the Chinese silver exchanges, but in taking advantage of new opportunities for development presented to us since the end of the second world war we have not forgotten how important was the China field of operations.

It was important not only on account of its profitability but because it constituted a vital part of the international organisation of the bank as a whole. The consequences of our withdrawal from China will have been obscured from the stockholders by the expanding scope of the bank's activities in southern and south eastern Asia but your directors are persuaded that there must now be expansion in other directions and a start has been made by the opening of two branches in Aden, a development to which reference was made in my last statement.

COURT OF DIRECTORS AND GENERAL MANAGERS

Two years ago I intimated that Lord Colgrain, because of his advancing age, had found it necessary to retire from the court. Lord Colgrain died after a short illness in November last and it is fitting that I should again pay tribute to his character and to the statesmanship and qualities of leadership he displayed while presiding over the British Bankers' Association and the Committee of London Clearing Bankers during

the war. Lord Colgrain was a member of the court for thirty years and we shall always hold his memory in honour and affection.

In previous statements and at the annual general meetings of the stockholders I have referred with gratitude and admiration to the services rendered to the bank by its chief general manager. Early in January of this year the court of directors recorded their pride and satisfaction upon learning that Her Majesty the Queen had graciously signified her intention of conferring upon Mr Cockburn the Order of Knighthood. On January 15th Mr Cockburn retired from the chief executive post to which he was appointed in 1940 and my colleagues and I were very happy to elect him to membership of the court. The stockholders will be invited to confirm his election at the annual general meeting. Your directors have caused to be inscribed in their minutes a resolution recording their appreciation of the highly distinguished and professionally competent services rendered by Mr Cockburn during his tenure of the office of chief general manager, which coincided with a period of unparalleled difficulty and danger for our country and the bank.

Mr H. F. Morford, until recently deputy chief general manager, has been appointed chief general manager and your directors have every confidence in him as a worthy successor to Mr Cockburn.

Mr David Beath and Mr Stafford C. R. Northcote, who have served with distinction in the East and have lately undertaken extensive tours of inspection, have been appointed assistant general managers.

THE BANK'S BALANCE SHEET

As the result of an increase of approximately £17 million over last year's figure the total of the bank's balance sheet has once again exceeded £200 million. The increase, due in part to rises in world prices of tea, rubber, tin and other staple commodities indigenous to the countries in which the bank operates, is also a heartening indication that we are more than holding our own in the face of competition and despite the protective trading and exchange restrictions, particularly in the field of import control and licensing, which the governments of the countries concerned have had occasion to impose or maintain.

On the left hand or liabilities side of the balance sheet, current and other accounts, fixed deposits, bills payable and acceptances on account of customers show increases of £11,726,018, £3,370,412, £293,796 and £1,206,195 respectively. It will be seen from the assets side that nearly three-quarters of the increase in current accounts and fixed deposits has been employed in the purchase of bills of exchange and the granting of advances, which figures show rises of £3,411,530 and £7,488,627 respectively. Our holdings of cash in hand, at call and at bankers and our investments in Government and other securities (other than those lodged against our note issue) have also increased by £2,120,729 and £3,521,933 respectively.

It is, of course, essential that we should maintain the liquidity of our overall position, and in this there has been no material change, the ratio between cash and call money to our "demand and time" liabilities, excluding notes in circulation against which security has been lodged, being only fractionally lower at 18.54 per cent against 18.98 per cent last year.

The completion of a new office building in Singapore, coupled with the continued implementation of our programme for the provision of houses for our Eastern staff officers and the expansion and renovation of our bank premises generally, has given rise to an increase in the net figure for bank premises and furniture, after allowing for a further £200,000 written off, of £204,887.

PROFIT AND LOSS ACCOUNT

The net profits for the year amount to £723,147, an increase over those of last year of £29,349. Difficult working conditions have persisted, but our balance sheet testifies to rather better conditions generally, in addition to which working costs which have been rising each year are at long last showing signs of greater stability.

We paid an interim dividend in October last of 7½ per cent less income tax, absorbing £144,375, an increase of ½ per cent over the interim dividend of the previous year, and it is now proposed that, out of the balance now available, a final dividend of 7½ per cent less income tax should be paid, costing £144,375, making the total distribution for 1954 15 per cent as compared with 14 per cent in 1953.

We propose to repeat the allocations made in each of the past four years to the Pension Fund and Widows' and Orphans' Fund of £125,000 and £20,000 respectively. We have again applied £200,000 towards writing down bank premises and furniture account. It is proposed to transfer £100,000 to contingencies account as compared with £75,000 last year and to carry forward the slightly decreased balance of £392,910.

INDIA

It is encouraging to review the progress that has been made during the first three years of India's Five-Year Development Plan. Already there has been a substantial improvement in India's agricultural production and, although estimates vary, it is likely that production of food grains has increased by as much as 20 per cent. Two favourable monsoons have contributed substantially to this encouraging increment, but the extension of irrigation works and the improvement of peasant technique have already shown considerable effect and give ground for optimism in future years.

Although government investment in industry during the first three years of the plan has been well below schedule, Indian industrial output has increased by more than a third, an indication that the private sector of industry is playing an effective part in the country's economic expansion.

In practice it is improbable that the plan will be completed within the stipulated period, although the various projects in progress are likely to gather impetus in the next two years. This will to some extent save the Indian economy from the strain that would be imposed on it by a steep rise in development expenditure and incidentally render necessary a lesser degree of deficit financing. It is interesting to note the proposal which has been accepted in principle by the government, to establish a State Bank of India, the main object of which is to set up a nationwide system of branches and thus increase rural banking facilities.

A committee appointed by the Reserve Bank and presided over by Mr A. D. Shroff,

suggested that banks might endeavour to provide a measure of indirect long-term finance by subscribing to special institutions. This bank, in common with the other eastern exchange banks and in association with the Commonwealth Development Finance Company, Limited, and a number of insurance companies has subscribed part of the capital of the new Industrial Credit and Investment Corporation of India. The corporation should be able to make a considerable contribution to the financing of private industrial development in India and this bank's participation is an indication of our interest in Indian economic progress.

PAKISTAN

The past year has again been one of difficulty for Pakistan. In the early months the defeat of the Moslem League in the first provincial elections held in East Pakistan since partition was followed by labour unrest and rioting in that area, which seriously affected the jute and paper industries. Later, East Bengal suffered disastrous floods which caused extensive damage to the jute crop, and in September exceptionally heavy rain was followed by further floods in the Punjab.

Political instability and the strain on the country's exchange reserves imposed by the industrial development programme tended to cause anxiety, but the strengthening of the government in October and the announcement that United States economic aid to Pakistan would be substantially increased went far to restore confidence.

Last year, in reminding you that Pakistan has no coal, I suggested that the natural gas which had then been recently discovered might provide an important source of industrial power. This bank and five other eastern exchange banks have now joined with the World Bank in granting a loan to the Sui Gas Transmission Company, a transaction which is particularly notable as the first World Bank loan in which the British exchange banks have participated. The project has been jointly sponsored by the Pakistan Industrial Development Corporation and the Burmah Oil Company (Pakistan Trading) Limited, and it is pleasing to report that progress has already been made in laying the 350-mile pipeline from Sui to Karachi.

Burma.—In Burma, as in Thailand, the government organisation which had been entrusted with a monopoly of rice sales abroad was slow to react to the changed conditions in overseas markets. The policy of attempting to maintain high prices has only led to the accumulation of substantial unsold stocks, which are subject to considerable risk of deterioration while in store. While this surplus remains unsold, the country must forgo much-needed earnings of foreign currency, while the exchange reserves are being reduced at a rapid rate in order to finance government purchases abroad of capital goods and equipment required in connection with economic development schemes.

CEYLON

It is pleasing to report a progressive improvement in Ceylon's economic position during the past year. In 1953, the essential problem continued to be the adjustment of the country's economy to the new conditions prevailing after the collapse of the Korean war boom and the reduction of the trade deficit from the high level it had reached in 1952. Last year, except for a negligible deficit in June, the balance of trade was in Ceylon's favour month by month, and the external reserves, which in November, 1953, had fallen to their lowest level for a decade, rose throughout the year.

The main cause of this favourable trend was the advance in price of the island's main export, tea, and Ceylon tea producers have

been fortunate in that higher prices have coincided in their particular case with a record crop.

MALAYA

The year 1954, against the background of two particularly difficult years which preceded it, presents a happier picture for Malaya, for the country and its economy have benefited by an improvement in the security position and by a considerable increase in the price of rubber.

Final details of Malaya's overseas trade are not yet available, but it is reasonable to assume that the trade deficit for the full year will be smaller than in 1953. Rubber production rose by some 10,000 tons to 584,434 tons and, contrary to the expectation of many producers a year or so ago that there would be a substantial surplus production, world purchases of natural rubber have actually increased and more than set off the increase in production. This is an encouraging result, particularly when it is remembered that the last year in which Malaya enjoyed a trade surplus was in 1951 at the height of the Korean war boom. Further efforts to resuscitate the entrepôt trade have met with little success, but secondary industries are slowly growing.

During this coming year the prosperity of Malaya may be affected to a greater degree than hitherto by the production of the synthetic rubber industry, since GRS synthetic rubber is at present cheaper than the comparable grade of the natural product. The importance of this consideration was emphasised by the publication in October of the report of a mission, presided over by Sir Francis Mudie, which conducted an investigation into various aspects of the competitive position of the Malayan rubber industry. The mission concluded that, in order to lower production costs and so increase the competitiveness of the Malayan industry, replanting with high-yielding stock must be accelerated.

The mission's recommendations have aroused considerable controversy within Malaya and for the time being government has taken no decision but is awaiting the report of the World Bank mission, which visited Malaya early in 1954.

Interest in the tin industry during the year has centred upon the proposed control scheme, which provides for the establishment of a buffer stock. Though world tin production has tended to fall and consumption to rise, Malayan producers favour the scheme, in the expectation that it will give the industry the benefit of price stability. The Malayan government has published its arrangements for controlling production if and when the scheme comes into operation, but at present the agreement has not been ratified by sufficient of the signatory countries to enable it to be brought into force.

Production in Malaya of tin at 60,691 tons was the highest annual output recorded since the war.

The confidence this bank has in the future in Malaya is well exemplified by the opening of a second branch in Singapore, housed in a six-storey building recently completed in the Shenton Way development area.

North Borneo.—North Borneo has benefited from the rise in rubber prices during the latter part of last year, but increased prices have not so far led to a marked increase in exports, which have been running at much the same level as in 1953.

Sarawak.—Trade statistics for the whole of last year are not yet available, but it seems that they will not differ significantly from the figures for 1953, when there was a favourable balance

REPUBLIC OF INDONESIA

Observations upon the trend of affairs in Indonesia tend to become repetitive. I am not to be numbered among those who predict an early break up of the Republic, but I have again to report a further deterioration in its economy.

The deterioration during 1954 was probably greater and was certainly more obvious than in any of the preceding years and almost the only reassuring factor is that the balance of trade has turned in Indonesia's favour and foreign exchange holdings were appreciably higher at the end of the year than at the beginning. This is not to say that the hold-ings, even at the increased figure of Rp. 2,853 millions give grounds for complacency, for this improvement has only been effected by the most drastic import cuts and even now it is doubtful whether the country can trade without an adverse balance of payments. High world prices for rubber and tea inevitably lead to illicit tapping and plucking, with resultant smuggling and loss of exchange, whilst on the other side of the book the lack of essential consumer goods must eventually be remedied.

The factors I have mentioned combine to make the future of our branches in Indonesia far less promising than was expected when we, in the infancy of the Republic, so wholeheartedly and deliberately accepted risks we should hesitate to take in a more mature country in order to help Indonesia's new merchant class and administrators. It is to be hoped that the government will endeavour to come to grips with the many problems and abuses that now exist before it is too late.

THAILAND

Thailand has passed through an uneasy year and, notwithstanding the introduction of various expedients to halt the adverse trend in its balance of payments, imports exceeded exports by over 800 million ticals. The main reason for this disappointing result was that rice exports, which account for approximately half the country's foreign exchange earnings, have fallen year by year and in 1954 were at 1 million tons (plus 200,000 tons of rice flour), lower by about one-third than during the postwar peak year of 1951.

Little comfort can be taken from early estimates which placed the exportable surplus on the 1954-1955 crop at 750,000 tons only, to which of course must be added a carry-over from previous crops of 400,000-500,000 tons.

The real trouble has been a government policy which was gradually pricing the country's rice out of world markets and it has yet to be seen whether the terms on which the rice trade is now being returned to private dealers will prove sufficient inducement for merchants to shoulder the burdens imposed and yet work to increase sales in the highly competitive markets that exist today. As, however, the government has to take a realistic attitude towards its rice exports no realistic attitude towards its rice exports no doubt the recent regulations will be amended where necessary to ensure that their objective of increasing overseas earnings will be achieved.

VIETNAM

The coming of peace in Vietnam based as it was on the unfortunate partition of the country did not ease this bank's problems and, as indications to date suggest that there is unlikely to be any future for Europeans under the Viet-Minh regime, we have had to follow the example of others and close our Haiphong office. In any case, with the approach of the fighting towards Hanoi earlier in the year, we had already run down

our commitments. At one time it was thought that Tourane, close to the 17th Parallel and with a good natural harbour, might become an important centre of trade between the north and the south but an on-the-spot examination convinced us that potential developments did not justify our opening a branch there.

Our future in Saigon, although difficult to assess, may be more secure and promising than it seemed to be a short time ago. There are signs that Vietnam may achieve social and political stability, notwithstanding the necessity for its economy to be based henceforward mainly upon agriculture.

Cambodia.—Not the least important result of the withdrawal of the French from Indo-China has been the coming of national independence to the states of Cambodia and Laos. It was in anticipation of Cambodia having a separate government and becoming an important state in South East Asia that we took steps more than a year ago to establish an office at Phnom-Penh and I am pleased to announce that our branch there is now conducting full banking business.

THE REPUBLIC OF THE PHILIPPINES

For the last few years the finance department and the Central Bank have, by drastic control over imports, succeeded in maintaining the Republic's foreign balances at a figure of US\$300 million which is roughly equivalent to the note issue and it was very surprising to find a departure from this policy in the last two months of 1954, during which period the reserves were run down to US\$270 million, mainly by ex-quota allocations for textiles. These are the lowest published figures since the crisis year of 1949 and would cause more concern were the position not overshadowed by the favourable terms agreed upon for the renewal of the Bell Act, which should ensure such benefit to the Philippine economy that the future can be viewed with quiet optimism.

Our relations with the Central Bank are as always on a most proper and friendly footing and during the year it has been encouraging to find more latitude given by the central institution in carrying out its avowed policy of providing loans to commercial banks when necessary for refinancing purposes of an essential nature. Perhaps the greatest handicap bankers and merchants suffer in the Philippines is their inability to obtain forward exchange cover and the danger of this situation becomes more apparent during periods of lack of confidence in the peso. No doubt the re-appointment of Mr Cuaderno as governor of the Central Bank for another five years will, in view of his declared opposition to devaluation, stop the rumours that have been so rife since it became known that the right of veto of the United States President to currency changes was to be removed.

HONGKONG

Hongkong's total external trade in 1954 fell in value by 11 per cent from its level in the previous year. Trade with the China mainland decreased by approximately a quarter during the same period and it has apparently suited the Chinese authorities to conduct the bulk of their trade with the free world direct with the countries concerned rather than to use the entrepôt facilities of Hongkong. Meanwhile, the discontinuance from January, 1955, of special export licensing of British exports destined for Hongkong is a timely recognition by the authorities of the adequacy of the colony's security controls over trade with China.

An encouraging feature of Hongkong's economy is the continued development of local industry for, luckily for the colony, this offsets to some extent the fall of entrepôt

trade and the serious social problem posed by the great increase in population. Exports of locally manufactured goods now form 28 per cent of total shipments and the most important of the local industries, cotton spinning and weaving, has maintained a satisfactory level of sales abroad despite difficulties in markets such as Indonesia and Pakistan where shortage of foreign exchange has curtailed orders.

Our own faith in Hongkong is witnessed by the fact that we have completed our plans to rebuild completely our old office building there which has outlived its usefulness. Our new building should be one of the most imposing structures in Hongkong.

China.—During the year we have made good progress in winding up our affairs in China. It is quite clear that the People's Government of China will not permit the re-entry of European enterprise into China but, on the other hand, we have been given an indication that China will welcome the participation of British banks in the finance of their external trade, and our future policy will be adjusted to meet these changed conditions.

JAPAN

I mentioned last year that in order to curb the dangerous inflationary trend that was threatening the Japanese economy, the Bank of Japan had introduced a tight money policy. As was to be expected, this and other deflationary measures did not take effect for some months but a pursuance of the policy, notwithstanding a change of government, has resulted in a healthier state in the country's affairs. Month by month in the second half of the year exports exceeded imports and Japan closed the year with a favourable balance of approximately US\$100 million; a great improvement and in marked contrast to the deficit of US\$200 million during 1953.

This successful reversal of the adverse trend of the previous year is, however, on close examination, not so encouraging as one would hope for it has been achieved only by running down stocks and by resorting to various export-promotion devices and special trade systems such as link and barter. There is an obvious limitation to the use of artificial stimulants and any system such as that of bonus imports which necessitates producers charging high prices in domestic markets to recoup losses on overseas sales cannot fail to accentuate inflationary pressure.

The Japanese banks, although still under strain and perhaps carrying within Japan commitments greater than they themselves like to see, have with the assistance of the Japanese authorities made considerable headway in overseas business. The postwar era, in which the British banks underwrote the sterling trade of Japan, is practically at an end and from now on exchange banks in Japan like ourselves are going to find it more and more difficult to obtain lucrative business without undue risks.

CONCLUSION

I am encouraged to conclude upon a note of restrained optimism, bearing in mind that periods of economic stability in the East have been relatively few during the past hundred years. For a long time the bank was beset by recurring crises of confidence and unpredictable fluctuations in the world price of silver, but nowadays most of our difficulties arise from attempts to put into operation untried political and economic theories.

Notwithstanding the fragmentation of what were formerly unified trading areas of great extent into self-regarding national states, our branch organisation has been able to cross the new frontiers and, by facilitating international trade, to foster international understanding and goodwill.

HOOVER LIMITED

ANOTHER YEAR OF GREAT ACHIEVEMENT

PROGRESS IN THE HOME AND EXPORT MARKETS

STRONG FINANCIAL POSITION

WORLD WIDE REPUTATION FOR EFFICIENCY AND QUALITY

The annual general meeting of Hoover Limited will be held on March 31st at Perivale, Middlesex.

The following is the annual review which has been circulated to stockholders covering the year to December 31, 1954:

The year 1954 has been the most successful in the company's history. Both in turnover and profit we have far exceeded the record figures of 1953. The consolidated profit of £4,581,000 represents an increase of 49 per cent over 1953 and 187 per cent over 1952. Undoubtedly the last three years have seen a meteoric rise in the fortunes of this company.

There were two external factors in 1954 which helped enormously, the early announcement about purchase tax by the Chancellor of the Exchequer, and the withdrawal of hire purchase restrictions in July. Both announcements were well timed from our point of view as they were instrumental in maintaining the demand for our products at a high level throughout the year, thus enabling us to achieve maximum economies in the operation of our factories. The results just announced afford ample proof that the company has taken full advantage of the situation which developed during 1954, and all concerned deserve every congratulation.

THE HOME MARKET

Although the expansion of our business applies to both home and export sales, it is proposed first to review our operations at home.

Electric Cleaners.—Home sales of electric cleaners have increased by 35 per cent, and we continue to hold our dominating position in the electric cleaner market. The increase applies equally to our various models. Although, later on, reference will be made to the splendid work of our research department and the improved appliances which will result, we are still very proud of our existing range of electric cleaners, which enjoy a world-wide reputation for efficiency and quality.

Washing Machines.—This was the first full year of sales of our new Mark II washing machine and we are pleased to report an expansion of 42 per cent in the total sales of washing machines. The Mark I machine is still tremendously popular and sales of this machine have continued at a high level. Combined, the sales of these two machines continue to dominate the washing machine market.

Electric Polishers.—Business in our Hoover electric polisher has expanded along with our other lines, but turnover, considerable though it is, is relatively small in the home market compared with cleaners and washing machines. It is in the export field that the polisher has been most successful, especially in Australia, where polisher sales are often as high as cleaner sales.

Electric Steam-or-Dry Iron.—The Hoover electric steam-or-dry iron was not introduced until November, 1953, and we have made great progress limited only by our capacity to manufacture this new product. It must

be appreciated that a considerable amount of educational work had to be done, and still remains to be done, in order to accustom the British housewife to a different ironing procedure, but we are confident that those who have changed to Hoover steam-ironing would never go back to the conventional iron again. We believe that in the Hoover steam-or-dry iron we have found another winner and that as time goes on it will establish itself in the British market on a basis comparable with our cleaners and washing machines.

FHP Motors.—Our fractional horse-power motor business operated from Cambuslang, near Glasgow, has had a most successful year, sales in 1954 being more than double 1953. This is a most satisfactory result considering the tremendous competition in this field. Hoover motors have established a very good reputation for efficiency and reliability.

THE EXPORT MARKET

Conditions have been extremely satisfactory for expanding business in the home market during the year 1954. Conditions were not as favourable in our overseas markets. We have always fully realised the need to keep our exports at a maximum and have kept on full pressure to this end. But in the sale of domestic electrical appliances each country is a problem on its own and the changing conditions of some countries add to our difficulties.

EXPORT RESTRICTIONS

Over and above the normal marketing problems there are, of course, the overriding problems of import controls and exchange difficulties. It is frequently the case that as one country opens up its markets another imposes restrictions.

We look forward hopefully to the day when the only trade barriers which exist between countries will be reasonable tariffs based upon a liberal interpretation of the countries' requirements.

We already enjoy these terms in several countries, where we expect and meet a great deal of competition. In those countries where reasonably stable conditions prevail the plans we make and follow through have a good chance of success. The worst frustration that an exporter can meet is the inability to satisfy a market he has created for his products because a Government decides to restrict or stop imports. When, in addition, the products and methods of distribution are copied by local opportunist competitors, it is not surprising that many firms prefer to concentrate on the home market.

MANUFACTURE OVERSEAS

Like many other companies we have found it essential to manufacture abroad, and although up to the present time this is confined to two countries, viz.: France and Australia, undoubtedly the tendency will be to extend to certain other countries where we must either manufacture or probably lose our market.

Our operations in Australia have been very

successful in 1954. Our factory produces all the Mark II washing machines sold in Australia and now less than one-third of the total parts are imported from Great Britain. This does not mean that our imports from Great Britain are less on that account. The import restrictions have only been partially relaxed and we have taken full advantage of the import licences which have been granted to us. While we regret the need for these import licences, it is gratifying to know that our plans to manufacture in Australia have been completely justified by events. It is our intention to extend manufacture in Australia to other products, so that, gradually, we shall be in a position to satisfy most of the market's requirements on the spot.

During the past year we have extended manufacturing operations in France to include the cylinder cleaner and the dustette. In the past our sales operations have been considerably curtailed because our products consisted only of the standard model cleaner and the washing machine. This expansion in the number of products will undoubtedly improve the French company's prospects for development.

EXPORT DRIVE

Although we have been forced to manufacture in certain countries abroad, we realise that our main endeavours overseas must be in selling and wherever possible we have expanded our activities. New Zealand re-opened its doors to our products in 1954, and we have established a new company there, Hoover Sales & Service Limited, which is progressing very satisfactorily. The year 1954 was also the most successful of our South African subsidiary company. In both these territories conditions are improving and we are looking forward to even better things in 1955.

We have met very strong competition on the continent of Europe and have had to fight hard to maintain our position there. This we have achieved, and with our latest plans feel confident that we shall make progress in 1955. We are continuing to supply substantial quantities of our products to the American market and our total dollar earnings in the United States and Canada compare very favourably with past years.

It is indeed gratifying to know that despite all our problems in the export markets of the world, and in this short review only brief reference can be made to the major ones, we still sold 63 per cent of the total British exports of cleaners and 50 per cent of the total British exports of electric washing machines, both percentages in sterling value of exports. These figures do not include the sale of products manufactured overseas.

PLANNING AHEAD PRODUCTS AND PERSONNEL

Research and Development.—Since the war great strides have been made by our research and development department, not

only in the introduction of new products, but also in improving the quality of existing ones. Of necessity a large part of the work of this department is of a secret nature, but we are particularly pleased with their latest handiwork, our all-electric washing machine. It was introduced to the British market at the Ideal Home Exhibition and has already received a great welcome. We are sure that it will be equally well received in the overseas markets. Much care and thought have been given to the design of this machine and we believe that it will meet the needs of the housewife we are so anxious to serve. Our research and development department is located at Perivale and in recent months has been hampered by lack of space. This is being remedied by the provision of more accommodation which will afford the research department room to expand.

MANUFACTURING PROCESSES

Extensions are in course of erection at our High Wycombe and Merthyr Tydfil factories, as the increased production has required more and more space for efficient operation of our equipment.

Our production engineers continue to keep abreast of technological developments and are at present especially concerned with electronics. There is every indication that more and more of the purely automatic operations can be controlled electronically, thus eliminating the fallible human element. We believe that two great advantages will be derived from this development; the elimination of monotonous work and a considerable reduction in the cost of production.

THE HOOVER TEAM

While we have every reason to develop and acquire new processes, plant, equipment and buildings, we know that our finest investment is in our loyal team of employees. We try to show our appreciation in tangible ways by such things as adequate training plans, worthwhile incentive schemes, sporting and social activities, joint consultation and good working conditions.

The Hoover training plans provide for youngsters of 16 years and upwards to be trained as apprentices in our factories, offices and sales departments, and to acquire appropriate educational qualifications as they progress. For older entrants we have graduate apprenticeship schemes, under which they are trained as future managers, supervisors, engineers or technicians, as well as for a variety of other posts in the export, sales and administrative departments of the business. Great care is also exercised in selecting and training employees for the large variety of jobs throughout our organisation, to ensure that each employee is able to make full use of his or her aptitude and ability.

JOINT CONSULTATION

Much lip service has been given to joint consultation during and since the war, and too often it finishes just there. We, in Hoover, believe in joint consultation. We believe that our workers should be brought into discussions on problems which affect them; sometimes very important and sometimes relatively trivial problems, but all worth bringing forward for clarification or explanation. Our works committees and field and factory suggestion committees have provided a fine means of communication between management and factory and office staffs, field management and representatives.

During the year a further improvement has been made in our employees' free superannuation scheme. Previously only certain categories of the junior grades of supervision were able to increase their pension by a voluntary contribution. We have now ex-

tended this facility so that all members of the scheme can increase their pensions if they wish to do so.

THE FINANCIAL RESULTS

This year we have made a change in the method of presentation of our accounts, and it is hoped you will find these easier to read and understand. You will notice that the profit and loss account has been simplified and abbreviated. The balance sheets have also been changed to show the total of net assets after deduction of all liabilities and how these assets represent the capital employed. Detailed descriptions of items requiring further explanations are given in the form of notes.

Advantage has been taken of the improved cash position to purchase £1,200,000 tax reserve certificates but, for comparative purposes, these should be treated as

It has been a year of great achievement on the part of all concerned and, as a result, Hoover men and women everywhere have profited. The board is gratified to know that the company is in such a strong financial position that it has been able to increase dividends and will also be able to pursue vigorously its policy of expansion.

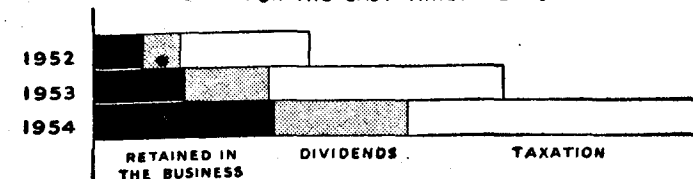
"A" ORDINARY SHARES

In August last year the board found it necessary to make the following announcement:

The directors are informed that there are persistent reports that a scheme of reorganisation of the share capital is under consideration on terms which would give each "A" share rights in excess of those attaching to each unit of ordinary stock.

The directors think it right to state,

THE DISTRIBUTION OF THE GROUP PROFIT
FOR THE LAST THREE YEARS



cash. Therefore, we have total cash and bank balances of £4,675,000 at December 31, 1954, as compared with £3,416,000 in 1953.

The consolidated profit of £4,581,000 was arrived at after deducting £878,000 for depreciation. This provision for depreciation compares with £716,000 for the year 1953. The total liability for taxation on these profits is £2,491,000. At the date of last year's balance sheet we had many outstanding tax problems, but now these have been cleared up and we are fortunate to be able to deduct £260,000 for tax reserve over-provided last year.

From the balance of £2,350,000 two further deductions have been made, viz.: the amount of £84,000, being the interest of outside shareholders, and £125,000 for profits retained by our subsidiary companies, leaving a balance of profit to be dealt with in the accounts of Hoover Limited of £2,141,000. We are left with a total of £2,992,000 available for distribution after adding £851,000, the sum brought forward from last year. A further transfer of £250,000 has been made to the general reserve of Hoover Limited, an increase of £50,000 over the amount provided in 1953. We have decided to transfer £100,000 to the reserve for employees' free superannuation scheme.

After making these appropriations of profit and deducting the dividends on the preference stock and the interim dividend on the ordinary stock, the final balance is £2,521,000.

INCREASED DIVIDENDS

The board have given careful consideration to the dividend they should recommend for the year 1954 and have decided upon a final dividend of 60 per cent less tax on each 5s. ordinary stock unit, making a total for the year of 70 per cent less tax. Based upon this distribution to the ordinary stockholders, the dividend payable under the Articles of Association on the "A" ordinary shares amounts to 6s. 0.5788d. less tax per share.

In spite of the increased distribution in the form of dividends there is a considerable increase in the revenue reserves and undistributed profits of the group carried forward viz.: £1,158,000

therefore, that there has been under review a scheme of reorganisation of the equity share capital for submission to both ordinary and "A" ordinary shareholders. There is no foundation whatsoever in the terms suggested in these current reports and should any proposals be put forward they would not result in the "A" shares acquiring rights more favourable than those attaching to the ordinary shares.

These rumours which were then in circulation were causing considerable speculation and wide fluctuations in the prices of the company's shares and it was to prevent this that the official announcement was made.

The "A" ordinary shares were issued nearly eight years ago as an additional incentive to directors and approximately 100 executives of the company. With the passage of time a considerable change has been brought about in the way in which these shares are held and a substantial proportion is now held by members of the public and this proportion is likely to increase as executives retire and sell their holdings on the open market.

Because of this, there is much to be said for simplifying the capital structure of the company and if, at a later stage, your board feel able to put forward proposals which they consider would be fair and acceptable to both classes of shareholders, they will certainly do so.

DISTRIBUTING TOTAL INCOME

The Government, as in past years, continues to take the bulk of our profits in taxation. We are indeed grateful that the excess profits levy has been discontinued, but the investment allowance granted in the 1954 Budget, although very welcome, will not give us any substantial relief until 1955. It should be borne in mind that most of our products are still subject to a high rate of purchase tax, and when this is taken in conjunction with income tax and profits tax it is found that 5s. 5d. in every £ received by the company is subsequently paid over to the Government.

In view of the big increase in our profits it is interesting to examine what happens to

each £1 of income received by the company. It is distributed as follows:

	s.	d.
Purchase tax	4	1
Income tax and profits tax	1	4
Wages, salaries and superannuation	5	5
Materials	4	10
General expenses, including depreciation, maintenance of buildings, rent, power, carriage, travelling, etc.	2	9
Ploughed back into the business ...	11	
Dividends	8	
	£1	0 0

It will be noted that the Government

receives in taxation as much as the wages and salaries of all our employees.

PURCHASE TAX

Although many years ago our Hoover electric cleaner might have been considered a luxury used by only the select few, our cleaners and washing machines are now sold to millions of British housewives and mothers who deserve relief from household drudgery. We believe that they should be made available to every housewife, and we intend to do everything we can to bring this about. Much as we would like a reduction in income tax and profits tax, we place in the forefront a demand for a reduction in purchase tax, the immediate effect of which would be to bring our labour-saving appliances within the reach of many more of the people who need them most.

TRIBUTE TO EMPLOYEES

The achievements of the company for 1954 have been phenomenal and much of the credit for this must go to the wise counsel of Mr J. A. Wykes, who unfortunately has recently retired from the Board because of ill health. All members of our loyal team of employees must be congratulated on their splendid efforts during the year. It has meant a great deal of hard work and overtime, and all have given of their best.

We have never been a company to dwell on the past but have always looked to the future to extend and enlarge our operations. The results for 1954 have set us a formidable target for the future but you may rest assured that we shall do our utmost to record still further growth of the company's activities throughout the world.

BRADFORD EQUITABLE BUILDING SOCIETY

MR J. R. SINGLETON'S STATEMENT

At the annual general meeting of the Bradford Equitable Building Society, the Vice President, Mr J. R. Singleton, in presenting the annual report and statement of accounts for the year ended December 31, 1954, gave the following report:

Before turning to the report and accounts for the year, may I express the deep regret of the Board at the loss which befell the Society in the death of the President, Sir Bernard Sugden. Sir Bernard had been a director of the Society for nearly fifteen years and President since 1948. To fill the vacancy thus caused, the Directors appointed Brigadier Sir A. Maxwell Ramsden.

You will be very glad to see our general manager, Mr Lumb, with us again this year. He found it necessary to undergo two operations early in 1954, from which he has made a good recovery. In May last Mr Lumb was elected chairman of the Building Societies Association. This is the greatest honour and compliment the movement has to offer, and I am sure we all shall his pride at this achievement.

TOTAL ASSETS

The total assets of the Society at December 31, 1954, were £28,491,000, being an increase of £2,859,000 on the previous year. The principal items making up the figure of total assets consist of mortgage balances £24,528,000, investments and cash balances £3,770,000 and office premises £162,000. On the other side of the accounts, shareholders' and depositors' balances amount to £26,905,000, an increase of £2,711,000, sundry liabilities and provisions £349,000 and reserves, including carry forward, £1,236,000.

The total number of open accounts at the end of the year was 66,001.

SHARES AND DEPOSITS

We have received during the past year a total of some £5,990,000 from savers and investors in share accounts and deposits, compared with the total of the previous year of £4,859,000.

Five thousand, three hundred and fifty-three new accounts in the investment departments were opened during the year, and the number of open accounts in these departments at the end of the year was 37,923.

MONTHLY SUBSCRIPTION SHARES

I am very glad to report that the regular savings department has continued to improve. We attach great importance to the development of regular savings, and I think we should remind ourselves that savings in this form are of high national importance.

MORTGAGES

During the year 4,482 new advances have been made. The total amount advanced was £5,756,000, an increase of £1,246,000 compared with the previous year. I am happy to state that the accounts are in a very healthy condition, and the directors have no anxieties or problems of any kind in this particular direction.

RATES OF INTEREST

Much has been written during the past few months regarding rates of interest paid to savers and charged to borrowers, and I think I ought to say that your directors have never been in any doubt and have wholeheartedly supported the recommendation of the Building Societies Association in maintaining their rates.

An important factor in fixing rates of interest is that such rates should maintain a reasonable stability over considerable periods of time. This has been a traditional policy of building societies and has contributed very effectively to their present-day popularity.

INVESTMENTS AND LIQUIDITY

The total liquid funds of the Society in Trustee Securities, Cash at Banks (including Post Office Savings Bank) and in Hand amount to £3,770,000, representing more than 13 per cent of the Society's assets. This is a slight increase on twelve months ago.

PROFIT AND LOSS

The balance of revenue profit for the year was £116,179 after providing for interest and bonus on shares and interest on deposits, and also for the society's liability for income tax and profits tax to the date of the balance sheet. There was added to that balance the

balance of the unappropriated profit brought forward from the previous year of £18,035, thus producing a total of £134,214. Of this, your Board recommends that £3,000 be appropriated to the Staff Superannuation Fund, £100,000 to the General Reserve Fund, £15,000 to Reserve Fund No. 2 for contingent mortgage loans and carry forward balance of £16,214 to next year.

Management expenses are steady at 10s. 11d. per cent of the total assets.

RESERVES AND UNDIVIDED PROFIT

The total reserves and balance carried forward (including Post War Credit Reserve) amount to £1,236,000.

Mr Fred Gresswell (director), in seconding the adoption of the accounts, reported the losses on defaulting mortgages where Society has had to realise the security have been the trifling sum of £1,403. It must, however, be borne in mind that during the year there has been full employment and strong demand for house property, conditions extremely favourable to building societies.

Coincidentally with the increase in the numbers of new houses, the Building Societies Association have made an arrangement with the Ministry of Housing and Local Government under which building societies are enabled to lend up to 95 per cent on prices up to £2,000 on houses built since 1918, and 90 per cent on prices up to £2,500 on all houses acceptable as securities. In the view of your Board, this scheme is meritorious, although objectors to it argue that small deposits may tend to keep up prices and also may result in some purchasers over-reaching themselves. The maximum period of repayment on this scheme is 25 years, which is a long time over which to undertake a fixed payment which should be a first charge on a man's earnings.

Recently a great deal of publicity has been given to the availability of loans of 95 per cent with guarantees by an insurance company, repayable over 35 years. This is really "never never," and calls for a reasonable examination. In home ownership there is obviously very much more involved than merely finding a small deposit and undertaking the smallest repayment liability. Many people today earn overtime and bonuses which are not necessarily permanent, and ought properly to be ignored by purchasers in determining the price to be paid for a house. Furthermore it must surely be the aim of every purchaser ultimately to own his home free of mortgage.

As a personal opinion I think the new scheme of a ridiculously long period of repayment is purely "catch penny" and it does the movement no good.

BANK OF LONDON & SOUTH AMERICA LIMITED

PROBLEMS OF TRADE WITH LATIN AMERICA

SIR FRANCIS M. G. GLYN ON STERLING CONVERTIBILITY

The annual general meeting of the Bank of London & South America Limited will be held on March 29th at 6 Tokenhouse Yard, London, E.C.

The following are extracts from the address by the chairman, Sir Francis M. G. Glyn, KCMG, circulated with the report and accounts for the year ended December 31, 1954:

The tenth anniversary of the end of the second world war falls this year, and the present occasion is a good opportunity to review what has been achieved in this country and in Latin America, and how our trade relations with these republics have changed during these ten years.

At the end of the war the United Kingdom was not only governed by numerous controls and restrictions designed to ensure the proper distribution of scarce resources, but was also heavily indebted to other countries—including several in South America—which had continued to keep us supplied with foods and raw materials at a time when we were unable to pay for these commodities by means of our normal exports.

IMPROVED POSITION OF EUROPE

Britain's return to an economy of comparative freedom and the achievement of a favourable balance of payments has been a slow process, but we can at last point to substantial improvements. Last year saw the end of virtually all government bulk buying, consumer rationing and the licensing of raw materials. A limited measure of sterling convertibility into dollars has been made possible with the re-establishment of the London metal markets, the Liverpool cotton exchange, and the freedom to trade in many other commodities, in conjunction with important relaxations of exchange control measures consisting in the arrangements for transferable account sterling and the revival of gold operations in London.

The fact that a fuller convertibility of sterling and other European currencies should have been seriously discussed on more than one occasion during the year, even though the debates may have been premature, is also a reflection of the improved position of Europe and the sterling area in relation to the dollar world. A certain amount of caution has been necessary on Britain's part because of this country's particular position in the sterling area.

As banker for the area, Britain cannot forget, in addition to her own needs, the demands of the other sterling area countries, whose desire to abolish discrimination against dollar goods could bring about an exodus of dollars from the pool which in the aggregate might prove inconveniently large.

A FEASIBLE REALITY

Where Latin America is concerned, it may be assumed that the advent of convertibility might lead to an increase in the volume of those republics' exports to Europe. Sales to the Latin American republics would remain as keenly competitive as ever, especially as the tendency, dating from the war years, to look automatically to the USA for their purchases still persists. This would result in a greater pressure on Europe's dollar resources.

Despite these and other reasons for caution, there is a real improvement in the economic resources of Europe which makes the con-

vertibility of sterling and several other currencies a feasible reality in the not too distant future. The European and sterling area countries are now less dependent on the dollar area for essentials such as wheat, cotton, coal, steel and many other commodities, and are better able to compete in dollar markets.

CONDITIONS IN LATIN AMERICA

There are reasons for hoping that where Europe and the sterling area are concerned the conditions for the success of convertibility can be achieved. When we turn to Latin America, however, we find that the progress we have made towards greater freedom of trade and exchange has been taking place simultaneously with a trend in the opposite direction in most of the more important Latin American countries.

This divergence has given rise to a number of difficulties in our trade relations which it is most important to overcome. The changes that have taken place in the Latin American economies and in our own, reflected by these divergent trends, have made present conditions quite different from those of 1947 when the adoption of convertibility for sterling, unsupported by any other European currency, proved unsuccessful.

The Latin American countries classed by the British Treasury as the dollar account group already enjoy convertibility, and would not therefore be affected. In 1945 several of the non-dollar account countries had substantial blocked sterling balances, accumulated during the war. The precipitation with which in 1947 some of them converted their sterling balances into dollars was a contributory factor in the suspension of convertibility in that first attempt.

Today the non-dollar account countries do not appear to have large sterling balances and would not therefore be in a position to exert an excessive strain on the sterling area's dollar resources.

THE ULTIMATE AIM

The ultimate aim of the movement towards convertibility and freedom of trade is logically the mutual convertibility of all currencies, and the growth of trade that ought in theory to result from the elimination of exchange controls. It seems unlikely that the countries which now exercise exchange control would be able or willing to introduce convertibility immediately after its adoption in Europe.

Fundamental changes are required in their domestic monetary and financial policies to remove or at least vigorously curb certain of the causes of inflation, such as excessive state expenditure and too easy credit. An entirely new approach to the question of exchange rates is also needed in many countries.

The existing exchange structure in several of the Latin American republics is the antithesis of what would be needed for the adoption of convertibility. Rigidly fixed rates which, because of the effects of inflation, are no longer realistic and consequently throttle the country's export trade and exchange-earning capacity; differential rates in various guises acting as a form of taxation on trade; and "free" rates that are either free only in name or, being available only for capital movements and services, fluctuate sharply and are equally unrealistic; these would have to be abandoned in favour of single, realistic, stable rates.

In conjunction with measures to check

inflation and to reduce production costs in industry and so lower protective tariffs, these reforms would go a long way towards improving the position of the Latin American countries, both domestically and internationally, even to the point of enabling them to make their currencies convertible and acceptable in international payments.

FOREIGN INVESTMENT

There is, of course, only one effective cushion against the painful effects of the over-investment inherent in a programme of rapid industrialisation and development, and that is massive foreign investment. It is an unfortunate fact that the immediate effect of an investment of foreign capital in, for example, an industrial undertaking in Latin America may tend to be inflationary, at least to the extent that it is confined to providing the equipment that has to be imported and does not cover the cost of locally available materials and services.

It is clear that discipline and reforms are needed most especially in curbing those inflationary factors that originate in domestic policies, and in reshaping the differential exchange rates that are no doubt a valuable source of revenue, but are restricting trade. There is evidence that the need for restraint is becoming more widely appreciated in Latin America, as is the fact that the assistance of foreign capital is essential for economic progress.

DIVIDEND INCREASED

Dealing with the accounts, the chairman said: We are for the first time showing the amount transferred to Legal Reserves in South America. Banking legislation in a number of countries requires that varying proportions of the profits earned be applied to build up Legal Reserves, but in most cases only until they bear a certain relation to the capital employed in those countries. While one effect is to increase the stockholders' equity in the Company, it is perhaps more important to view these Reserves as freely available in the first place to meet losses which may arise in the respective countries, thus relieving us of the necessity of covering any such losses out of the sterling Contingency Accounts at the Head Office. When allocations of profits for Legal Reserves are substantial—which they not infrequently are—your Board feels justified in reducing the appropriation for the Contingency Reserve.

On this basis, the adjusted profits for the year ended December 31, 1953, are £395,860, while those for the twelve months to December 31st last are £2,179 lower, at £393,681, which I feel should not be regarded as unsatisfactory, in view of the less favourable rates at which the profits in certain countries have been converted. Although nothing at all has been received from Argentina since mid-1951, the remittance position in general has improved slightly compared with a year ago.

We have felt able to recommend an increase in the final dividend of 1 per cent, making 7 per cent for the year, as compared with 6 per cent which has been paid since 1941. While the problems and difficulties we have to face have not diminished, the Board felt that the position of the Bank had been sufficiently strengthened over the past 14 years to allow a slightly higher distribution, and they hope that conditions will continue to enable this rate to be maintained in the future.

BRITISH TYRE & RUBBER COMPANY

MARKED INCREASE IN OVERALL DEMAND

The thirty-first annual general meeting of the British Tyre & Rubber Company, Limited, will be held on March 29th in London.

The following is an extract from the circulated statement of the chairman, Sir Graham Hayman: In keeping with the general upward movement in industry as a whole, there was a marked increase in the overall demand for the products manufactured by your group of companies during the year. The group profit before taxation for the year to September 30, 1954, amounted to £2,026,473, compared with £1,485,543 for the previous year. Taxation provisions required £1,104,899, leaving a net profit for the group for the year of £921,574.

Your directors recommend a final dividend of 11½ per cent, less income tax, on the ordinary stock, making the total distribution for the year equivalent to 15 per cent on the issued ordinary capital as increased on September 8, 1954.

The strong liquid position of the group has been fully maintained, and this is regarded as a desirable cover for the programme of development and extension which is being actively pursued.

The position of raw materials supply has been reasonably satisfactory. The low levels to which the price of natural rubber fell during 1953 persisted until the middle of the period now under review. Since then there has been a steady rise which has been accelerated during recent months. The price is now comparable with that ruling in the early months of 1952. The recent rise may be due to exceptional conditions, but if maintained it will constitute an appreciable addition to our costs. The possible influence of American manufacture of synthetic rubber on the consumption and price of the natural product cannot be measured until the proposed sale of the plants by the American Government to private enterprise has been concluded.

Considerable progress has been made in the use of synthetic rubbers and plastics, which have opened up new fields of application. It is my belief that there is still greater scope for the use of all forms of rubber, and, with this in mind, the company's programmes of product development have been accelerated during the year.

In previous statements I have referred to the desire of the National Coal Board to replace rubber conveyor belting by fire-resistant belting for underground work in the mines. This requirement has been met by the development of our "PLUVICOR" belting. The continuing progress of your company in this special field has been made in face of increased competition both from established manufacturers and new entrants to the conveyor belting field, and our special technique and long experience have enabled us to maintain our pre-eminent position in this sphere of our activities.

Our industrial rubber products division has been active in many directions, and there have been further satisfactory developments.

Our export business has been considerably greater in volume. The favourable trend persists in the current year against intense competition in all forms, and especially price.

During the current year the volume of business has been fully maintained and, providing no major setback occurs in our national economy, I feel we may confidently anticipate another satisfactory trading year.

THE INDIA RUBBER GUTTA PERCHA AND TELEGRAPH WORKS COMPANY

CONTINUED SALES EXPANSION

The annual general meeting of The India Rubber Gutta Percha and Telegraph Works Company Limited will be held on March 29th in London.

The following is an extract from the circulated statement of the chairman, Sir Eric C. Mieville, GCIE, KCVO, CSI, CMG:

Benefiting from the general improvement in business conditions throughout the country, the increasing demand for your company's products, of which I spoke a year ago, continued during the year under review. The group profit of the year, before taxation, increased from £216,572 in 1953 to £374,074 in 1954.

Other factors, beyond the expansion of sales, helped to bring about this improved result. Firstly, the market price of our raw materials at the close of the year was not such as to necessitate any write down in the value of our stocks, as was the case in 1953. Secondly, during the year, satisfactory progress was made towards the increased efficiency and greater productivity of the Silvertown factory.

The total provision for taxation in the UK amounts to £188,815, as against £110,771 in the previous year. The group net profit, after providing for tax, is £185,259. The dividends proposed are the same as last year, namely, the fixed dividend of 6 per cent on the preferred ordinary shares, plus an additional 2 per cent, and the fixed dividend of 6 per cent on the ordinary shares, plus an additional 3 per cent. With the amount of £222,182 brought forward from last year, the balance remaining to be carried forward will be £215,147.

The balance sheet shows a position of strength and liquidity, appropriate to the tasks that lie ahead of us in reconstructing and expanding the Silvertown factory and for the considerable additional expenditure necessary to continue the modification of our equipment and to provide new plant for our expansion programme. We are undertaking this reconstruction in the confident belief that the service which we render to industry generally is, and must remain, an important one. A major part of the effectiveness and success of Silvertown lies in its solution of the many problems which the services and industry as a whole traditionally bring to Silvertown, and which are always welcomed there. The special productions which result, although essential to the services and to the end-products of industry, are not as publicly known as our standard range of products which includes Silvertown PVC fire-resistant belting for coal mines, escalator handrails, anti-static and decorative flooring, stems for tobacco pipes, gutta percha and ebonite in many forms as well as Palmer Aircraft brakes and controls, tyres, wheels and X-ray testing for industry.

As to future prospects, I must tell shareholders that, although careful plans have been made to ensure that building operations will not impede the flow of production, it would be unwise to expect any increase in the volume of output as a result of reconstruction itself during the current year. Some real benefit, however, can reasonably be expected to accrue during the following year. Apart from this, trading prospects are at present encouraging and, always provided that there is no serious set-back in economic conditions generally, I feel that the results of the current year's trading may be expected to be satisfactory.

CABLE AND WIRELESS (HOLDING)

INVESTMENT INCOME EXCEEDS £1 MILLION

SIR EDWARD WILSHAW ON "A VERY SATISFACTORY PICTURE"

The twenty-sixth annual general meeting of Cable and Wireless (Holding) Limited, was held on March 4th in London.

Sir Edward Wilshaw, KCMG, DL, JP, LLD, FCIS (the governor) presided and, in the course of his speech, said: We have had a most successful year as the following comparative figures will show. Compared with the previous year our gross income from investments is up from £891,182 to £1,059,513—the first time we have passed the million mark. The total dividend is increased from 9 to 10 per cent and this increase is on a capital increased from £5 million to £5½ million by the free scrip issue of 1 for 10 made during the year. The value of the investments is up from £15,720,225 to £20,319,577. In total a very satisfactory picture.

When we last met I told you that we were taking steps to arrange for the ordinary stock to be quoted on the Stock Exchange on the basis of a £1 unit instead of, as previously £100 of stock, with a view to assisting the smaller investor. It is my opinion that the investment trust company is the most desirable medium in which the man of smaller means can, with confidence, invest his limited capital and obtain a reasonable return and a satisfactory spread over a large number of investments.

One of the companies with which we are associated has recently arranged for its ordinary stock to be quoted on the basis of a 5s. unit in lieu of on £1 of stock. This innovation will be watched with interest by your directors, and if the result is such that we feel it would be in the interest of stockholders or prospective stockholders, to follow suit you may be assured we will take a similar course.

THE OBJECTIVE—CONSOLIDATION

During the past five years everything possible has been done to achieve a 10 per cent dividend. I think now that the immediate objective must be to consolidate so that not only stockholders but also those who have worked so successfully in the stockholders' interests may look forward with confidence to the future.

It is generally agreed that an investment trust shareholding with a steady dividend record enjoys a higher investment status than a shareholding with a less steady record, and I am determined that the status of our stock shall be of the highest and that no increase in dividend shall be made unless we can be reasonably certain that the increased rate can be maintained. In accordance with my usual custom I make no general forecast as to the future, and the folly of attempting to do so is emphasised by the fact that two alterations in the Bank rate have already taken place during only the first two months of the current year. I am all in favour of orthodox methods for controlling inflation, regulating consumption and encouraging savings, and if these all-important factors are properly adjusted I have no doubt that it will be to the ultimate good of the community in general, and consequently of this company, whatever may be the temporary upset or inconvenience.

The report was adopted.

THE LAW DEBENTURE CORPORATION

A SUCCESSFUL YEAR

The sixty-fifth annual general meeting of The Law Debenture Corporation Limited was held on March 4th at Winchester House, Old Broad Street, London, E.C.2, Mr Robert R. J. Turner, OBE (the chairman), presiding.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended December 31, 1954:

The past year was a successful one for your Corporation, and revenue from all sources other than profits from realisation of securities showed satisfactory increases and was indeed greater than our estimates.

Investment income showed the largest increase of £13,262 due mainly to increases of dividends on some of the holdings of ordinary stocks and shares.

Commissions and fees increased by £2,985, largely due to increased underwriting commission, a fee received in connection with a capitalisation of reserves by a company for whom we act as registrars, and increased fees from the management of pension funds.

Fees from acting as trustees and registrars showed a welcome increase of £3,202, for which we are grateful to our friends who helped to bring us this work.

Office expenses increased by £4,095. This was due to expenditure of about £2,400 on alterations and improvements to our office premises and the remainder was due to expenses incurred in handling the increased business referred to above.

NET PROFIT AND DIVIDEND

The balance of net profit carried down shows an increase of £14,817 and amounted to £71,968; of this the board have transferred £20,000 to general reserve after writing off the discount and expenses relating to the issue of £150,000 second debentures and the capitalisation of reserves already referred to in the directors' report. They now recommend a final dividend of 10 per cent on the ordinary capital as increased by the capitalisation of reserves compared with 9 per cent on the old capital which was paid in 1953, leaving £625 to be added to the amount carried forward. In making this recommendation your board have been influenced by the fact that only a small return was received during the past year from the funds raised by the issue of £150,000 second debentures. They estimate that interest and dividends will show some further increase for the current year.

The valuation of the investments as at December 31, 1954, showing an appreciation of over £750,000, or 45 per cent, over book value is satisfactory, but this can be reduced as quickly as it has grown. Stockholders may remember that the appreciation was only £118,750, or 9 per cent, in December, 1952.

The policy of increasing the percentage of our funds invested in ordinary stocks and shares has been continued during the past year, and as can be seen in the directors' report, this now amounts to 66 per cent of the Corporation's investments, as compared with 53 per cent last year. For the present, £50,000 of the new money raised has been put into a medium dated Government stock.

I should once again like to pay my tribute to the staff for their part in what has been a successful and busy year.

The report and accounts were adopted and the dividend, as recommended, was approved.

THE CONSOLIDATED MINES SELECTION COMPANY LIMITED

MR A. C. WILSON'S STATEMENT

The annual report for the year ended December 31, 1954, and the statement by the chairman, Mr A. C. Wilson, have been circulated to stockholders.

The following are extracts from the chairman's statement: Markets have for most of the year remained very firm and we have had no difficulty in improving our cash position without recourse to stockholders. Whereas at December 31, 1953, we had a bank overdraft of £156,000, we now have £90,000 cash in hand or at call after paying out an interim dividend which absorbed £54,000. There has thus been an effective overall improvement in our strictly liquid position of £300,000.

Comparing the market value of our investments with the figure for last year there is an increase of £2 million. This is, of course, very satisfactory, but stockholders must remember that mining markets fluctuate from year to year and they should not therefore attach too much importance to this figure.

Your directors considered the question of increasing the cash dividend distribution but decided that this year they should be reasonably conservative and keep the total at 2s. 6d., although the bonus of 1s. paid last year has been consolidated into this dividend which, as far as we can foresee, is one that we should be able to maintain. Indeed, if our long term plans develop as we hope and believe they will, it should be possible to improve on this rate in the future.

CAPITALISATION OF RESERVES

In view of the strong position which has been built up, we feel that the stage has now been reached when we can make a small transfer from our reserves to capital. Your board decided, therefore, to recommend that £45,000 of our reserves should be capitalised and the resulting fully paid ordinary shares distributed to stockholders, against which £67,000 has been appropriated to reserve out of the profits for the year. In this way the total amount of our reserves will be maintained. We do not foresee difficulty in maintaining our 2s. 6d. dividend on the increased capital.

Whether it will be possible to repeat the issue and maintain the dividend in future years on the capital increased by any such issue must, of course, depend upon circumstances and for the time being it should be regarded only as a special distribution related to a period in which we have reaped substantial rewards from past restraint.

Finally, I should like to make reference to developments in the Orange Free State goldfield. The results reported during the year by certain of the mines were extremely good and justify the high hopes borne for the companies concerned. We have for some time had a substantial part of our capital invested in the OFS goldfield and, although we have already made very satisfactory profits out of certain of our participations, we have yet to receive any dividend revenue from present investments. Now that the mines in which we are interested are coming into production, the period of heavy capital outflow has passed and the monthly profits now being declared will soon be reflected in the distribution of dividends.

Copies of the report and accounts, which incorporate the full statement, are obtainable from the Company's office at 11 Old Jewry, London, E.C.2.

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

ANOTHER SUCCESSFUL YEAR

The one hundred and twenty-fourth meeting was held on March 10th in Edinburgh. In the course of his remarks Mr Robert McCosh, WS, chairman of the board of directors, said: The Society has again had a successful year. Net new sums assured completed during 1954 after deducting re-assurances amounted to £4,738,476, more than £234,000 in excess of the previous year's total and constituted a record for the Society.

Associated with the results for life assurance, we have also achieved a record year in the amount of annuity business transacted. As a result of the attractive rates which we are offering for immediate annuities at present the purchase money received in 1954 was very substantially larger than in the previous year.

The life assurance fund has increased by over £1,800,000; this is the largest increase in the history of the Society, exceeding last year's record by over £800,000.

Turning to the other items in the revenue account, our interest income in respect of the life assurance fund has increased by more than £100,000. The gross rate of interest calculated on the life assurance fund was £5 14s. 11d. per cent in 1954 as compared with £5 8s. per cent in 1953. The corresponding net rates were £4 11s. per cent and £4 5s. per cent respectively. This means that we have earned in 1954 a margin of more than 2 per cent over the net rate which we assume in our actuarial valuation, all of which goes to provide a substantial amount of profit to the participating members in the shape of bonuses.

Claims paid during the year totalled £921,579, of which about two-thirds related to maturing endowment assurances; these are, of course, fully provided for in advance. Claims by death were about £28,000 in excess of those in 1953, but our mortality experience has again been very favourable. The results were about 50 per cent better than those expected by the tables on which we base our calculations.

Expenses and commission show an increase over last year. A considerable proportion of this increase, however, is due to the very substantial amount of new annuity business to which I have already referred.

The record increase in the Society's funds has presented problems in the matter of investment in a year which has seen considerable movement in Stock Exchange prices. The sums available have been spread between the major items in the assets side of the balance sheet, which shows increases of over £500,000 in British Government and British Government guaranteed securities, of nearly £200,000 in debentures and £400,000 in preference stocks, and of almost £700,000 in ordinary stocks and shares which for two or three years now have been the largest single class in the Society's investment portfolio.

The margin between the market value of the Society's investments in Stock Exchange securities and the amount at which they are entered in the balance sheet is much greater than last year, when indeed it was already substantial.

INTERMEDIATE BONUS 40s. PER CENT COMPOUND

The Society's intermediate bonus for 1953 and 1954 has been at the rate of 34s. per cent per annum. This rate was fixed at the

quinquennial investigation as at December 31, 1952, the date of our last declaration of bonus. Since that date, however, our interest rate has increased materially, and in view of the changed conditions the directors decided that the position should be reconsidered although only two years of the present quinquennium have elapsed. Full investigations have been made and the results, I am glad to say, have shown a very satisfactory position. It has accordingly been decided to increase the rate of intermediate bonus from 34s. per cent to 40s. per cent in respect of premiums payable after December 31, 1954. I would mention that this bonus, as in the case of the declared bonus, is calculated on the sum assured and existing bonuses. This increase will, I am sure, commend itself both to our members and to our agents.

The adoption of the report and accounts was carried unanimously.

OLDS DISCOUNT

EXTRACTS FROM THE CIRCULATED STATEMENT OF THE CHAIRMAN, MR WM. A. OLDS

The profit for 1954 is £474,180. Net profit, after tax, £205,795, an increase of £75,944.

Bonus Issues and Issues on Bonus Terms have been made several times and recently during the years:

	Ordinary Units	Basis
1946.....	@ 14/6	1 for 2
1948.....	@ 13/6	1 for 4
1950.....	Free	1 for 5
1951.....	@ 5/-	1 for 6
1953.....	@ 6/3	1 for 9
1954.....	July - Free	1 for 2
	Nov. - @ 12/-	4 for 11

And additionally in July, 1954, one £1 Pref. Share (free) for 8 Ordinary Units held.

A substantial increase has occurred in all our trading divisions, particularly those specialising in finance for Manufacturers' Plant and Equipment.

Our West Indies Subsidiary has paid an initial dividend of 7 per cent.

First impressions of the Treasury restrictions, just imposed, appear to be equitable and likely to produce good effect. It is a matter for profound regret that closer liaison seems impossible between Government Departments and our Associations to avoid such action as occurred when all controls were taken off Hire Purchase last July.

RECORD OF PROGRESS IN STAGES DURING LAST 7 YEARS

	Profit Before Taxation	Ordinary Dividend Paid (Net)	Profit Retained After Taxation
1948...	£138,579	20%	£27,500
1950...	185,317	20	31,855
1952...	282,273	22½	52,648
1954...	474,180	*	91,300

* 10% on £400,000, 15% on £840,000.

The above Ordinary dividend for 1954 represents 10.9 per cent (gross) on the Ordinary stock and reserves.

BIRMINGHAM CITIZENS PERMANENT BUILDING SOCIETY

ANOTHER £1 MILLION INVESTED

The annual general meeting of the society was held at the Imperial Hotel, Birmingham, on March 2, 1955. The chairman, Mr W. H. Madin, presided, and, in moving the adoption of the report and accounts, said:

The year under review is one which again records excellent progress. The total amount invested with the society from members and depositors during 1954 was £1,011,554 and after allowing for the withdrawals there is a balance of £4,221,140 due to share members, an increase of £362,577 and £1,128,535 due to depositors. Interest at the rate of 2½ per cent tax paid by the society has again been paid to the shareholders, equivalent where tax is paid at the rate of 9s. in the pound, to a gross return of £4 10s. 10d. per cent.

Advances during the year amounted to £1,196,085. The balance now due was £5,025,709, an increase of £427,771. Applications to finance new houses and from sitting tenants formed a substantial part of the mortgage advances. Investments in Government securities and cash at bank amounted to £506,006, which represents 9.1 per cent of the total assets. The profit and loss account shows a gross income of £233,249. After allowing income tax and profits tax £50,232, management expenses £28,295, and other outgoings, the net profit was £129,764, which, together with £18,999 brought forward from the previous year, has been allocated as follows:

Interest to shareholders	£100,480
Transfer to general reserve	20,000
Mortgage contingency reserve	9,243
Balance now carried forward	19,041
	£148,764

Total reserves and carry forward are £204,041. The assets now amount to £5,561,316, an increase of £509,135.

TWINING CROSFIELD AND COMPANY

TEA—EXPLANATION OF COST

The thirty-eighth annual general meeting of Twining Crosfield and Company, Limited, was held on March 8th in London, Mr H. W. Backhouse (chairman) presiding.

The following are extracts from his circulated statement:

I wish to refer with deep regret to the death of Mr C. T. Sidgwick, who was chairman from 1916 until December 31, 1952. His enterprise and integrity have left us an example which we shall always endeavour to emulate.

The group trading profit for the year 1954 shows the expected decrease. We were faced throughout the period with a constant and almost uninterrupted rise in the market price of tea. Our costs therefore were continually rising and although we increased the price of our proprietary teas, strong competition forced us to postpone the increases until too late to maintain a reasonable profit margin.

The business of tea distribution in this country is highly competitive. There are no rings or price fixing agreements and we all keep our prices down to the lowest possible

figure to meet competition. I do not regret this: the trade is healthy and vigorous and gives the consumer really good service. It is however rather disturbing to find that some journalists and politicians should have chosen to attack the tea trade on the grounds of profiteering at the expense of the general public.

The explanation for current high retail prices is simple. Tea is sold in the free markets of the world to the highest bidder and the price is determined by supply and demand. Demand is exceeding supply and in the twelve months ending October 31, 1954, the London Market price of common tea has risen from 3s. 4½d. per lb to 6s. 2½d. per lb. To the auction price of tea there must be added between 1s. and 1s. 6d. per lb. for blending, packing, distribution and retailing, and from these figures there is no escape, and our net profit on tea sold in the United Kingdom during the year is materially less than 1½d. a lb.

The report was adopted.

LEICESTER PERMANENT BUILDING SOCIETY

The one hundred and second annual general meeting of the Leicester Permanent Building Society was held on March 7th, in Leicester, Mr A. D. Carmichael, CBE (the chairman), presiding.

The following are extracts from his statement previously circulated to members:

The total assets of the society at December 31, 1954, were £36,123,702 and showed an increase over the previous year of £4,839,100.

Advances made on mortgage reached a record sum of £7,304,104.

Monies invested with the society, together with borrowers' repayments, amounted to £14,082,769.

Withdrawals, including capital and interest were £4,012,071.

Liquid funds amounted to £6,118,461.

Reserves and unappropriated profit amounted to £2,702,704.

NEW BUILDING ENCOURAGED

We have been pleased to see some welcome, sensible increase during the year in the building of houses for sale, and we have played an active part in encouraging this new building.

Of the 5,804 advances made by the society last year, 1,240 were for newly built houses, and this involved advances of over £2 million which represented 29 per cent of the total sum advanced by the society.

£200,000 TO RESERVE

During the last few years, the society has increased considerably its liquidity. It will be noted that a profit of £37,308 was realised on the sale of some investments, and that the market value of the society's holdings at December 31, 1954, was £174,538 in excess of the book value.

Our balance sheet is exceptionally strong, and those who place their money with us are well protected by adequate liquid resources, and by reserves of exceptional strength.

The appropriation account shows a total available of £912,944. From this sum £660,240 was paid to shareholders and £200,000 added to general reserve, leaving a balance carried forward of £52,704.

The report and accounts were unanimously adopted.

UNIVERSITY OF CAMBRIDGE

Applications are invited for the office of Reader in Industrial Management which has recently been established in the Department of Engineering. Forms of application and further particulars may be obtained from the Secretary-General of the Faculties, The Old Schools, Cambridge. The closing date for the receipt of applications is April 9 1955.

OPPORTUNITIES IN THE UNITED STATES FOR ENGLISH-TRAINED ELECTRONICS ENGINEERS

The Engineering Department, Electronics Division, of Westinghouse Electric Corporation has available a number of attractive situations to augment the engineers hired in England during 1953. Applicants must have professional standing in the Institute of Electrical Engineers or equivalent standing in the Institute of Radio Engineers.

Applicants for these positions should be over 25 years of age, with at least three years' experience in design or development in one or more of the following fields:—

Circuitry
Ground Radar
Communications
Computers
Filters
Antennas
Microwave Cavities and Plumbing
Missile Guidance Equipment
Navigation Aides

Plant is located in the outskirts of Baltimore, Maryland, in the beautiful Chesapeake Bay area, with splendid facilities for fishing and jogging. The mountains are but one and a half hours' drive away. Modern centrally heated flats in suburban surroundings are readily available.

Many opportunities for advanced education and for cultural pursuits are readily available in the Baltimore area. Generous relocation allowance is provided to help defray engineers' and their dependents' travel and shipping expenses.

To arrange for interviews in Britain at an early date with the Manager of the Electronics Division Engineering Department, address inquiry for application form to Mr F. S. Mabry, Westinghouse Electric International Company, 1-3 Regent Street, London, S.W.1. All replies will be treated as confidential.

ORGANISATION AND METHODS

A large firm has vacancies for qualified accountants with specialised experience of the installation and reorganisation of systems of accounting, including stores control and costing. There are also vacancies for qualified accountants wishing to acquire experience of system work. Starting salaries up to £1,500 per annum, according to qualifications and experience. Excellent prospects for advancement. Reply, giving full personal details, to Box 859.

CHAPPIE LIMITED, manufacturers of cat and dog foods, require the services of a man or woman graduate to undertake field and office control of the National Consumer Research section of their Market Research Department. An Economics or Sociology degree and/or knowledge of statistics, especially sampling techniques, would be an advantage. The work entails assisting in the selection of staff, draughting of questionnaires, organising the field staff, office routine, checking field work, and appreciation of findings.

Salary will be in the range £780 to £900 and the post also carries pension, life assurance and sickness benefits under a non-contributory social security plan. This post offers an excellent opportunity for a man or woman seeking first-class market research experience. Half the time will be spent in the office at Melton Mowbray, and the remainder in the field. Applications should be sent to the Personnel Officer, Chappie Limited, Melton Mowbray, Leicestershire.

LONDON CHARTERED ACCOUNTANTS have audit vacancy for recently qualified chartered or incorporated accountant. Commencing salary from £750, according to experience. Write, with full particulars, to Box No. 8438, c/o Charles Barker & Sons Ltd., 31 Budge Row, London, E.C.4.

THE B.Sc.ECON. DEGREE of London University is open to all without University residence. It is a valuable qualification for ambitious men and women engaged in accountancy, secretarialship, banking, finance, commerce, public services. Wolsey Hall (est. 1894) provides postal tuition of a high order for the three (in some cases two) examinations, at reasonable fees. More than 1,000 Wolsey Hall students have passed London B.Sc.Econ. (Final) exams, since 1925. Prospectus from C. D. Parker, M.A., LL.D., Director of Studies, Dept. P17 WOLSEY HALL, OXFORD.

THE FREER ECONOMY FACES ITS TEST. A major survey in the March issue of "The Banker" discusses the increase in Bank Rate and the new exchange policy in their wider context, explains why the measures were necessary and how they are intended to work—and enquires whether they will.

THE CONTENTS BILL of this issue of "The Banker" speaks for itself. Implications of 4½ per cent Money Regulator on Trial, Convertibility in Midstream, How Hire Purchase Has Grown, Economics in the Kremlin, America's Money Shows the Way, Montagu Norman, Banker-Designer (by Sir Gordon Russell), accompanied by all the regular features. Price 2s. 6d. from bookstalls or 72 Coleman Street, E.C.2.

ONE Senior and one Junior Statistical Clerk required. Some knowledge of balance sheets and of Stock Exchange practice required for the senior post, for which a man aged 45 to 55 would be suitable. For the junior post applicants should be aged 20 to 25 and have completed military service. A good secondary education is needed. Write the Deputy Editor, "The Economist," 22 Ryder Street, S.W.1.

EXPORT SALES MANAGER.—Man aged 30, who has understanding of a large number of Export Markets in which he has achieved successful sales results, now wishes to reside in U.K., and has ambition to obtain the post of Export Sales Manager, for which he feels his knowledge, energies and administrative ability are most suited. Available 1956.—Box 851.

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.

glo-Egyptian Sudan: £5.10s.
Australia: £8.5s. (sterling)
Canada: £21.50 or £7.14s
Africa: £5.5s
Egypt: £5.5s.

Europe (except Poland): £4.15s.
Gibraltar, Malta: £3.15s.
Hongkong: £7
India & Ceylon: £6
Iran: £6
raq: £6

Israel: £6
Japan: £9
Malaya: £6.15s.
New Zealand: £9 (sterling)
Nigeria, Gold Coast: £5.5s.
Pakistan: £6
Rhodesia (N. & S.): £5.10s.
S. America and W. Indies: £7.15s.
Union of S. Africa: £5.10s.
U.S.A.: £21.50 or £7.14s.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland 2d.; Overseas 2½d.—Saturday, March 12, 1955

UNIVERSITY OF LONDON

The Senate invite applications for the Readership in Accounting tenable at the London School of Economics and Political Science (salary £1,500 — £1,550 — £1,800 a year). Applications (30 copies) must be received not later than April 19, 1955, by the Academic Registrar, University of London Senate House, W.C.1, from whom further particulars may be obtained.

UNIVERSITY OF BRISTOL

Applications are invited for the post of Investigational Officer and Clerk Accountant in the Department of Economics (Bristol II Provincial Agricultural Economics Centre, Newton Abbot, Devon). Candidates should possess a Diploma in Agriculture or an equivalent qualification. Salary scale:

Men: £325 x £20 — £505 x £25 — £650
Women: £300 x £15 — £345 x £20 — £505 x £25 — £530
with pay addition of 10 per cent to the first £500 per annum and 5 per cent to any amount above £500. Starting salary according to qualifications and experience.—Applications, giving the names of two referees, should reach the Registrar, The University, Bristol, 8, by March 19, 1955.

SUDAN GOVERNMENT

The Ministry of Education invites applications from suitably qualified candidates for the posts of LECTURERS or ASSISTANT LECTURERS in the following departments in the Khartoum Technical Institute:—

- (a) Building (1010)
- (b) Engineering (1012)
- (c) Commerce (1011)

Qualifications for (a) and (b) are a degree in Civil or Mechanical Engineering or equivalent, or qualified teaching experience in a Technical College. Teaching experience in a similar appointment would be an advantage. Qualifications for (c) are a degree in Economics or Commerce or equivalent qualification in Accountancy.

Applicants must be able to read, write and speak Arabic or English up to a standard which will enable them to carry out the duties of the post.

Candidates who are successful for (a) and (b) will be required to teach their subjects up to Ordinary National Certificate standard, and for (c) they will be required to teach their subjects, Accountancy or Economics, up to professional standards.

Appointment will be on short-term contract for a period of up to three years. Salary scale ranges from £E1,075 to £E1,675 per annum. Point of entry into this scale will be determined by age, qualifications and experience. A cost-of-living allowance which is reviewed quarterly is payable. Outfit allowance of £E50 is payable on appointment.

Further particulars and application form will be sent on receipt of a postcard only, addressed to The Sudan Agent in London, Sudan House, Cleveland Row, St. James's, London, S.W.1. Please quote the Department concerned and the number printed alongside, together with name and address in BLOCK LETTERS.

A NATIONAL MANUFACTURERS' TRADE ASSOCIATION requires an Assistant to train in all aspects of its activities with special emphasis upon labour relations. The position is a progressive one and can lead to an executive appointment. The initial salary will be attractive and progress will be fully rewarded. Candidates should be under 30 years and should have had a sound education, preferably to University level, and should possess either a professional qualification in economics or accountancy or have had some industrial management or work study experience.—Candidates should apply, giving full details of their age, education, qualifications and experience, to Box 860.

LEADING firm of stockbrokers requires ASSISTANT for Statistical Department. Age below 30, background of accountancy, economics or actuarial work, preferably but not necessarily having some investment experience. Interesting appointment with prospects. Write Box E.995, c/o 191 Gresham House, E.C.2.

A LARGE national advertiser in America shortly visiting this country, is interested in appointing an experienced British Market Research man to work in New York, with the particular duty of co-ordinating and advising on the consumer Research work which is carried out on his behalf in various overseas territories. It is expected that the successful applicant will have had a university education, some time as a responsible Research Executive, and be between 28-35 years of age. This is an unusual opportunity for a young Research specialist to work and mature in the American context.—Box 857.

A COMPANY of the highest standing converting flexible packaging materials invites applications from executives with thorough commercial experience in this field. The appointment will be that of Sales Manager in the first instance, but applicants should be of Board calibre and about 40-50 years of age. The salary would probably be not less than £3,000 p.a., with contributory pension benefits. Applications can be considered only from executives of the highest integrity and of proved management ability and record.—Applications should be sent in the first place to Kennedy, Ponsonby and Pridenex, Solicitors, 117A, Cheapside, London, E.C.2. Applicants who fear they may be replying to an advertisement from their present employers should mark the envelope "Not to be forwarded to (name of their employers)," in which case the application will be destroyed unopened.

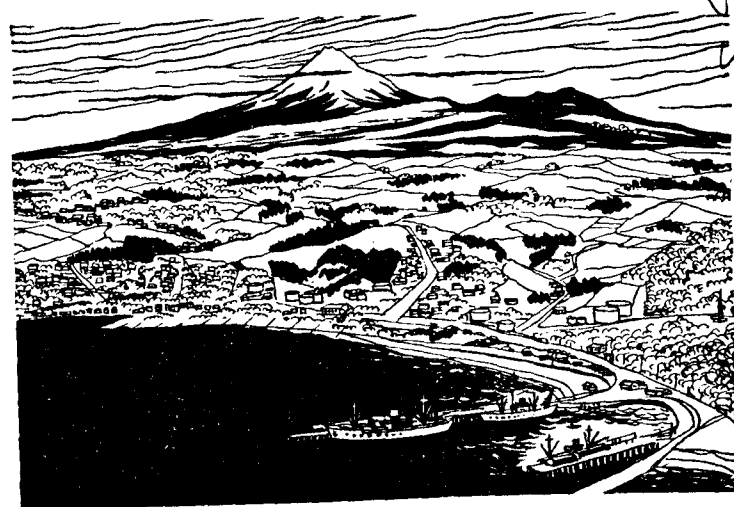
EXPERT POSTAL TUITION

For Examinations—B.Sc.Econ., LL.B. and other external London University Degrees: Law Society; Bar; Accountancy; Banking; Secretarial; Civil Service; Commercial; General Certificate of Education, etc. Also many non-examination courses in business subjects. Write today for free prospectus and/or advice, mentioning examination (if any) or subjects in which interested, to the Secretary (G 9/2).

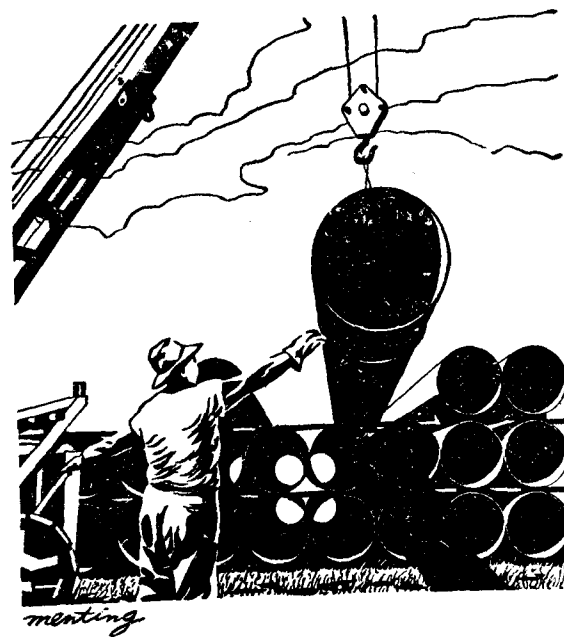
METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4.

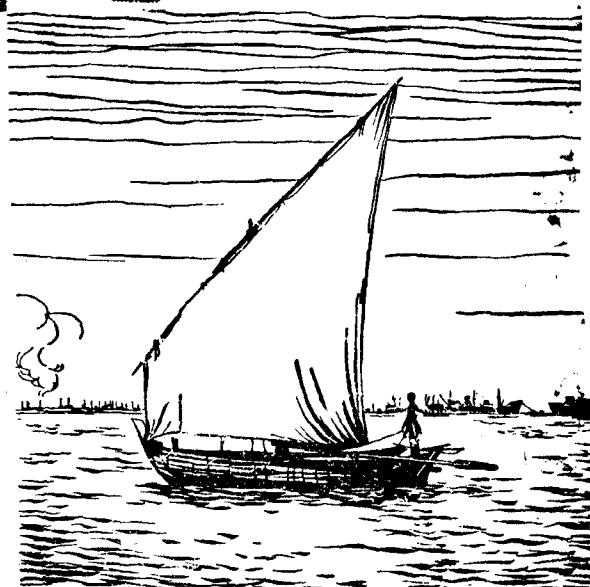
The Economist: Annual Air Subscription Rates



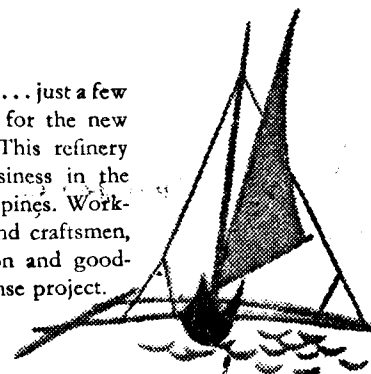
NEW ZEALAND — Near majestic Mt. Egmont lies New Plymouth, largest city of Taranaki Province. This scenic land is the world's largest exporter of dairy products and lamb, ranks second in exports of wool. Caltex is proud to be a part of this scene... glad to help an enterprising country take its place in the modern world.



PHILIPPINES — Not gun barrels... just a few sections of the miles of pipe for the new Caltex refinery at Batangas. This refinery shows the confidence of business in the ability and future of the Philippines. Working with Filipino engineers and craftsmen, Caltex enjoys the co-operation and goodwill so vital to such an immense project.



BAHRAIN — The contrast of old and new in this colorful shaikhdom is shown graphically here. The Bahraini's lateen-rigged dhow, Bahrain's traditional fishing and pearling craft, sails gracefully through the waters of the Persian Gulf. In the background we see a modern refinery and Sitra Wharf where tankers take on refined oil products for delivery to markets half-way 'round the world.



CALTEX serves the people of 67 lands

IN 67 LANDS—across half the world, through such developments as these, Caltex is able to supply better fuels and lubricants for industry, for agriculture and for motoring millions. These require a continual investment of funds and skills, backed by a faith in a better future for free nations.



CALTEX

Petroleum Products

SERVING EUROPE • AFRICA • ASIA • AUSTRALASIA



The Economist

FOUNDED 1843

MARCH 19, 1955

ONE SHILLING

Steady on Your Course
Mr Bevan's Head
Capital for the Professions
Soviet Stomach Trouble
Guidance for Retailers
Selling Through the Slot

AMERICAN SURVEY: Eisenhower's Conservatism
THE WORLD OVERSEAS: New Chance for Nepal
BOOKS: The Done Thing

Annual Postal Subscriptions: by ordinary mail £3; by air see page 1051
THE ECONOMIST • 22 RYDER STREET • ST. JAMES'S • LONDON • S.W.1
VOLUME CLXXIV • NUMBER 5821

**Scandinavia
now within
the reach
of all**



by 'Night Scandinavian'



ANNOUNCING NEW NIGHT SERVICE RETURN FARES

STAVANGER	£19.19.0
COPENHAGEN	£28. 0.0
OSLO	£29.10.0
GOTHENBURG	£29.10.0
STOCKHOLM	£35.10.0

Commencing 16th June to 8th September.

ALSO TO:

AALBORG • AARHUS • BERGEN • HELSINKI
KRISTIANSAND • MALMO • RONNE • TURKU

Night flights are cheap flights by SAS



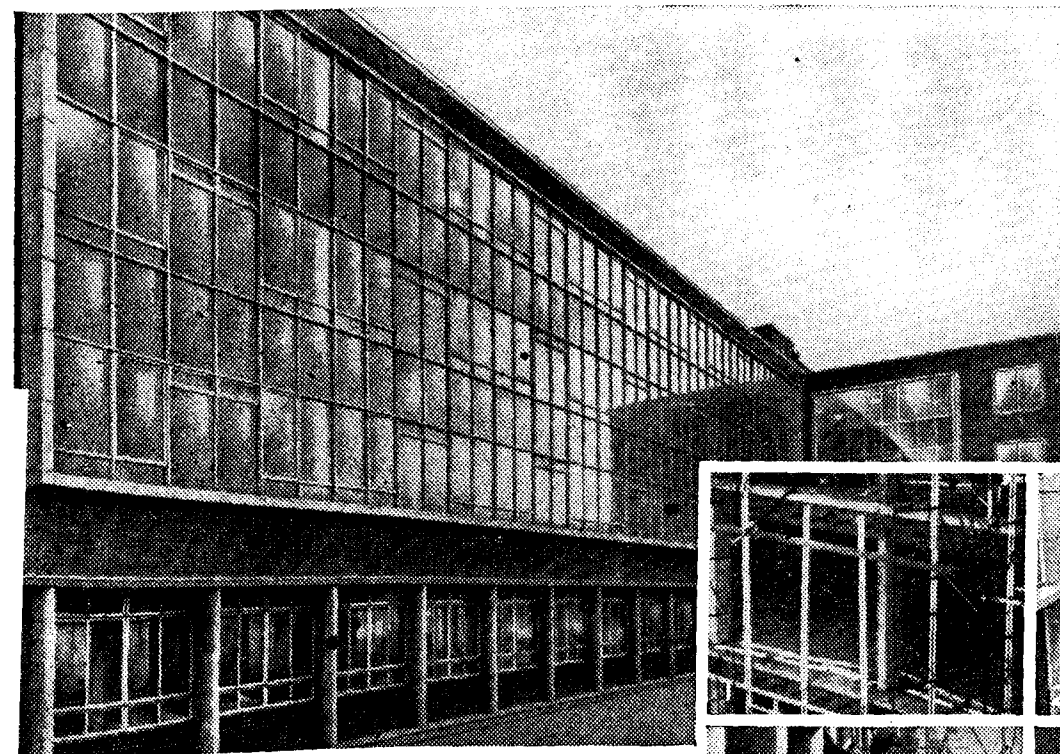
SCANDINAVIAN AIRLINES SYSTEM

5 CONDUIT STREET, LONDON, W. 1.
36 CANNON STREET, BIRMINGHAM 2.



32, DEANS_GATE, MANCHESTER.
164 HOWARD STREET, GLASGOW.

This wall went up in 5 days!



Drawing Office: Messrs. Clarke
Chapman & Co. Ltd., Gateshead.
Architects: Messrs. Chas. S.
Errington, L.A.R.I.B.A.,
Newcastle upon Tyne.
Assistant in charge: K. Kennedy,
A.R.I.B.A.

WALLSPAN

**OUTER WALLS ARE THE QUICKEST WAY TO GET NEW
BUILDINGS INTO BUSINESS**

How Wallspan goes up so quickly. Wallspan is the logical way of constructing outside walls for modern multi-storey buildings.

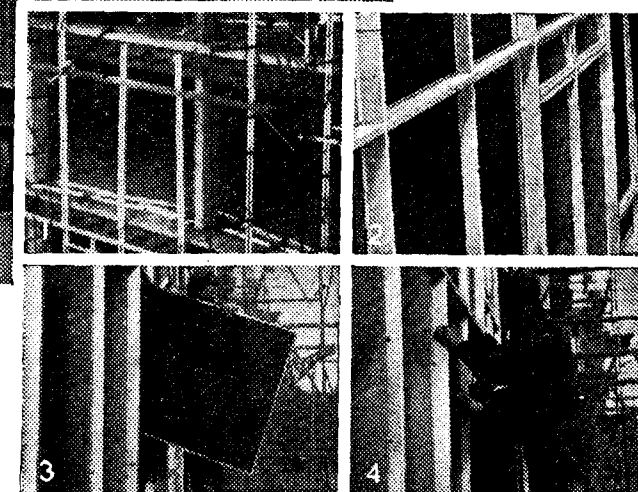
Wallspan is a grid of aluminium alloy, formed of box-section vertical and horizontal members, which is readily bolted on the structure of the building. Into it are fixed windows and doors and the rest of the grid is quickly filled with any of a wide variety of durable, weatherproof panelling. You may, if you wish, get business going floor by floor as Wallspan goes up!

The panelling used can be any of a score of different materials in numerous textures and colours—glass, stone, metal, wood and many other substances.

Wallspan gives you more floor space. The weight of a modern building is carried by the structural frame, not the outer walls, which are merely protective and decorative and carry the windows. So the Wallspan grid need be no more than 5 inches thick with panels half that thickness. This means *extra* rentable space all round every floor: hundreds more square feet in any sizeable building!

And more warmth! The slender panels in the Wallspan grid can be constructed to provide up to 50 per cent better heat-retention than cavity brick walls. And maintenance is negligible. There's no pointing or painting. The walls can be washed down occasionally . . . by the window cleaners.

It will be well worth your while to discuss with your Architect the use of Wallspan in any new building you are planning—offices, factory, shop, stores, warehouse, school . . .



1 Fixing the vertical aluminium members—they are so light in weight that one man can easily handle the largest of them!

2 The grid is fixed—floor by floor.

3 This is how the panels go in . . .

4 . . . and are clipped into place by a neat aluminium beading.

Extensions to this building had to go upward owing to site limitations. Three floors have been added to the original single-storey office and these have Wallspan walls.

The elevation illustrated is 115 ft. 7 in. long and 27 ft. 9 in. high. The Wallspan grid carries aluminium framed opening casements and fixed glazing. The opaque panels are green Vitrolab.

This Wallspan framework was fixed in FIVE DAYS by a routine-strength Williams & Williams fixing team and without working overtime!

WALLSPAN CURTAIN WALLING

WILLIAMS & WILLIAMS

RELIANCE WORKS • CHESTER

You'll be using your building sooner—much sooner—if it has Wallspan walls!



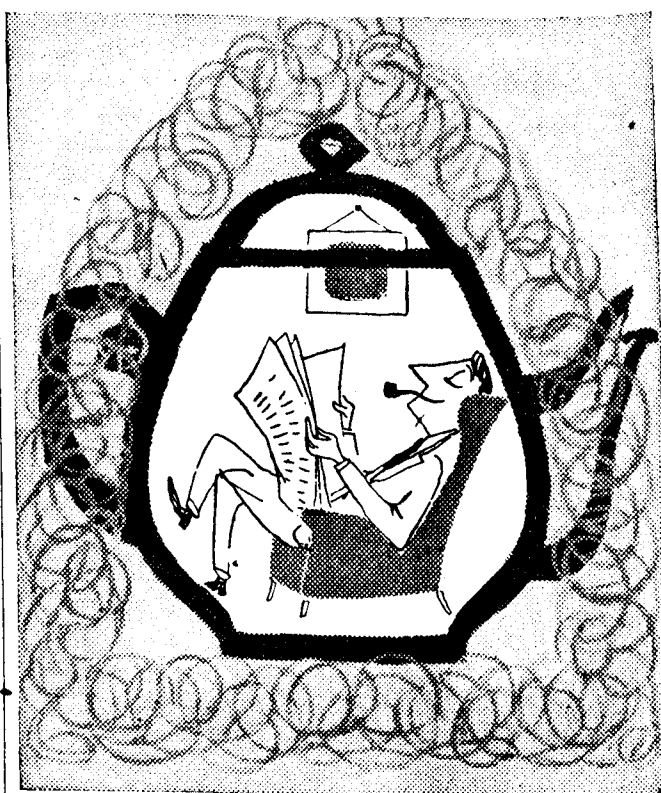
In a specialist age it should be as natural to discuss floors with flooring specialists as to consult a lawyer about the Law. Increasing acceptance of this philosophy has encouraged Semtex to set up twenty well-placed branches staffed by flooring experts who are backed by an organisation which manufactures, designs, lays and maintains floors in all the most modern materials. These include Semastic Decorative and Vinyl Asbestos Tiles, Dunlop Rubber Flooring, jointless fleximer floorings, high-grade linoleum, cork tiles and flooring specifications to cover industrial needs.

SEMTEX

A DUNLOP COMPANY

Write for further information to:

Semtex Ltd., Semtex House, London, N.W.9 • Telephone: Hendon 6543
West End Sales Office: 123 Pall Mall, London, S.W.1 • Telephone: Whitehall 5955



if you
lived in a
teapot
imagine the
difference
a cosy would make!

Fibreglass bitumen-bonded insulation keeps houses cosy just like that. It costs about £6 and lasts for ever. Most builders' merchants stock it, and will give you details of easy-to-lay, fuel-saving and housewarming...

FIBREGLASS

TRADE MARK

Fibreglass Limited, Ravenhead, St. Helens, Lancashire

Now you can have your own PERSONAL REPRESENTATIVE IN THE U.S.A.

Successful American businessman (now retired) and associates, will serve your interests in the United States—save you time and costly travel, give you expert help on any ethical business or personal matter.

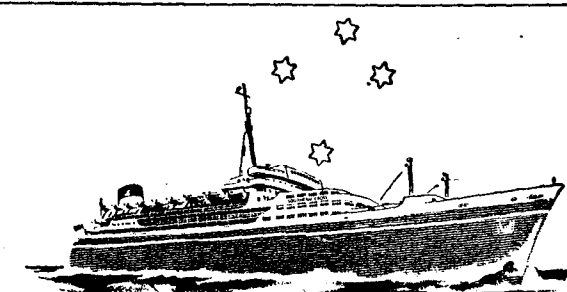
STAFF SERVICES INCLUDE:
Analysis of U.S. market for your product. Locating U.S. sources of supply. Securing legal advice and representation. Auditing and accounting. Obtaining qualified personnel. Credit reports. Technical investigations. Advertising and merchandising counsel—and many others.

All services performed faithfully and promptly by experienced personnel on surprisingly low fee basis. Business and financial reference. We invite your inquiry.

C. J. LANDEN COMPANY, INC.

8 Chestnut Pl., Jamaica Plain 30, Boston, Mass., U.S.A.

CABLE LANDENCO, BOSTON



Owing to the unprecedented
demand for
accommodation on the
SOUTHERN CROSS
all sailings for 1955
are now fully booked.

SHAW SAVILL LINE

11, LOWER REGENT STREET, LONDON, S.W.1

Telephone: WHITEhall 1485 Telegrams: Savill Piccy London



You Save AUTOMATICALLY

"Air changes can be death to us," says Private Btu (the British Thermal Unit). "If you must open and shut doors please do it automatically."

FUEL EFFICIENCY PAYS

For example... Vehicle manufacturers in Bedfordshire were faced with low shop temperature and high velocity cold air winds due to continually open doors and air extraction in one of their buildings. The problem was solved by photo-electrically controlled doors and air lock systems, which eliminated the air currents.

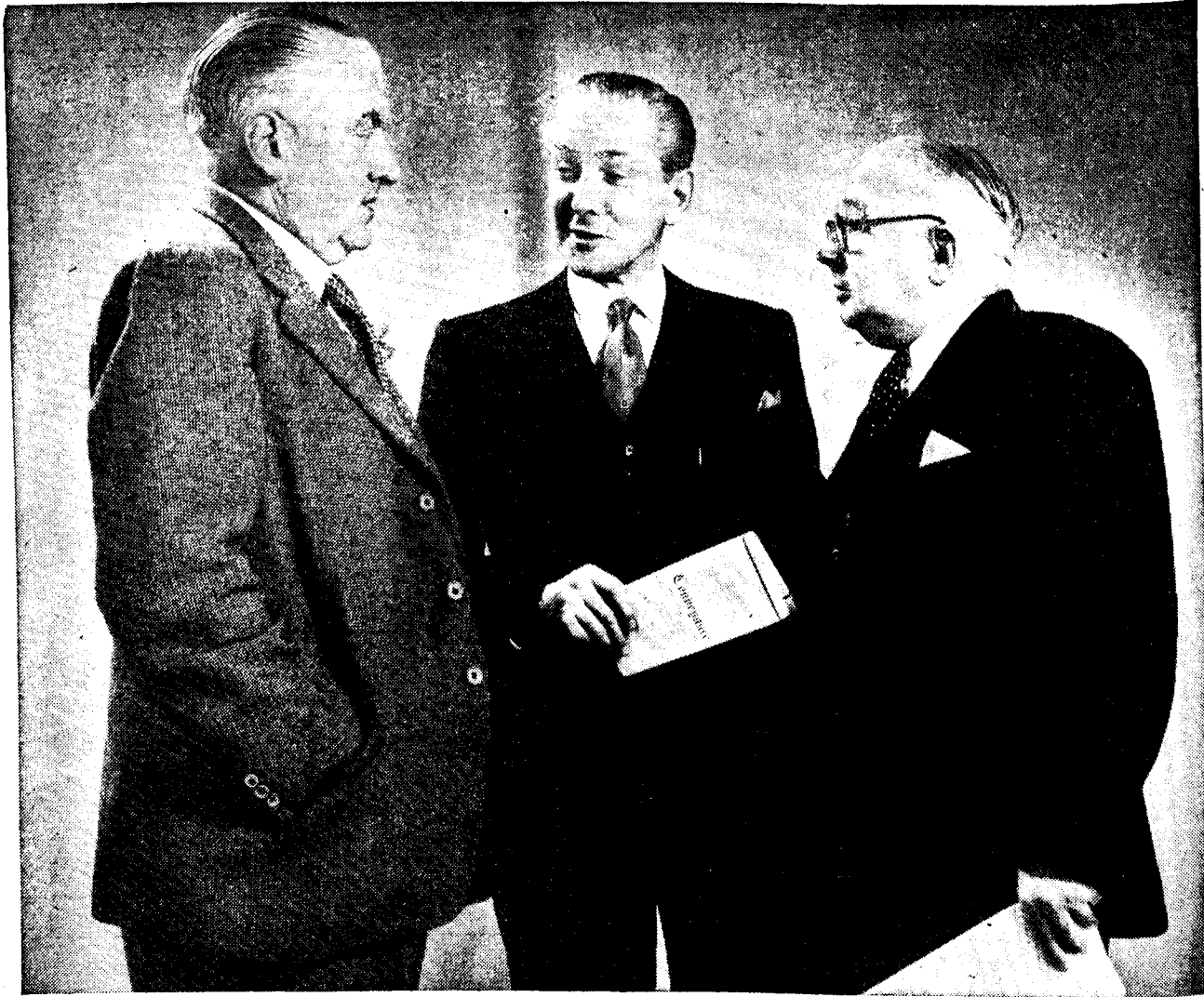
Without the control system the maximum demand would have been 21 million Btu's and additional boiler plant would have been necessary. The most economical scheme without photo-electrically controlled doors and air lock systems would have required 6 million Btu's per hour at an estimated additional cost of £6,000 per annum. The capital outlay of £20,000 for the complete installation of photo-electrically controlled doors and air lock systems will be recovered in four years, and it will not be necessary to increase the boiler plant.

**British Industrial Measuring and Control Apparatus
Manufacturers' Association**
21 Tothill Street London SW1

**Scientific Instrument Manufacturers' Association
of Great Britain**
20 Queen Anne Street London W1

have examples of the value of all kinds of automatic control in the boilerhouse and factory and will answer enquiries and supply the names of manufacturers in this field.

Issued by **N * I * F * E * S** National Industrial Fuel
Efficiency Service
71 Grosvenor Street London W1 Telephone: Hyde Park 970



"Yes, he said I needn't take on extra staff after all..."

"YOU KNOW when our orders were going up and up? Our accountant told me we might have to take on more staff. So we decided to call in the Burroughs man. It couldn't do any harm and his advice was free... As it is, I'm more than glad. He went into the details with our accountant, then showed us how we could mechanize our accounting at low cost—and save a lot of overtime. He certainly knew his job..."

The Burroughs man is always at your disposal without cost. He is an experienced adviser on all accounting and

record-keeping systems, and well qualified to work with your accountant and auditor.

He has a complete knowledge of mechanized accounting. But he won't propose changing your accounting methods just to suit certain machines. Rather, after a full analysis of your problem, he will make proposals for a rapid, economical and workable solution.

If he does recommend a new system, he will prepare a detailed plan for it and help you get it working smoothly. He will make sure you continue to get full benefit from any Burroughs machine you install.

Whatever your business, large or small—if you have an accounting problem, the Burroughs man can help you solve it. Burroughs make the world's widest range of Adding, Calculating, Accounting, Billing and Statistical Machines and Microfilm Equipment.

Call in the Burroughs man as soon as you like—you're committed to nothing and his advice is free. You'll find the number of your nearest Burroughs office in your local telephone book. Burroughs Adding Machine Ltd., Avon House, 356-366 Oxford Street, London, W.1.

FOR EXPERT ADVICE ON BUSINESS SYSTEMS

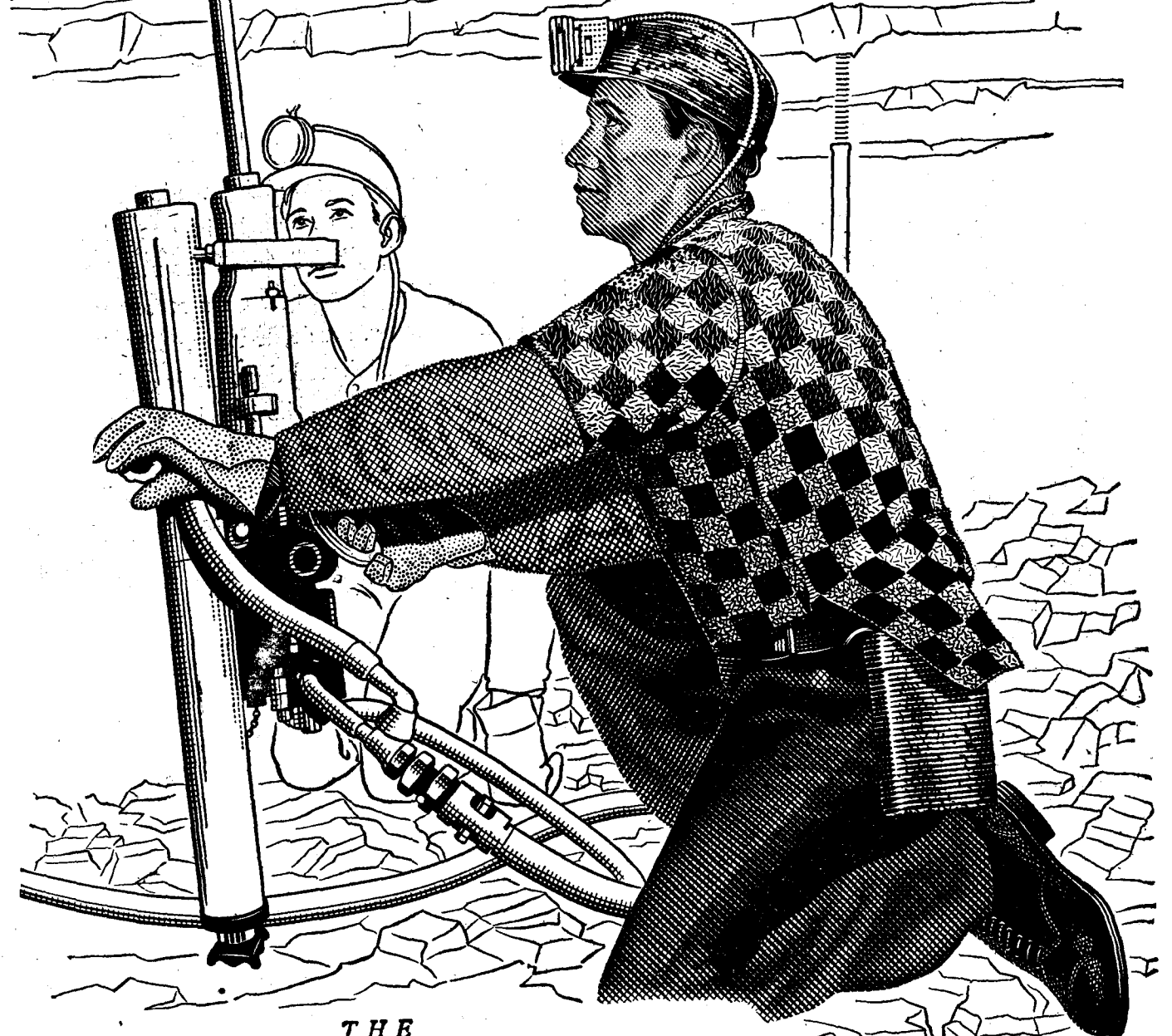
CALL IN THE
Burroughs
MAN



One Burroughs man solved this problem. The Phonotas Co. Ltd. (weekly telephone cleaning and sterilizing service) have 80,000 separate accounts, and until recently, in London and in provincial offices, figures were copied by hand. As this led to errors and delays, they called in this Burroughs man, Mr. J. G. Winterbottom (left). He showed Phonotas how, with just two typewriter-accounting machines and two abbreviated-description accounting machines, they could halve their accounting time, and obtain up-to-date figures—all without extra staff.

DAVID BROWN and the MINING INDUSTRY

The David Brown Companies make important contributions to progressive mechanization in the Mining Industry. The list includes Haulage Gears for underground work; Winder Gears; and Turbine Gear Units. The guarantee of the quality of this vital equipment is that the resources and collective skill of the whole group of companies are behind every product.



THE
DAVID BROWN
COMPANIES

An alliance of engineering specialists in gearing,
steel and bronze castings, automobiles, and agricultural tractors and machinery

DAVID BROWN & SONS (HUDDERSFIELD) LTD. DAVID BROWN GEARS (LONDON) LTD. LAGONDA LTD. ASTON MARTIN LTD.
THE COVENTRY GEAR COMPANY DAVID BROWN & SONS S.A. (PTY.) LTD.
THE DAVID BROWN FOUNDRIES COMPANY DAVID BROWN MACHINE TOOLS LTD. DAVID BROWN
DAVID BROWN TRACTORS (ENGINEERING) LTD. THE KEIGHLEY GEAR COMPANY PRECISION EQUIPMENT (PTY.) LTD.
THE DAVID BROWN TOOL COMPANY DAVID BROWN-JACKSON LTD. DAVID BROWN (CANADA) LTD.
DAVID BROWN TRACTORS (IRE) LTD. Associated Company DAVID BROWN (AUSTRALASIA) PTY. LTD.

Sole selling agent in the U.K.
THE DAVID BROWN CORPORATION (SALES) LIMITED Head Office: 96/97 Piccadilly, London, W.1



—THERE GOES
MR. BAXTER,
THE FIRM'S
FINANCIAL
WIZARD...

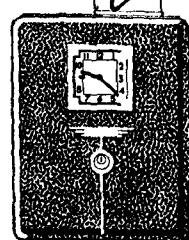
in that briefcase
he's got the answer
to a big
Friday problem.



What's inside? Full details of Smiths AUTOPRINT MARK 11 Time Recorder. A Smiths is economical. It takes an automatic check (so that there can be no overprints or double printings). And the Accounts Dept. gets an accurate record of each employee's hours — normal time in blue; overtime and late time in red. It's simple — no levers or handles to waste time — it prints electrically by SOLENOID on insertion of the time card. And its constant efficiency means not only a saving in money — it promotes confidence amongst the staff, too. Worth looking into? A lot of big firms have done so already — for the name Smiths is itself well-known as a guarantee of good time-keeping. Smiths Time Recorders are available on sale or rental... details will gladly be sent you on request.

SMITHS

FAMOUS FOR ALL TIME
MAKE THE FINEST MASTER CLOCKS
AND TIME RECORDERS



Write to
ENGLISH CLOCK SYSTEMS LTD.
178-186 Great Portland Street, London, W.1. LAngham 7226. Also at Manchester,
Glasgow and Belfast. The Industrial Branch of Smiths English Clocks Limited



Interlude

"It is a very pleasant interlude in a busy life to cross the Atlantic in one of these splendid ships." That was the verdict of a distinguished passenger on a recent voyage by a Cunarder. Music, dancing, cocktails, film shows, or a sheltered deck chair and a book from the library — the interlude can be as zestfully gay or as soothingly restful as you please. And with salt sea air to sharpen your enjoyment of the wonderful food, it's no wonder that it does you good to travel Cunard.

Cunard

—gracious living at its best

For full information apply: Head Office,
Cunard Building, Liverpool 3 (Liverpool
Central 9201), Cunard Building, 15 Lower
Regent St., London, S.W.1 (Whitehall
7890), 88 Leadenhall St., London, E.C.3
(Avenue 3010) or any local travel agent.



THE "QUEENS" — WORLD'S LARGEST LINERS

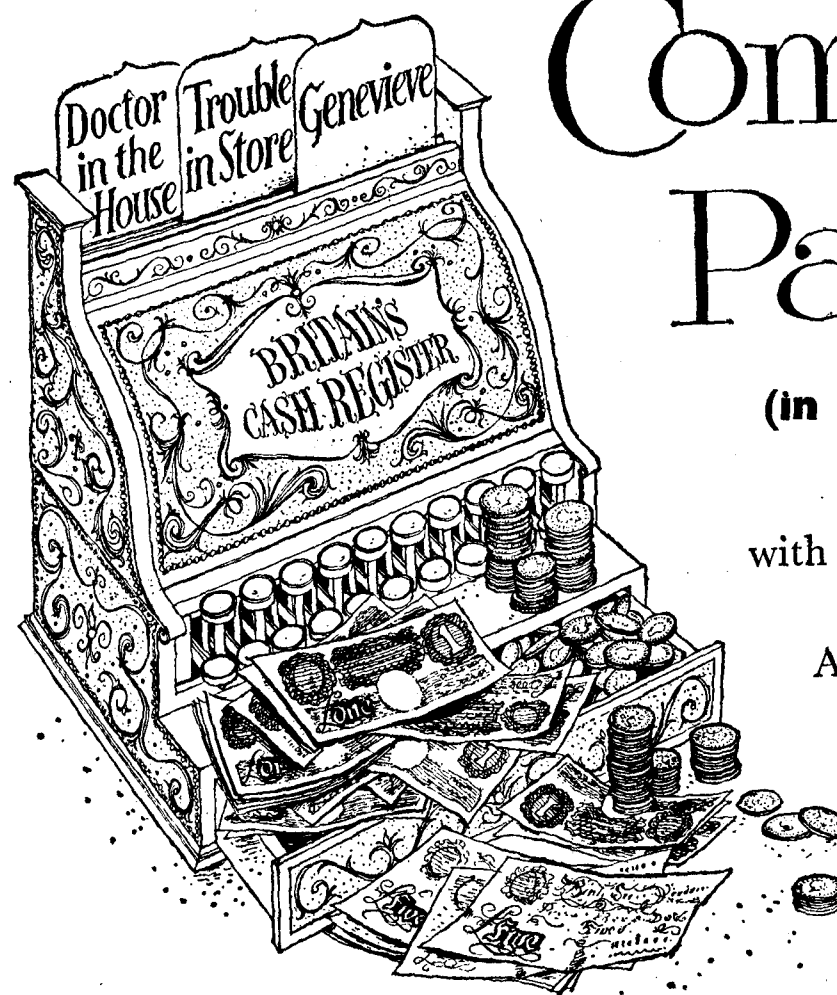
Ample space available. FIRST CLASS AND CABIN.			

SOUTHAMPTON TO NEW YORK			
QUEEN MARY (via Cherbourg)...	...	Mar. 24	
SCYTHIA (via Havre & Halifax, N.S.) ...	...	Mar. 25	
QUEEN ELIZABETH (via Cherbourg) ...	...	Mar. 30	
SOUTHAMPTON TO CANADA			
SCYTHIA (via Havre to Halifax, N.S.) ...	...	Mar. 25	
SCYTHIA (via Havre to Quebec) ...	...	Apr. 22	
LIVERPOOL TO NEW YORK			
PARTHIA ...	...	Mar. 26	
FRANCONIA (via Cobh & Halifax, N.S.) ...	...	Apr. 2	
BRITANNIC (via Cobh) ...	...	Apr. 9	
LIVERPOOL TO CANADA			
FRANCONIA (via Cobh to Halifax, N.S.) ...	...	Apr. 2	
ASCANIA (to Quebec & Montreal) ...	...	Apr. 7	

Comedy Pays Off

(in more ways than one)

Laugh and the world laughs with you! Never before was that old saying truer than it is today. And never has the world been in greater need of a good hearty laugh — for laughter and hate cannot live long in the same house.



A SMILE ON THE FACE OF THE WORLD



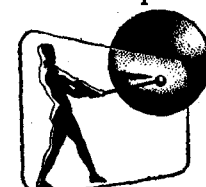
THE J. ARTHUR RANK Organisation has long realised the value of laughter. GENEVIEVE — that delightful film of the London-to-Brighton veteran car run — has left a trail of laughter throughout the world. The amusing misfortunes of Norman Wisdom in TROUBLE IN STORE (and now in ONE

GOOD TURN) have brought smiles to the faces of millions. Another of the Rank Group's series of comedies — DOCTOR IN THE HOUSE — has already been seen by over 17 million people in Britain and, last year, took more money than any other film at British box offices. By the end of 1954 it had grossed £500,000 in the United Kingdom alone, a record equalled only twice before. Now it is breaking more records round the world.

WEALTH AND HEALTH

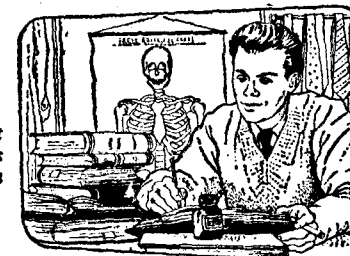
First-class British comedies have enormous prestige value abroad. Not only are such films as GENEVIEVE, TROUBLE IN STORE and DOCTOR IN THE HOUSE long remembered with gratitude by those who see them; they reflect also the inner strength of a country which, in a world taut with fear and suspicion, can still laugh at its own institutions and idiosyncrasies.

Laughter can gather more tangible rewards too. Films like these Rank Group comedies mean big foreign-currency earnings, including those all-important dollars for Britain. Laughter, in fact, is just what the doctor ordered.



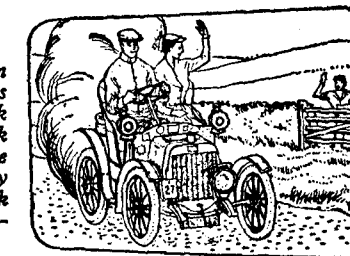
'DOCTOR IN THE HOUSE'

Included in the 'best films of the year' lists by seven British national newspapers.



'GENEVIEVE'

Included in the 'ten best films of 1954' lists by the New York Times, the New York Herald Tribune, the New York Sunday News, the New York Post and Time magazine.

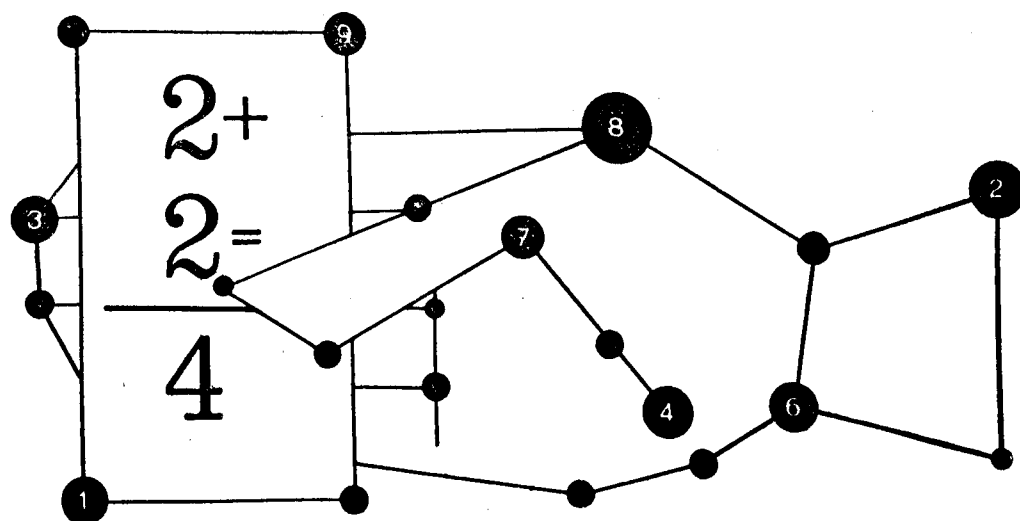


'TROUBLE IN STORE'

Placed second among the top money-making films of 1954 in Britain by the Motion Picture Herald Poll.



THE J. ARTHUR RANK ORGANISATION LIMITED



There is a need in most businesses for a hand-operated adding/listing machine of reduced size and low in price - yet incorporating every advanced feature of performance and design. Such a machine is the

Summa 15

olivetti

Hand operated
Capacity 10/11 columns
Automatic printing
Operates both in sterling and whole numbers
Sterling Cut-off Device
Direct subtraction and credit balance
Prints the proof of its operations.

The Summa 15 is made by Olivetti - which means that it is a job of skilled precision engineering, of outstanding simplicity, and sturdiness itself.

British Olivetti Ltd.

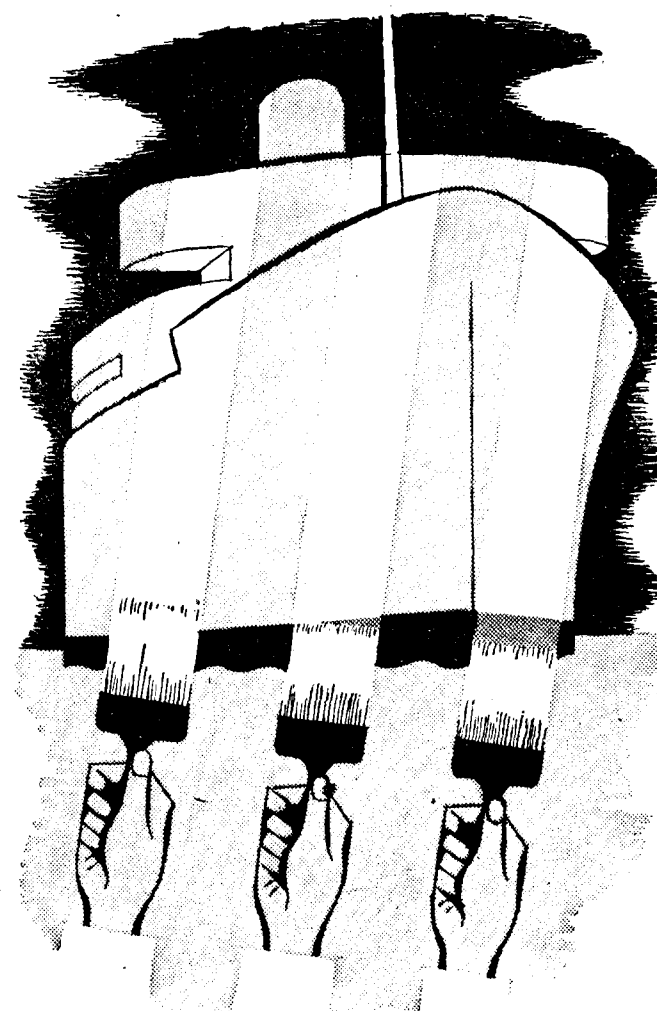
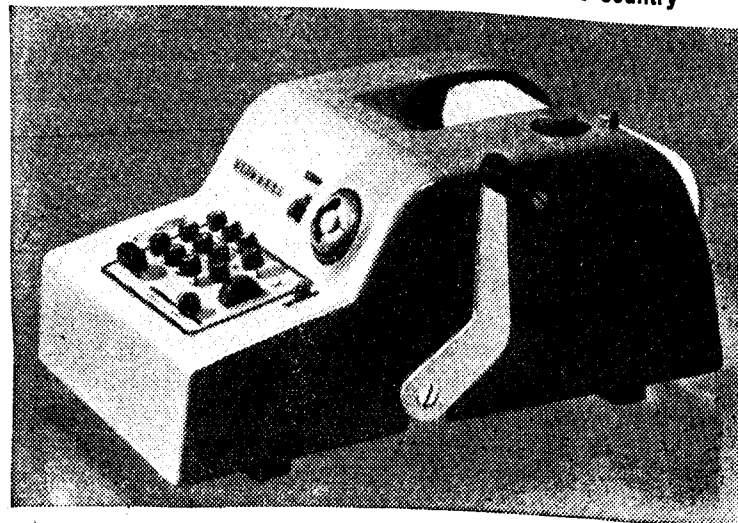
10 Berkeley Square - London W. 1

Sales Branches:

London - 32/34 Worship Street, E.C. 2.

Glasgow - 115/207 Summerlee Street, E. 3.

Authorized dealers throughout the country



Steel needs paint... AND PAINT NEEDS LEAD

Twenty-five years of research by the British Iron and Steel Research Association and its predecessors have resulted in the recommendation of a special Red Lead/White Lead mixture as a priming coat for steel*. For undercoats and finishing coats too, lead in the paint gives long and effective life however rigorous the exposure. *B.S.S. 2523 : 1954 Type C.

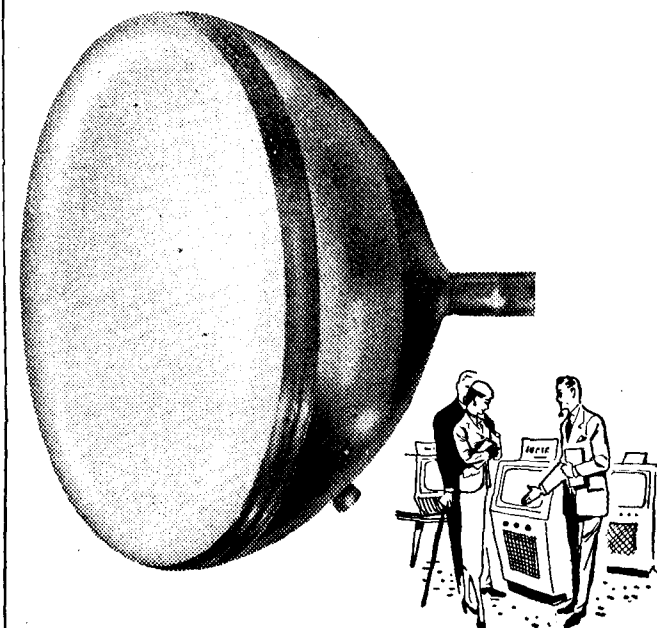


Lead
protects

Issued by **LEAD DEVELOPMENT ASSOCIATION**
EAGLE HOUSE · JERMYN STREET · LONDON · S.W.1 Telephone: WHITEHALL 4175

ALUMINIZED TUBES

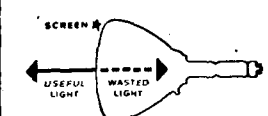
reduce your
television costs



REPLACEMENT costs, particularly of the expensive picture tube, are an important consideration when you buy a Television set. That is why you should choose a set that is

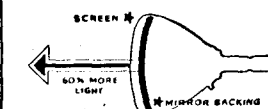
fitted with an Ediswan Mazda aluminized picture tube. Ediswan Mazda aluminized tubes give brighter, clearer pictures than ordinary tubes. Thus the set can be operated with the brilliance control at a lower level, and the tube lasts longer.

In addition, ion burn—the cause of ugly brown patches on the screen; and ion bombardment—one of the most frequent causes of tube failure—are largely prevented in an Ediswan Mazda aluminized tube. It is worth your while to insist on an Ediswan Mazda aluminized picture tube—you get better pictures at lower cost.



WITHOUT ALUMINIZING

Without aluminizing, tubes waste half their light. To counteract this the brilliance must be increased and tube life is shortened.



WITH EDISWAN ALUMINIZING

Ediswan aluminized tubes have a mirror backing to the screen. All the light is thus thrown forwards, giving brighter, clearer pictures and extra life.

EDISWAN
M A Z D A
ALUMINIZED
CATHODE RAY TUBES

THE EDISON SWAN ELECTRIC COMPANY LIMITED,
155 Charing Cross Road, London, W.C.2
Member of the A.E.I. Group of Companies.



The Duchess eats off paper!

Yes she really does—those clean bright table tops we find in the world's gay places are made from sheets of specially prepared kraft paper treated with synthetic resins and pressed together. These are the laminated plastics now so widely used for wall panellings and furniture surfaces in ships, trains, bars, restaurants—and, of course, the modern kitchen. Beauty and virtual indestructibility in one! They are just one more example of how the famous Aylesford Kraft made by the Reed Paper Group contributes to the world's well-being.

Reed

PAPER GROUP

Head Office: 105 Piccadilly, London, W.

ALBERT E. REED & CO. LTD

Aylesford Mills, Tovil Mills and Bridge Mills, Maidstone

THE LONDON PAPER MILLS CO. LTD • EMPIRE PAPER MILLS LTD • THE SUN PAPER MILL CO. LTD • THE MEDWAY CORRUGATED PAPER CO. LTD
 MEDWAY PAPER SACKS LTD • BROOKGATE INDUSTRIES LTD • REED PAPER HYGIENE LTD • REED FLONG LTD • THE THOMPSON & NORRIS MANUFACTURING CO. LTD
 REED PAPER SALES LTD • E. R. FREEMAN & WESCOTT LTD • POWELL LANE MANUFACTURING CO. LTD • THE NATIONAL CORRUGATED PAPER CO. LTD

The Economist

FOUNDED 1843

MARCH 19, 1955

ONE SHILLING

Steady on Your Course	971
Mr Bevan's Head	973
Capital for the Professions	975
Soviet Stomach Trouble	976

NOTES OF THE WEEK

If Eight Had Faltered . . . ; Dr Garbett and Gravesend; On Turkey's Eastern Flank; Austrian Check to Mr Molotov; Fair Weather Farmers; Local Gains for Tories?; The Marginal Counties; Marshal Aid for Khrushchev; The Link with Delhi; One Lesson from Yalta; In the Air; Kenya—Progress and Anxiety; Glut in the Deep-Freeze; A Governable France?; Trouble-makers in Vietnam; He Who Gets Slapped; The Growing Productivity of Capital; Finland's Creaking Coalition; No Roast Pigeons in Budapest. 978

LETTERS TO THE EDITOR 988

BOOKS AND PUBLICATIONS 991

AMERICAN SURVEY

Eisenhower's Conservatism 994
 Bangs and Whippers; Food for Jets; Props for Farmers; The La Follette Mantle; The Decline of American Shipping; Shorter Notes.

THE WORLD OVERSEAS

New Chance for Nepal 1001
 Divisions in Germany; Mr Strijdom's Hundred Days; French Senators on the Brink; Strong Medicine for Danes; Honourable Duty for Chinese; Shadows over Argentina.

THE BUSINESS WORLD

Guidance for Retailers 1011

Selling Through the Slot 1013

BUSINESS NOTES

Decline and Rally; The Rate for the Job; Squeezing the Shunters; German Co-operation; HP Overdrafts in Perspective; Television Advertising Rates; Credit Insurance Extended; Putting Votes into Roads; Parking Plans Move Forward; World Bank in Sterling Territories; Revising Coal Wages; British Banks and China Trade; Competition in Small Cars; The City Hugs its Chains; Making Gas at the Refinery; Sharp Rise in Silver; Shorter Notes. 1015

COMPANY NOTES AND SECURITY

PRICES 1028

STATISTICS 1031

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

Steady On Your Course

WHY is the air so full of anxious cries? Why have the habitual alarmists been joined by many normally level-headed people, in Britain, France and Germany? Fortunately one need not suppose that a collective neurosis has suddenly affected a vast number of people, ranging from leaders of the Left to familiar occupants of correspondence columns in august newspapers. If facts long known are now being discussed with a new anxiety, and decisions taken long ago questioned by men who had readily accepted them, the main explanation is the simple one that we are approaching another sticking point. Last week Italy gave its final approval to the Paris agreements on Western European Union, as Britain had already done. The approval of the Low Countries is not in doubt. The Germans have reached the final stage; the French upper house is due to begin its crucial deliberations next week (an article on page 1005 describes the background and the senators' inclinations). If favourable votes are secured, a new structure of unity and defence for Western Europe could begin to take shape before March goes out.

Nerves are inevitably taut. As the final moment of decision approaches, many people, in Britain and Germany as well as France, are tempted to imitate Lot's wife. Their hesitations are being skillfully encouraged by a barrage of Communist propaganda in which threats and blandishments alternate; and the whole drama is being played out under the shadow of the hydrogen bomb—which looms particularly dark to British eyes after the parliamentary debates on defence.

An unremarked feature of Monday's exchanges in the House of Commons was that both Government and Opposition started from the explicit premiss that a world war fought with hydrogen bombs would mean "the destruction of civilisation." Both motion and amendment declared that there could be "no victors." This is the common judgment in the free world. It is a logic which reinforces the practical impossibility of any aggressive war being launched by the West; and it may be argued, as Lord Henderson argued during the debate in the House of Lords on Wednesday, that if it were a universally accepted logic, the prospects of a general settlement of the major issues that divide the nations would be brighter.

It is perhaps the bleakest political phenomenon of the moment that the Communist regimes do not yet appear to accept this logic. Many people may be surprised to hear that. The limitless horrors of hydrogen war are a stock theme of Soviet propaganda for foreign audiences; to take one of many examples, a Moscow broadcast in Japanese last week quoted a Russian minister as saying that "the next war would not spare any country in the world—it would hit every nook and cranny." But at the same moment the Soviet domestic public was being told the exact opposite.

The Communist line for domestic consumption was set out in

measured terms in a major article in *Pravda* on March 5th, as follows:

Assertions about the possibility of the destruction of world civilisation if the imperialists unleash a third world war are theoretically erroneous and politically harmful. Such assertions suit only the warmongers, who hope to intimidate the people by atomic blackmail. . . . The camp of democracy and socialism is a formidable and indestructible force. If the imperialists unleash a third world war, the result will be the destruction not of world civilisation but of the rotten capitalist system.

This was neither an isolated nor a strikingly new pronouncement. The same dogma appeared in Mr Molotov's last speech to the Supreme Soviet, and of late there has been particular insistence on it, presumably reflecting a growth of doubt among the Soviet peoples. Thus, whatever Communists in the free world may say, their masters at home flatly condemn the "no victors" idea as heretical.

★

There is no satisfaction for the West in the detection of this barefaced trick. On the contrary, it is a deeply disturbing thought that the Soviet and satellite regimes should be cultivating among their peoples illusions of invulnerability such as Moslem fanatics used to promise their followers in a holy war. One need not hasten to conclude that the Soviet leaders really believe all that they say in this case, and that they might thus welcome war as a swift and final solution to their problem of destroying "capitalism." The present Soviet leaders can have few illusions that their regime would survive a world war.

The enduring danger that the free world faces is the vast mass of people whose minds are now sealed off from reality, who can apparently be brought to accept new masters and new slogans without question, and among whom hysterical fears and hatreds are ceaselessly propagated. The intensity of this indoctrination is hardly conceived in the West, and hardly conceivable. To record these ugly facts is not to rule out all possibility of reaching a settlement with the masters of the Communist world; but it points to the inescapable conclusion that any western position from which a settlement can be reached must be based on strength, and specifically on deterrent strength.

Soviet external policy in recent years has essentially been to prevent the West from creating that strength; an effort in which tactics have necessarily been varied, but without the least variation in the final aim. One of the most obviously logical tactics has been to dangle under western noses the idea that negotiation with Russia could remove the need for all painful girding up of loins, and to add the threat that if the girding up went too far negotiation would become impossible. It would have been flatly contradictory to this policy if the Russians had actually shown themselves eager to reach important agreements quickly. They have taken

care not to. In 1953 Mr Molotov stood off repeated suggestions of a conference on Germany until the end of the year, and when he eventually came to Berlin in January, 1954, he arrived stiff as a board, his brief case bulging with prepared impossibilities. In the summer of 1954, the Prime Minister revealed on Monday, it was not Mr Eisenhower that slammed the door on all idea of private and unconditional talks; the Soviet government had a clear offer of them, which it apparently chose to block by reviving the same propositions that had proved unacceptable at Berlin. It seems that the bus which the West is now accused of having missed during Mr Malenkov's reign had no driver.

A week ago, those who still fail to recognise the Soviet technique for what it is were provided with a fresh and unusually vivid piece of evidence—Mr Molotov's apparent concessions to the Austrians. Having barred their recovery of free statehood for so long, he now seeks not only to pose as the champion of their freedom, but also to make Austria a pretext for immediate four-power talks which would deal with Germany as well, and thereby again jeopardise the Paris agreements. If the Austrians, after serving as mouse to Mr Molotov's cat for so long, had been taken in by this new manoeuvre, they would have shown less understanding of Communist methods than the mainly illiterate voters of Andhra. But many people in the West still seem to see less clearly than the Andhra electorate. Will they take warning from the Austrian episode, or from the Prime Minister's revelations?

★

It was heartening to hear Sir Winston explaining on Monday that "talks at the highest level" must not be regarded as an end in themselves; and that such talks, if ill-timed or held in unfavourable circumstances, would raise false hopes and probably make matters far worse. By these words the Prime Minister did something to limit the damage already done by the mythology to which he had lent his authority. He went on to speak of the foolishness of risking divisions between the free nations; and here his position was all the stronger in view of the message which President Eisenhower had just sent to all the heads of governments concerned with the Western Union whose fate is about to be decided.

The President's message deserves the closest attention, and not least from those whose hesitations in regard to the proposed union are most lively. Admittedly Mr Dulles had already stated, at the London conference last September, the attitude that the United States was prepared to adopt towards Western Union; but Mr Eisenhower has not been content merely to reaffirm the American pledge of support in general terms. His message is remarkable for the precision of its wording, and its calm and measured tones suggest a much deeper understanding of European doubts and difficulties than did American utterances a

couple of years ago. The President declares his belief that the execution of the Paris agreements will make it possible to halt any attack on Western Europe "at the threshold." (General Gruenther developed this point on Tuesday with the straightforward argument that a German defence contribution made the difference between a defence concept aligned on the Rhine and a "forward strategy" that would provide defence for Western Germany.) But Mr Eisenhower has also taken pains to show his Administration's awareness of Europe's present unease. His message refers four times, discreetly but clearly, to fears of a rearmed Western Germany; it specifically pledges the United States to assist the proposed Western Union arms controllers to prevent "unjustified military preparations," and to regard as a threat to Nato itself any threat to the "integrity or unity" of the union "from whatever quarter" it may come.

Mr Bevan's Head

THE first round of the Bevan battle has gone to Mr Attlee; but by an alarmingly small margin. On the compromise amendment, his majority was only 14 out of a total vote of 262. What must have been even more alarming was to find that, with the compromise out of the way and every man compelled to face the plain choice between Mr Attlee and Mr Bevan, the majority was only 29. This makes it harder than ever to solve the mystery of what possessed the Shadow Cabinet at their fatal meeting last week. Either they were very ill-informed about the state of mind of their colleagues, or else their mood was even more suicidal than had been supposed.

For the figures of the voting on Wednesday make it perfectly plain how much harm has been done to the party, and how much more harm there is still to come. Whether the final result is win, lose or draw, the party is split. The closeness of the vote makes a compromise at the next stage—when the National Executive meets to consider Mr Bevan's expulsion from the whole party, not merely from its parliamentary fraction—at once more desirable and more dangerous. Had the leaders won easily this week they could have afforded to relent next week. But to falter now in pushing the affair through to its logical conclusion would be to concede the moral victory to Mr Bevan. So Mr Attlee and his colleagues on the right wing may be compelled by the very revelation of their weakness to go on urging the party to tear itself to pieces. What is more, though they can be reasonably sure that they have the majority of the fourteen million Labour voters on their side, they cannot, after this week's vote, be anything like sure that the Party Conference next October will support them. If they then allow the issue to become simply one of whether or not Mr Bevan should be expelled from the

Reassurances have never been more reassuring than this. Who, after reading Mr Eisenhower's words, can continue to depict the Paris agreements as a reckless venture that will upset the equilibrium in Europe and drag a reluctant alliance into aggression? Overwhelming evidence points in the diametrically opposite direction. Final ratification of the agreements will indeed create a new situation in Europe, but it will be a situation not more dangerous but less, a situation in which the strength and unity of the western world can be rallied to provide a basis for dealing with the Communist powers on more equal terms. There has been ample time for the jury to consider its findings. Only a swift and favourable verdict can now prevent further damage to the morale of the waiting peoples. At the moment their nerves are keyed up to jangling point; but if heads can be kept cool and brains clear for the next fortnight, all may yet be well.

★

party, quite possibly they will be beaten. Their tactic must be to heighten the quarrel and threaten that they themselves will go if they are not supported. If the question is not Bevan In v. Bevan Out but Bevan v. Attlee, victory is more sure. But it will also be more embittered.

The space that is being given to the affair by all the newspapers is a fair measure of the public interest. There is always an audience for a clash of personalities. But many members of the public, outside the Labour party itself, are sorely puzzled to know what to think about it. The Conservatives, of course, can simply rejoice. Rarely can a Government, approaching an awkward general election, have been presented with such a gift by their opponents, and Sir Winston Churchill—or perhaps one should already begin to say Sir Anthony Eden—would be less than human not at least to consider yielding to the temptation to dissolve at once.

But for non-party men and those who try to think beyond the next election, the matter is more difficult. Nor can it be simply shrugged off as Labour's own business, which other people need not mind. For the Labour party is Her Majesty's Opposition. Within a very short time it will be soliciting the votes of the whole public, and it is, in spite of everything, the only possible alternative government. The way it behaves necessarily affects the public interest. It is doubtful whether many outsiders to the party (the Communists always excepted) have much sympathy either with Mr Bevan as a person or with Bevanism as a philosophy. But without any such sympathy at all, it is still possible to feel doubts about a party system that imposes such

an extreme penalty for offences which are so difficult to define—and which, when defined, seem to be matters of personality and behaviour rather than of policy. It is virtually impossible nowadays for any man to pursue an active career in politics except as a member of one or other of the two big parties (Mr Bevan, with his firm base in Ebbw Vale, is one of the rare exceptions). What happens to free representative institutions if too high a standard of obedience, conformity and respect towards the Leader is exacted as a condition of membership?

There is, of course, plenty to be said on this issue in defence of the Shadow Cabinet. It is the British belief that to have a small number of cohesive parties is essential to the proper working of democracy, a belief that is hardened by observation of what happens in countries which allow their parties to split up too easily. But cohesion implies discipline, and discipline cannot exist without sanctions against those who offend against it. Any leader of any party who feels himself threatened by a rival has the right to ask his party to choose between them. These are sufficient reasons against any easy acceptance of the cry that democratic methods are endangered because Mr Bevan is sent packing. There is little evidence of any especial attachment by Mr Bevan and his friends to the rights of minorities. On the contrary, comparison with the practices of some of the constituency parties and trade unions that will vote for Mr Bevan next October makes Mr Arthur Deakin's use of his block vote seem as tentative as a curate's cough. A victory for the Bevanites would hardly be a victory for democracy. And yet the nasty taste left by the expulsion remains. Practices that would be harmless in a small band of insignificant sectaries are more dangerous when applied by one of the only two permitted parties. A closed shop in politics cannot be consistent with democracy, and it follows that the penalty of expulsion, if allowed at all, should be reserved for the most extreme cases. After this week, it probably will be.

So much for the constitutional proprieties. But there is another set of questions that Wednesday's vote also inevitably raises. Since it went out of office, the Labour Party has been performing the functions of an opposition very badly. It is not enough for an opposition simply to abuse the government; it is not doing its job properly unless it offers an alternative as realistic, as sensible, as consistent and as honest as the government itself. This Labour has certainly not done. So far from picking up support while out of office—which is the duty, as well as the self-interest, of oppositions—it has been steadily forfeiting it. In many men's minds the bitterest complaint they have against Labour is that it leaves them no alternative but to be Tories. It is the rarest thing nowadays to meet a thoughtful man or woman, untied by past commitment to either party, who professes any active desire to vote Labour. This is not because of any brilliance on the Tories' part. It is because the Labour party in Opposition, so far from working out a practical alternative to the Conservative

Government's policies, has lost even such realism and responsibility as it showed in office, and has been content to take refuge in mere emotionalism. How many practical suggestions have come from the Opposition in these three years that were anything more than, in foreign affairs, mere wishful thinking or, in home affairs, a desire to hark back to the siege economy of the war years in which Bevin and Cripps won their spurs?

*

How much has this sad abdication of responsibility been due to Mr Bevan's guerrilla sniping? To quite a large extent, without doubt. Had he not been there to pounce upon anything that looked like a weakening of doctrine (even if it also looked like common-sense) and to exploit it against the leaders of the party up and down the country, Mr Attlee and his closest colleagues might have had more energies left for the real business of an opposition. But does it then follow that Mr Bevan's departure from the party will improve matters? That is where doubts enter in. The right wing has used the manoeuvre of trying to undercut Mr Bevan by adopting his policy so often that it is difficult to credit them with much real desire to stand fast on responsibility. Moreover, what reason is there to suppose that Mr Bevan's ability to tempt the weaker brethren of the party away from their allegiance to their leaders will be any less now than it has been? His seat in the House of Commons is safe, and he has nothing now to lose in pursuing his attacks. The sheep may need just as much protecting from the wolf now that he will be free to roam all round the fold. And the head sheep may continue to think it the best policy to put on wolf's clothing.

When there are only two effective parties in the state—and with all respect to the Liberals, that is the position in Britain today—it cannot be a good thing for one of them to get into such a mess as the Labour party is now in. But the more the causes of its being in the mess are analysed, the clearer it becomes that there is only one way out. That is for the sensible men in the Labour party to start fighting Bevanism as well as Mr Bevan. By Bevanism is meant not the particular expedients that feature for the moment in the Bevanite propaganda; for they can, and will, change. What is meant is the whole attitude of mind that can find an answer to any problem in expropriation at home and anti-Americanism abroad. In its six years of office Labour mentally exhausted itself, and until it has thought out a new set of principles and policies, there is nothing to take their place but emotions, which the irresponsible and the unscrupulous will always handle more effectively than those who are trying to be honest and realistic. You cannot beat something with nothing. Mr Gaitskell's only chance of winning back that dissident 45 per cent of the party is to give it a new positive policy that will be less concerned with ditching Mr Bevan and more concerned with beating Mr Butler and Sir Anthony Eden.

Capital for the Professions

AT this season the Chancellor of the Exchequer is the target for many representations by interested parties for taxation relief. This year, however, one has been made which deserves particular consideration. Two weeks ago a deputation from the General Council of the Bar, the Law Society and the Institute of Chartered Accountants asked Mr Butler to take steps to implement the recommendations of the Millard Tucker committee in respect of retirement benefits for self-employed persons. The report appeared a year ago—too late, perhaps, for consideration in what was, in any case, a standstill budget; but if Mr Butler is considering tax concessions this year it is much to be hoped that he will think about the plight of the professions. As things are, taxation falls with unfair severity upon that section of the community which lives by fees rather than by salaries or wages: especially on those members of the free professions who conduct private practices.

They are not the least deserving nor the least productive. They stand for an attitude to life which is of the utmost value to the nation. They are, it is true, a diminishing proportion of the class which calls itself professional. Most lawyers, however, are still in private practice, a high proportion of accountants, half the architects and surveyors, all stockbrokers. Over 1,000 doctors practise entirely outside the national health service. Even among the professions which are almost wholly in salaried employ, there are significant minorities of private consultants—engineers, chemists and physicists, actuaries and so on—whose exceptional status, and the respect accorded it, indicate the importance attributed to independence in all professional work.

But this independence is becoming yearly harder to sustain. The salaried job is becoming the only professional career open to the young man with no capital and a normal desire for some security. From the outside, the remuneration of private practice may still seem good. But on closer examination it proves on average to be less attractive, and to carry with it many more cares and risks, than the salaried and, above all, pensionable job. Independence has increasingly to be its own reward; only the exceptionally able can make it pay better than—or even as well as—employment.

As an assistant in an existing partnership in, say, law or architecture or the City, the professional man's starting salary may be around £600; it will rise to perhaps £1,250 before he becomes a partner. As a partner, and between the ages of 35 and 60, he may earn £2,000 to £3,000 a year in fees; exceptionally, over £5,000. When he begins to think of retirement at 60, the value of his interest in the practice will be about two years' purchase of his gross annual income from it. Unless he can hang on—depriving the younger

men of their chance to make good—he will in fact have to retire about 65; he will then possess, for the support of his wife and dependants and his old age, whatever private fortune he began with 40 years previously, his savings (if any) and the capital value of his share in the practice, which in general may average £5,000 or so. When he is dead, there will be his life insurance. From the state he will get an old age pension, paid for at the self-employed rate—30 per cent more than the employed rate.

The crucial period of his life is between 35 and 60. In the past, this was the period when he gave his children a better-than-state education and professional training, and made provision for a dignified old age. Today, if his yearly income from fees is £2,500, and he has a wife and two children, his net income after taxation is under £1,800. Income tax law—and still more the application of it—tends to take a more stringent view of what are allowable expenses in the case of professional practices than in the case of businesses; thus the professional man's expense account will not much ease his cost of living. If his children win scholarships a means test will deprive him of most of the relief this would bring to his educational budget. Since he is not employed he must pay out of net income the cost of provision for a pension. He will save little; his main asset will be his professional goodwill.

*

How much will this be worth? He may have bought his share in the practice out of a small patrimony; but who is to buy it, and how? In the smaller firms the junior partners are faced with the problem of finding some thousands of pounds when a senior retires (as they will wish him to do). In the larger firms it is becoming usual for the junior partners to buy a fraction of the senior partners' interests every year. For those (inevitably a growing number) entering the profession without capital, this is the only way; it means that they must borrow on their prospects from a bank or assurance company against the collateral of a paid-up endowment policy. This cuts a big slice out of a net income of £1,800. It puts a literal interpretation on Bacon's dictum "I hold every man to be a debtor to his profession."

Thus in the future the most productive years of the professional man's life will rarely be free from financial anxiety; yet at the end the provision he will have made for his retirement, and for his wife and dependants, will be very small indeed. To live for more than five years after retirement will mean to enter a period of increasing penury, while his retired salaried colleague will maintain—within the limits set by inflation—his standards to the end. This is not a prospect to attract

newly-qualified men and women leaving the university (or who have qualified in a practice itself). In preference to a splendid independence leading to nothing but worry, they will take the salaried jobs in government or big business. The idea of taking up practice to contribute to the continuing professional tradition, to add to its body of skill and knowledge, will produce a shrug of the shoulders.

The Millard Tucker recommendations (which were reviewed in *The Economist* on February 20, 1954) promised to remove this disincentive to the extent of making it possible for the self-employed to have pension rights comparable with those of their salaried colleagues. They would permit each profession to set up wholly contributory funds, the contribution to which would be allowable as a deduction against taxable income. The provisions are elaborate, for they have to set an upper limit, and have to take into account existing and varied endowment insurances taken out by individuals; but the provisions of the general practitioners' pension scheme under the national health service are complicated for similar reasons—yet it was regarded as vital that GPs should end up with pensions comparable to those of salaried hospital doctors, if the institution of the independent family doctor was to survive. Since the Millard Tucker scheme is for all the self-employed, it would be eventually expensive—some £77 million a year to the Exchequer, but for the professions proper it would probably amount to a tenth of this sum. This indeed is the measure of the extent to which the self-employed have not participated in social security; and it would, of course, be largely offset by their additional contribution to national saving. It would remove taxation from increased contributions to pension funds, but place it on the larger income accruing later; at present the self-employed are taxed both ways and save correspondingly less. This is the

case that Sir Hartley Shawcross has put to the Chancellor on behalf of the professions: it is a strong one.

But though the Millard Tucker proposals would give the private practitioner greater security in old age, they would not meet some of the other difficulties in financing private practice which have arisen from steeply progressive taxation and the redistribution of income. Professional bodies ought perhaps to consider setting up funds for financing partnership transactions at a low rate of interest. Another suggestion which has been put forward is the amending of the Partnership Act to allow limited partners supplying capital to professional concerns to draw a share in the partnership profits in lieu of interest.

The professions must face the facts. Somehow a profession as a whole must replace the capital withdrawn each year on the death or retirement of its senior members. If the rising generation is unable to effect that replacement in the traditional way, the professions must devise new ways of attracting that capital—or accept the fact that their day is done.

That would be a bad day for the country. It would be a day when the intimate and fiduciary relationship between practitioner and client would come to an end; all dealings would thenceforth be with officials who would dole out their services with half an eye on the client and one and a half eyes on the clock, on promotion chances, and on departmental policy—and invariably according to a book of rules. The importance of maintaining an "independent sector" in the professions cannot be measured by mere numbers. There is but one umpire to 22 footballers and 50,000 spectators; yet the possibility of a game turns on him. The brass plate takes its place with Parliament and press as part of the defences of the liberty of the individual.

Soviet Stomach Trouble

FREQUENT alarms and disputations, abrupt changes of prescriptions and even of doctors have made it plain that something is seriously wrong with the stomach on which the Soviet system marches—that is, with Soviet agriculture. Since Stalin's death, the absorption of quantities of Argentine, Danish and Dutch foodstuffs by an economic body quite unaccustomed to such external supplies has caught the world's eye (for a time Russia was the third largest importer of meat and dairy produce); and the linking of Mr Malenkov's agricultural "sins" to his deposition, followed by the dismissal of ministers concerned with food and farming, has heightened the sense of drama. Against this background, the orders which Mr Khrushchev issued last week for the decentralising of agricultural planning have been interpreted in some quarters as a prelude to the

winding up of the whole Soviet system of collective farming.

Undoubtedly the countryside has always been the Achilles heel of the Soviet regime. The heel may not be as vulnerable as some western observers depict it; but it is a peculiarly embarrassing weakness for a regime which seeks not only complete independence from "capitalist" supplies but also the allegiance of peasant populations in backward countries. Soviet apologists can, of course, cite extenuating circumstances; after a civil war and two world wars, they might even claim it to be an achievement that the number of livestock is now not much lower than in 1913, and they can put on the credit side the increased proportion of wheat in total grain output and great increases in cotton and sugar beet. Their chief argument, however, would be

that collective farming has fulfilled its essential task: it has made it possible to extract from the countryside enough supplies for the industrialisation of the towns.

It can safely be assumed that nothing is further from the mind of the Soviet leaders than to admit the bankruptcy of planned collective farming, for that is an inherent part of the Soviet system, and to jettison it would amount to admitting the bankruptcy of the system as a whole. The *kolkhoz* cannot be so easily uprooted from the Russian landscape. The present measures represent not the dismantling of a broken-down machine, but an attempt to lubricate and keep in motion a machine that is groaning with the strain of its effort. Moscow no longer tries to deny that the machine is inefficient. Soviet leaders have lately been crying on the rooftops that agricultural supplies are failing to match up either to growing demand or to the planners' expectations, failing even to correspond to what has been invested in the agricultural sector. Article after article in *Pravda* denounces the "intolerable situation" in state farms, in fodder output and in stockbreeding, revealing countless errors and failures in both production and distribution.

The planners' problem is not merely to feed a rising population but specifically to ensure food for the mushrooming towns. Russia's rural population has remained roughly unchanged since 1913 at about 120 million people. But during the quarter century of the planned era, the urban population has risen by 50 million, and in the last five years alone by 17 million, of whom nine million represent the influx from the countryside. And a *muzhik* who has come to town is not only, in Khrushchev's words, "a food producer turned food consumer"; he is also apt to demand a richer and more varied diet. The promises made by Stalin's heirs in 1953 have whetted his appetite, and the relatively bigger price cuts of recent years have also added to the inflationary strain.

The countryside has also been a headache for Soviet leaders in more than a strictly economic sense. Its life as well as its production cannot be controlled, planned and ruled as can be done in the towns. It was no accident that Stalin, in his last pamphlet, dwelt on the need to eliminate the difference between "collective" property in the country and state ownership in the towns. The avowed aim is to bridge the gap, to uproot the remnants of private property and transform the peasants—now collective farmers—into agricultural workers. A step was taken in this direction, under Khrushchev's own guidance, in 1950 when some 250,000 collective farms were amalgamated into 93,000 larger units. In face of peasant resistance, however, the regime did not dare to proceed any further along the road towards "agro-towns."

Thus Stalin's successors were left with a dual task. They had to step up food supplies for the towns rapidly;

they were also determined in the long run to transform the countryside and tighten their control over it. Popular pressure, encouraged by the pledges made to the consumer by the new regime, rendered the first task so urgent that the second had to be pushed temporarily into the background. In the second half of 1953 Russia's new leaders admitted openly that the state of Soviet livestock was poor, and that dairy produce, meat, and even vegetables and potatoes were in short supply. Stalin's method of coping with such a situation and extracting surpluses from the countryside was to burden it with taxes and offer low prices. In their urgent need, his heirs applied the opposite remedy: they granted tax reliefs, reduced compulsory deliveries and paid higher prices. Soon afterwards, Khrushchev exploded another myth, that of Soviet self-sufficiency in grain. He insisted that the crop of coarse grains in particular would have to be greatly increased if his ambitious plans for livestock breeding were to be fulfilled, and "volunteers" were sent to "conquer land" in cold and distant Kazakhstan and Siberia, with strict orders to get some 30 million tons of grain within a few years.

★

At the beginning of this year, on the eve of Malenkov's sensational fall, these new policies had had little time to mature and the results were still very meagre. A slight improvement was claimed for livestock, while additional grain from the reclaimed land was barely sufficient to compensate for bad weather in other regions. As yet no great achievements can be claimed for the policy of incentives. Imports had to be continued and stocks run down still further; yet even this did not prove enough to counteract the inflationary pressure resulting from price cuts. The sequel was the classical one: shortages of meat and other foods, queues, and mounting discontent. Khrushchev's latest intervention must be seen against this background. His new formula, borrowed from American experience apparently without much consideration for climatic and other differences, is a gigantic, and highly dubious, expansion of maize cultivation for fodder. Both the policy of incentives and the drive eastward are to be continued as well.

Simultaneously Khrushchev announced a new concession which is elaborated in the decree published last week. Local authorities and individual collective farms are promised a little more elbow room. The central authorities will continue to determine regional contributions and each farm will still be faced with its minimum quota, but both farm and district will have a greater say in planning and will tend to benefit more if they overfulfil their tasks. It would be naive, however, to hail this measure as a major abandonment of centralised planning. It is significant that Khrushchev announced at the same time that control over deliveries will be exercised by the Machine and Tractor Stations,

which are in effect the state's outposts in the countryside. In fact, the strengthening of these bastions has accompanied every move of the tactical retreat. Khrushchev now has under his command about two million tractor drivers, mechanics and agronomists, who are independent of the collective farms and yet play a key role in them. Should he decide to call off the retreat, the 9,000 MTS would prove vantage points for a new offensive. A fresh attack on the property-minded collectives would also be facilitated by the development of the "virgin lands." There, in pioneering conditions, with no system of individual property to be eradicated, it is admittedly logical that the emphasis should have been put on state farms; but it is also obvious that their surpluses will strengthen the government's hand when it seeks to exercise new pressure on the old collective farms. Khrushchev may already have it in mind to call in this new Soviet world before long to redress the balance of the old.

His scope for manoeuvre, however, is limited. He

cannot relax the regime's grip much further without disrupting the whole system of planning, endangering supplies and courting a general collapse. Nor can he afford to launch an all-out offensive and risk a peasant upheaval in the present international situation. During the years of collectivisation Stalin used the foreign bogey merely as a pretext; his successors are well aware that a repetition of such an upheaval now could force Russia to capitulate on all fronts. Thus Khrushchev must tread cautiously within these bounds. To overstep them would be to endanger the whole regime, and even to approach them might lead to his being overthrown by more nervous colleagues. Yet how much progress can he achieve without straying from this narrow path? His abruptly changing diagnoses and remedies show signs of panic. The policy of incentives will not be made any easier by cuts in the planned output of consumer goods, since the Russian peasant, like any other, wants goods, not roubles. The situation is now undoubtedly critical.

Notes of the Week

If Eight Had Faltered . . .

EVEN for such a specialist in short-head finishes as Mr Attlee, the margin by which Labour MPs agreed to withdraw the whip from Mr Bevan was disconcertingly narrow. Mr Fred Lee's amendment that Mr Bevan should suffer no worse fate than a censure was defeated by only 138 to 124, and the official motion to withdraw the whip was then carried by 141 to 112. If eight of the votes against Mr Lee's amendment had gone the other way, Mr Attlee and the whole Shadow Cabinet would have had to resign. Some MPs believe that if Mr Bevan had chosen to frame his speech at the meeting in more conciliatory terms, this switch of votes would have happened. Nevertheless the Bevanites came out of the committee room in high fettle, and are now spreading the story that when the National Executive meets next Wednesday it will not dare to expel Mr Bevan from the party as a whole. The leaders will have made an uncomfortable bed for themselves if they do agree to hold back the Executive's hand. They will have given Mr Bevan just the freedom of action in the House of Commons that he has always sought, but without any of the penalties outside Parliament that nowadays attach to a politician who does not belong to one of the big machines.

Mr Attlee's personal part in the crisis has been odd. It has been widely reported that he had no enthusiasm for

withdrawing the whip, but that he accepted the majority view of his colleagues in the Shadow Cabinet. The fact that this story gained such wide credence, and was never denied by Mr Attlee, inevitably complicated the voting on Wednesday. Indeed it was only after a direct question from a lady MP (from the Bevanites' point of view, an unduly inquisitive lady) at the meeting that he agreed that he would resign if the voting went the wrong way. But it is rash to assume that there is an immediate threat to Mr Attlee's position as leader. Apart from his gift for survival, he is in the happy position of having no ready-made successor. Only a small minority of the small majority who voted for the Shadow Cabinet's motion on Wednesday would really wish to overthrow him to make either Mr Morrison or Mr Gaitskell king.

Dr Garbett and Gravesend

INTO another split in British politics, which could have much more serious consequences for the country than the Bevanite wrangle, there has stepped this week the saving grace of the Archbishop of York. He wished to God, Dr Garbett told the House of Lords on Wednesday, that hydrogen bombs had never been invented. But since they have been, the chief justification for making them is that

"they will provide a shield beneath which the work for peace-making will be continued." Dr Garbett has long been regarded as a man of the heart-searching Christian Left, and he has been bombarded by letters from those who had thought that he might become a leader of the body of Christian opinion that recoils in horror from defence through deterrence. It is of the highest importance that he has given a lead in the contrary direction.

For, as was inevitable, the hydrogen bomb has now been brought into domestic politics. After Mr Bevan had attempted—with disingenuous obscurity—to cash in on the emotional feeling against manufacture of the bomb, Sir Richard Acland, the Labour MP for Gravesend, has decided to put the matter to the test in a much more courageous and honest way. He is resigning his seat and will fight a by-election there, against both Labour and Conservative candidates, on the single issue that he opposes British manufacture of thermonuclear weapons. This could be the East Fulham by-election of the 1950s, and nobody can say how potent a force the pacifist vote at East Fulham was in starting the drift to Hitler's war. With due regard for Sir Richard's sincerity—but with regard also for the cause of peace—it is important that he should finish at the bottom of the Gravesend poll. But neither party should cosily assume that he will.

On Turkey's Eastern Flank

THE Turks are sadly disappointed about Sir Anthony Eden's influenza, not only because they are baulked of his visit for a second time, but because he was due at an opportune moment in their defence planning. Haunted as they are by a perpetual fear of Russian expansionism, security preoccupies their minds; for some years, they have felt comfortable on their western flank thanks to Nato, but nastily exposed on their eastern one. Now that their new pact with Iraq is ratified, they see prospects of remedying this defect, and they had hoped that Sir Anthony would propound views much like their own about how to make the remedy effective. In their eyes, their eastern flank will become safe only when one of their larger western allies joins the pact.

Sir Anthony's diplomatic problem is not so clear cut. He is confronted with an Anglo-Iraqi defence treaty that expires in 1957 and a situation in which Egypt, acting largely out of pique with Iraq, is trying to prevent other Arab states from joining the Turco-Iraqi group. There are two courses open to him; one (which might be christened the Dulles line because it has so often been advocated by American diplomats) is to leave Middle Eastern security arrangements to develop on local initiative, in the knowledge that no government there would dream of turning in any direction but westward for help with armaments. The advantages of this course are that arrangements spontaneously made tend to be firmer than sponsored ones, and are less open to the accusation that they are western imperialism in disguise. The alternative course is to add Britain's signature to the Turco-Iraqi pact, and by doing so to impart to it the strength the Turks desire—a strength that they believe will attract Arab waverers into its orbit.

Perhaps they are right, but the course they want has a disadvantage; it would furnish a wide range of would-be neutral parties in the Arab States and Iran with an argument that Britain is back at old tricks in new guise. It would be likely, therefore, to divide the educated élite of every country in the Middle East into two groups, one priding itself on realism about security, and the other preening itself on seeing through western machinations. Pacts so built have rickety foundations, and it might be best to let matters ride for long enough to enable the Egyptians and Arabs to sort out their muddled thoughts.

Austrian Check to Mr Molotov

THE Austrian government has refused to allow itself to be used by Mr Molotov as a bait for catching the prize German fish. Its reply to the flattering direct approach made from Moscow states that the Austrian peace treaty should be considered separately from the German question and that preliminary exchanges should take place to find out more about the new Soviet proposals. Mr Molotov had offered to withdraw occupation troops before a treaty was concluded. At last year's Berlin conference he had declared that the troops should stay until all was settled in Germany. But the demand made in Berlin was in itself new, so that its withdrawal now is not a genuine concession. And he still proposed that the conference of the powers should deal with both Germany and Austria and, moreover, that it should take place before ratification of the Paris treaties. All too plainly, the Russian purpose was to keep the conference talking until the whole plan for bringing Western Germany into Nato was dead and buried.

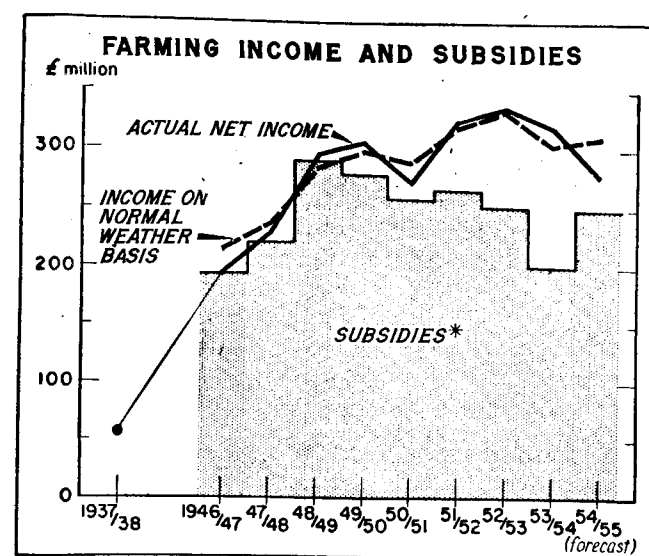
The conditions made by Mr Molotov for reducing the price he raised in Berlin were that the other treaty powers should join in a guarantee against any new *Anschluss* between Austria and Germany; and that Austria should not take part in a military alliance or allow foreign bases on its soil. Both these far-reaching stipulations had already been agreed to by Herr Raab, the Austrian Chancellor, and Mr Molotov no doubt hoped that the Austrian example might encourage the German government to follow suit, in spite of the great difference between the two countries. It appears that the Soviet rulers are concentrating on securing their most vital aim—the removal of American bases from Europe—and are using the tactics of direct approach to Austrians for the purpose. The manoeuvres over the body of Austria are not at an end; and it may well be that a future Federal German ambassador in Moscow would be just as cordially approached by Mr Molotov with proposals for neutrality as the Austrian envoy has been in the last few weeks.

Fair Weather Farmers

THE result of the annual review of agricultural subsidies, published as Cmd 9406 last week, is to increase the value of Exchequer guarantees to farmers by some £28 million a year. The settlement has so little relation to

economic realities that it can only be regarded as a pre-election gesture. The award is not—contrary to general assumptions—intended to compensate farmers for rising costs in the coming year; it is expected that these will be absorbed in various ways without any effect on farmers' profits. Instead it seems mainly intended to compensate farmers for the recent fall in their net income as a result of "quite exceptionally foul" weather. As such it will strengthen the farmers' assumption that—come rain, come fine—it is the Government's business to prevent their profits from falling. Certainly the endorsement of the settlement by the president of the National Farmers' Union came as close to a purr as that rugged protagonist will ever emit.

The details of the settlement are equally unfortunate. The fabulous pig guarantee is to be reduced by stages, but this year's modest bite is unlikely (in view of the rising cost of feedingstuffs with which the guaranteed price



* Up to 1952/53, subsidies represent Government trading losses in respect of home-grown food plus direct production grants; for 1953/54 and 1954/55 they represent estimates of the cost of the agricultural guarantees. Subsidies are for financial years beginning April 1st and income for years beginning June 1st.

fluctuates) to make much difference to its present cost of £60 million a year. Despite a slight fall in liquid milk consumption and a continued rise in production, milk prices will be raised—thus probably adding to the size of the surplus that will have to be sold at a heavy loss to manufacturers of milk products. About £11 million of the award takes the form of increased direct grants for calf-rearing, ploughing-up grassland, and the application of lime and fertilisers. This stimulus to home production is defensible; but, having given it, the Government is hardly wise also to increase substantially the price guarantees for oats and barley.

The Minister of Agriculture claims that his declared policy of reducing Exchequer commitments to agriculture is in no way altered, but merely deferred—presumably until after the election. Meanwhile, the cost of the Government guarantees is moving fast in the wrong direction—from about £200 million in 1953-54 to about £250 million for the year now ending, with the probability of a further substantial increase in the coming year. It is perhaps a little unfair to make a direct comparison between these subsidies—even now that they contain no consumer

element—and the level of farmers' net incomes in a year of bad weather. But the comparison is bound to be made. Its implication is that only about half a crown out of every £1 of farmers' net incomes (estimated at some £280 million for 1954-55) has been earned on the open market. The rest has been a straight gift from the taxpayer.

Local Gains for Tories?

THE County Council election campaigns are getting into full swing. The election for the London County Council takes place on March 31st; the polls in the other 62 counties in England and Wales will be held during the same or the ensuing week. It seems fairly certain that the elections will show some net gains for the Conservatives (whether parading under their own banner or the pseudonym of "Independents"); but it is going to be extraordinarily difficult to interpret how significant a pointer to general election prospects any such gains will be.

The outgoing county councils were elected in the early spring of 1952, at polls that showed about 350 net Labour gains of county council seats across the country. There was a great deal of argument at the time about how far these Labour gains showed that the Conservatives' popularity had fallen away during the first five months of economic crisis after their return to national power, and how far they merely reflected a recovery in Labour popularity from its nadir in 1949 (when the previous county elections had been held). For what they are worth, local analyses at the time suggested that London voters cast their votes in the 1952 LCC elections in very much the same proportions as at the general election of October, 1951; but, since Labour usually tends to get a smaller proportion of its voting strength to the polls in local elections than its opponents, this probably disguised some swing towards the left. In other parts of the country—especially Essex and unemployment-affected Lancashire—there was a more definite leftward trend. This confirmed the evidence of both the Gallup Poll and Parliamentary by-elections at that period (the nearest by-election to the county elections of 1952 showed a 2.7 per cent swing to Labour compared with the previous October).

If the Conservatives are now as popular as they were at the time of the general election in 1951—and most Conservatives tend to assume that they are at least that—then they can expect fairly substantial gains in these elections; although only if they are back to their peak popularity of 1949—which most people do not expect—should they recover the whole of the 350 net Labour gains of seats in 1952. The most interesting pointer from these elections may be how near they approach to this figure.

The Marginal Counties

IT is much more doubtful whether scattered Conservative gains of seats in the county elections will bring them control of many new councils. At the moment, only 12 of the 62 county councils have Labour majorities. Labour therefore has a relatively narrow front to defend. The

Conservatives also complain that a horde of new Liberal candidates are appearing at the most inconvenient places for them.

Only three of Labour's twelve councils—Lancashire, Staffordshire and Essex—are generally regarded as marginal; if the Conservatives and their allies should win back Lancashire, in view of present local difficulties, that would be a triumph for them indeed. In addition to these recognisably marginal counties there are three other Labour councils—Carmarthen, Northumberland and the West Riding of Yorkshire—that had anti-Labour majorities in 1949. Labour's main hope of gaining a council is in Middlesex, where it will need only a small additional turnout of its established voters in a few marginal seats. On the London County Council, Labour has been in control for twenty-one years—although it won a minority of the votes cast (but not of the candidates returned) in 1949. Thanks to Labour's successes in 1952, the Conservatives will have to win 27 additional seats if they are to capture this plum. It will be a clear sign of an unexpectedly strong swing to the right if they should manage to do so.

Marshal Aid for Khrushchev

AT each turning point since Stalin's death the Red Army has gained ground. After Beria's fall security control over it was relaxed and many military figures were raised in rank. When Malenkov fell the "political marshal," Bulganin, took over the premiership, handing over the ministry of defence to the army's hero, Marshal Zhukov. And now Zhukov has obtained the biggest distribution of marshals' batons for years. Last week, six generals were given the title of "Marshal of the Soviet Union" (the highest military grade), two were appointed marshals of artillery and two of the air force; Air Marshal Zhigarev was also promoted to the new rank of "Chief Marshal" of the air force.

This prizegiving is probably designed to reinforce the army's loyalty to the new leadership, while at the same time it is being used to reward past services, including the army's part in the struggle against Beria. Thus among the newly promoted are to be found Vassili Chuikov, who had lost his command in Eastern Germany during the early days of the new regime, and Kyril Moskalenko, who was head of the Moscow command at the time of Beria's arrest and is reputed to be a close collaborator of Khrushchev. But the fighting generals probably do not represent a monolithic group any more than the party or the MVD; Stalin used to play on their jealousies and rivalries with great success.

When Stalin appointed a number of new marshals towards the end of the war and immediately after it, his object was clearly to devalue the title of a Zhukov or a Koniev. There was then only one generalissimo, and he was supreme; now there is none in Russia, and the newly appointed Grand Marshal Mao Tse-tung is unique in the Communist world. But Khrushchev and Bulganin, having presented these glittering prizes to advertise their alliance with the military, might do well to ponder Machiavelli's old maxim: never enter into an alliance with anyone stronger than yourself.

The Link with Delhi

COMPARED with the period three years ago when the Conservative government first came to power, relations between London and Delhi have vastly improved. Then there was a not unnatural suspicion in the Indian capital that those Conservatives who had opposed the transfer of power—and the Prime Minister not least among them—would prove awkward and difficult to deal with; Mr Attlee and Sir Stafford Cripps had, after all, become peculiarly personal heroes in many Indian eyes. Now, however, Sir Anthony Eden's recent visit to Delhi has set the seal on a friendship which has grown closer and more genuinely cordial each year. And this has happened in spite of the way in which the two peoples have so often been pulled in different directions. India, with Mr Nehru as its special spokesman, has increasingly clarified its ideas about Asianism in the light of experience, and the passage of events has led it to express them with mounting force. Britain, compelled by the growing gravity of developments in the Far East as well as in Europe to recognise the logic of its alliance with America, has consistently had to sharpen the edge of realism in its Asian policy.

Sir Anthony Eden's visit to Delhi on his way back from the Bangkok conference appears to have had almost as much impact on Indian thought as Indian views have in the past had on the Foreign Office. The result has been that, although the British have sometimes sailed pretty close to the wind in provoking serious misgivings in America, they have also now had a marked success in putting the American point of view across in Delhi. And that is of real value. On the one hand, official Delhi is ready and willing to go on using what influence it can with the Chinese Communist regime in favour of a peaceful settlement of the Formosa issue on lines which do not simply involve Chinese Nationalist capitulation. On the other, the Indian press and public opinion have given Mr Dulles's several recent policy pronouncements the benefit of the doubt. For India, as the mirror of Asian opinion, to acknowledge both the realities of domestic American politics and the sincerity of the Administration's desire for peace is a definite step towards an easing of the tension in the Far East.

One Lesson from Yalta

THE manner in which the Yalta documents were eventually made public could hardly have been less happy. Apart from the obvious untimeliness of giving a full account of secret proceedings so soon after their occurrence, and the even more questionable action of issuing it in the face of the stated objections of interested parties, the abrupt and unexpected timing gave the fullest scope for the circulation of phrases ripped out of a context which was at first available only to a few people. Some of the hares thus started will probably never be caught.

Nothing would be more ill judged than a hasty attempt to reassess the Yalta decisions themselves on the basis of the

first scrappy reports of what seem to have been pretty scrappy records. But the mere appearance of the Yalta papers at this moment prompts one very relevant reflection. At that conference in early 1945 three heads of strong wartime governments were in a position to take sweeping decisions with every prospect of carrying them out unchallenged by domestic opposition or by smaller partner nations. A few months after Yalta, their armies bestraddled the globe; and whether the decisions they had reached were good or bad, the fulfilment of them was a relatively simple task. The Yalta type of negotiation is therefore utterly irrelevant today.

Today, no head of government in any one of the major nations could commit his country across a table, in Yalta, in Stockholm or anywhere else. Each would have to return to face highly critical opponents at home; each would have to pay a heed to the fears and feelings of smaller allies that was evidently felt to be unnecessary at Yalta. This applies equally to both sides of the iron curtain; in fact, in the present state of affairs in Russia it is virtually impossible to reconcile the "highest level" concept with that of "collective leadership" and with the obviously unfinished tussle for power in the Kremlin.

In the Air

THE debate on the Air Estimates was notable for a closely-reasoned but still inconclusive argument by the Under-Secretary of State for Air that Britain had better fighter defences than other countries (and would have still better soon); and for the reiteration by other members that there was no defence against the hydrogen bomb. Mr Ward refused to be drawn on the one point that decides whether or not fighter defence can do its job: the proportion of kills that the complex defences of today, and the still more complex fighter-and-missile defences of tomorrow, could expect to achieve. But he did emphasise—though it will probably soon be forgotten—that fighter defences are part of the deterrent. They limit the potential enemy's striking force to his latest bombers; force him to equip them all, or nearly all, with the most expensive weapons; and ensure that he faces the fact that, since a strong fighter defence puts quick victory out of reach, aggression is simultaneously suicide.

Whether the fighter wing of the deterrent is as good as Mr Ward made out is another matter. He accused Opposition members of doing untold harm to their country by denigrating it. He went bail for the Hunter as superior to any Russian or American fighter. He made an effective case for keeping Meteors and Vampires for the RAF as a weapon not only against diversionary raids or airborne landings, but as a check to the Russians using their large stock of obsolescent TU4s against Britain; and he flatly denied Mr Wyatt's suggestion that the Meteor's guns do not fire at 300 knots and over. But the Minister of Supply had to retrieve his gaffe about the American F86D, which is a single seat night fighter, such as he had rashly declared was unsuitable for the British climate. It seems that nobody wants the Americans to think that their squadrons of F86Ds, which are training here, are wasting their time.

Kenya—Progress and Anxiety

MR MICHAEL BLUNDELL, settlers' leader in the Kenya multi-racial government, felt reasonably sure in advance that if he submitted himself and his support for the Lyttelton multi-racial experiment to his constituents he would get a vote of confidence. He has been rewarded in the event, and doubly so by bringing in Mr Humphrey Slade to make the case against himself. But there is little doubt that if the roles were reversed Mr Slade would get a comparable majority for his bitter anti-government, racist policies from his constituents in the Kinakop. Moreover, when the vote was taken on the amnesty to Mau Mau it was narrow, even though Mr Blundell said it would be tactically effective in disrupting the forest gangs. It is too soon to suppose that the majority of settlers are rallying behind Mr Blundell, or reconciling themselves to Asian or African Ministers. They are definitely apprehensive about the coming Royal Commission report, and they will read the debate on colonial affairs in the House of Commons this week with gloom.

For, despite party differences, that debate revealed the broad support of British opinion for the British Government's policy in Kenya. The Colonial Secretary, in a comprehensive progress report on Kenya, showed that the Lyttelton policy was paying dividends. He pointed to the increasing attacks on the terrorists, the improving loyalist defences in Kikuyuland, and the start made with plans both for economic and psychological rehabilitation. He was enthusiastic about closer administration in the reserves. He promised a new approach to the condition of urbanised Africans, and implementation of the report of the committee on African wages. But he left largely unrelieved the widespread anxiety about "certain strictures made by judges and others with regard to judicial conduct in Kenya." Although the Kenya judges disagree with each other, reports of conduct repugnant to British ideas of justice or fair play continue to reach this country; they often lack chapter and verse, but usually imply that evidence is skilfully and co-operatively suppressed. Mr Blundell hinted that abuses by loyalist forces were part of the reason for offering a parallel amnesty to Mau Mau. In all this, far too little is known for certain, and the miseries of Africans awaiting screening, or living between the Mau Mau and loyalist forces, is still little understood. This is the dark side of the otherwise more hopeful Kenya situation. It cannot be ignored. It is to be hoped that the British Government will investigate the possibility of a full-scale juridical inquiry. It would be unpopular in Kenya, and it would make Mr Blundell's position still more difficult; but nothing less will ease the British colonial conscience.

Glut in the Deep-Freeze

AT a time when politicians clamour for cheaper meat, the butchers are largely unable to sell anything but the dearest. The housewife, who spends lavishly on every other kind of frozen food, is averse to frozen beef—even at prices one-fifth lower than under control, and at

RADIO & TELEVISION RECEIVERS • RADIOGRAMS AND RECORD PLAYERS • GRAMOPHONE RECORDS • 'PHILISHAVE' ELECTRIC DRY SHAVERS
TUNGSTEN, FLUORESCENT BLENDED AND DISCHARGE LAMPS AND LIGHTING EQUIPMENT • 'PHOTOLUX' FLASHBULBS • HIGH FREQUENCY HEATING GENERATORS

March into the future...
No.2



Maybe one day...

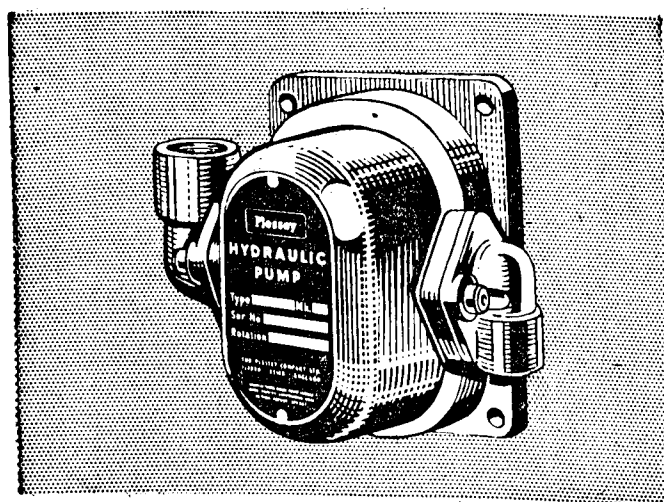
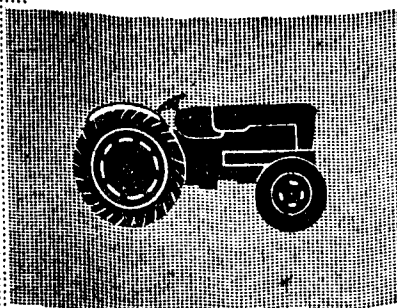
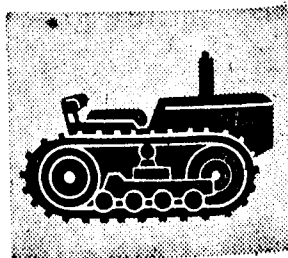
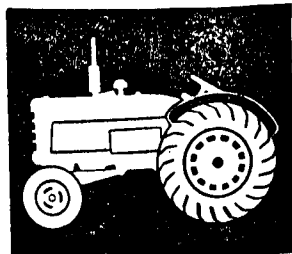
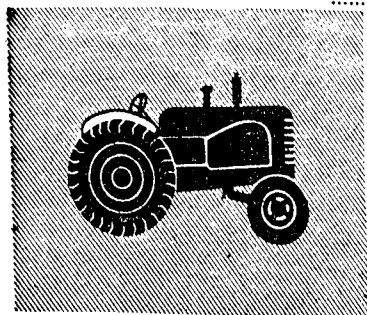
Maybe one day his wish will be granted... he will become a doctor. And then, whatever his branch of the profession, he will find he can rely implicitly on the wide range of Philips medical equipment: X-ray apparatus for diagnosis or therapy; electron microscopes to explore the world of the ultra-microscopic; radio-active isotopes for tracer techniques; electrocardiographs for determining the heart's efficiency. Philips are making a worthy contribution to the medicine of today... and to the better medicine of tomorrow.



PHILIPS

CONTRIBUTE TO THE BETTER
WORLD OF TO-MORROW

SOUND AMPLIFYING INSTALLATIONS • TAPES RECORDERS • X-RAY EQUIPMENT FOR ALL PURPOSES • ELECTRONIC MEASURING INSTRUMENTS • ELECTRO-MEDICAL APPARATUS
ARC & RESISTANCE WELDING PLANT & ELECTRODES • MAGNETIC FILTERS • BATTERY CHARGERS & RECTIFIERS • CINEMA PROJECTORS



most British
tractor manufacturers
rely on

Plessey

hydraulic pumps

The Plessey Company Limited
Ilford · Essex
electronics · radio and television · mechanics
hydraulics · aircraft equipment

The Plessey unique design HYDRAULIC PUMP is the basis of the heavy lift operation of agricultural implements in modern British "powered" cultivation. It is typical of countless vital products supplied by Plessey to the Mechanical, Electrical, Electronic and Aircraft engineering Industries. Managements in these Industries are invited to acquaint themselves with the vast development and productive potential of the Plessey Group of Companies when considering forward production of finely engineered equipments.



Illustrated are: The Massey-Harris 744 Diesel, the Bristol '22', the McCormick International Super BWD-4 and the New Fordson Major.

little more than half the present price of home-killed. The meat importers, who are at their wit's end to find storage space, have had to ask Australian and New Zealand exporters to slow down shipments for the time being.

In part—but only in part—this resistance to imported meat may be due to a fall in its quality since the 1930s. Before the war about half of Britain's meat supply was imported, but the ratio of frozen to chilled beef was 1:3; today imports account for only about a quarter of total supplies, but the ratio of frozen to chilled beef is 15:1. The chilled beef came (and is just beginning to come again) mainly from Argentina, whose diminished contribution to Britain's table has been replaced by Australia and New Zealand. These dominions might do a little better if, in spite of their great distance, they chilled more of their meat instead of freezing it. But sales of such chilled beef as they already send suggest that only fresh meat is good enough for many British housewives under conditions of full employment.

Why this should be so is debatable. Perhaps memories of ewe mutton and other unpalatable frozen rations have something to do with it. The Ministry of Food clearly believes that the butchers are also partly responsible. In a letter addressed this week to their national federation, the Ministry suggests that butchers may be reluctant to handle frozen meat because it is more trouble, and—more important—that they have been inclined to level out their prices by squeezing the margin on fresh meat and raising it on imported meat. The price system is being misused to choke off demand for the very cuts that are most readily available. This is hard on the exporters overseas. It is also hard on the taxpayer, for it presumably means that some 66,000 tons of meat in the Ministry's store, accumulated under the bulk contracts, will have to be sold at a loss. The fuss of the last few days, however, will at least bring it to the housewife's attention that there is plenty of cheap meat about; and as supplies of home-killed meat fall in the spring and early summer, she may be more willing to give a frozen joint a trial.

A Governable France?

EXCLUDING the Communists, more than a quarter of the deputies in the present Assembly have at some time been members of the government. It becomes insulting not to have been a minister like everybody else." This striking illustration of France's notorious governmental instability appears in the introduction to the constitutional Bill presented last week by M. Paul Reynaud, the former premier. His purpose is to strengthen the proverbially weak executive, and the chief means proposed is to make dissolution automatic if a government is brought down within two years of its formation. The British system is, in fact, M. Reynaud's model, but, he argues, "each disintoxication must be progressive," and this limited stabilising device is the most that can be attempted for the moment.

Nobody will deny the inherent weakness of a French government or the ingenuity of M. Reynaud's proposals. Yet is there not some confusion in all these discussions between cause and effect, between the cart and the horse?

The principle of dissolution works smoothly in Britain, and the threat, in fact, seldom needs to be put into effect, because the whole system is based on the existence of two dominant and disciplined parties. In France, where, again with the exception of the Communists, the parties are as inchoate as they are numerous, the verdict of the electorate could prove no less confusing than that of the Assembly. Even if the threat of dissolution tended to crystallise small groups into two opposing blocs, thus providing a substitute for the two-party system, it would be extremely difficult to form a left-wing alliance without the five million Communist votes. The vagaries of the French political system can hardly be stopped with a stroke of the pen.

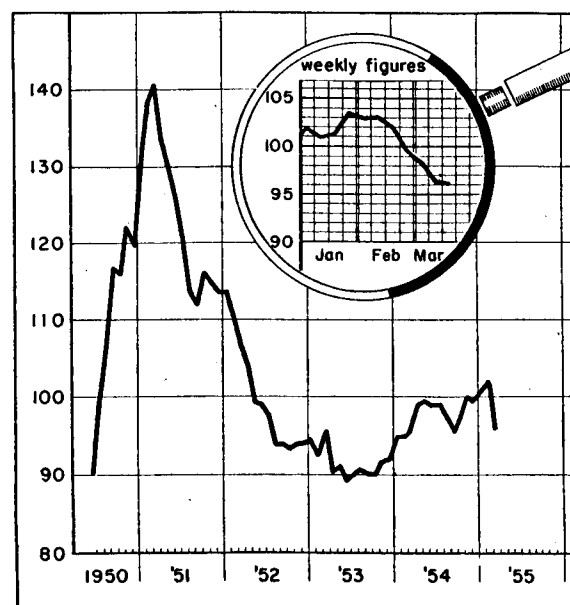
There is, however, a more practical obstacle to M. Reynaud's plan—Frenchmen's general suspicion of a strong executive. In a country still haunted by the ghost of two Napoleons, "Assembly rule" is the conscious choice of many left-wing republicans, who would even prefer some degree of anarchy to the danger of dictatorship. Above all, deputies seldom like to abandon their prerogatives, and it will be a miracle if M. Reynaud gathers in this Assembly the two-thirds majority needed for a constitutional amendment. Indeed, it will be quite an achievement if he carries through his preliminary Bill which seeks to make it easier to alter the constitution.

Troublemakers in Vietnam

A FEW weeks ago, it appeared that Mr Diem, the south Vietnamese premier, was beginning at last to turn the corner. The surrender of various sectarian army leaders, the launching of a land reform programme and the legal

COMMODITY PRICE INDICATOR

1952 = 100 MID-MONTH FIGURES



action taken against public figures for alleged corruption were all signs of his increasing authority. Since then, however, the centrifugal tendencies of the sects have again taken shape in armed insurrections. These outbreaks are perhaps inevitable, since they express the resentment of local chieftains at the prospect of losing their autonomy through the threatened integration of their lands into the national army, and at the loss of subsidies hitherto paid by the French. They are none the less a disquieting proof that the anarchic trends in the non-Communist south are far from cured.

It appears, however, that these outbreaks do not by any means amount to a civil war, as some newspaper reports have suggested. Minor clashes have occurred in the area just south of the 17th parallel reoccupied after its evacuation by the Viet Minh; but the 600,000 deserters in the region are in no sense a coherent force, and surrenders may be expected from time to time. A more serious threat comes from the neo-Buddhist Hoa Hao sect in Cochinchina. However, this week's news that Bao Dai, still in exile in Cannes, has turned down sectarian demands for the removal of Mr Diem, confirms the latter's hold on the premiership. With continued backing from the Americans and, at least in a negative sense, from Bao Dai, Mr Diem is temporarily unassailable. If the sectarian leaders can be persuaded to accept this reality, they may resign themselves to the inevitable loss of their autonomy; and only then can the south hope to become truly unified.

He Who Gets Slapped

MOSCOW's efforts to win back Yugoslavia reached a new peak last week when it firmly turned the other cheek to Marshal Tito's public strictures on its behaviour. In a speech to the Federal Assembly the Marshal had roundly declared that it was nonsense to say—as was being said behind the iron curtain—that the improvement in Yugoslav-Soviet relations was due to the Yugoslavs' realisation of the error of their ways and their efforts to make amends. He declared that Mr Molotov in his statement to the Supreme Soviet had “in a way echoed these mutterings,” and he issued a blunt warning that such manoeuvres could only cast doubt on the sincerity of Soviet policy and impede the process of “normalisation,” which in any case was difficult enough for the Yugoslavs “after all the insults we had to endure through no fault of our own.”

Marshal Tito may have calculated that this outburst would not only have a salutary effect in Moscow but would also help to blow away some loose and wishful thinking among his own followers. Moscow's reaction, however, was surprising and rather disconcerting. It was, first, to publish a summary of the speech without comment, and then to issue in *Pravda* a soothing commentary which blandly denied the existence of the statements of which Marshal Tito complained. The reason for this attitude is not far to seek. It is, in fact, given in the same *Pravda* article, which goes on to state with the greatest emphasis that the co-ordination of Yugoslav and Soviet efforts to safeguard peace and international security is of particular im-

portance. In other words, the Russians are determined to plug away at their plan to draw in the Yugoslavs as foundation members of Mr Molotov's familiar “European security” plan. And they have had the sense to see that a show of sweet reasonableness is their only hope of getting anywhere with Belgrade. *Borba*, however, has already bounced back like a rubber ball and while agreeing with *Pravda* that Soviet-Yugoslav relations should be improved, has taken it firmly to task for ignoring the “series of notorious, monstrous and impossible accusations against Yugoslavia” which came from Russia after 1948.

The Growing Productivity of Capital

IF any medals were awarded for bravery in parading economic statistics, Mr Colin Clark would be a much-decorated veteran. It is a pity that in interpreting them he sometimes seems to stand on his head. An extraordinary example occurred last week in his talk—which he called “The Declining Importance of Capital”—on the Third Programme of the BBC.

Mr Clark's figures suggest that at an early stage of industrial development a country's capital may have to increase at a faster rate than its current output can; but that in advanced countries—and he believes that this has been true of the United States and Britain for well over twenty years—an increase in capital stock is followed by a more than proportionate increase in output. This is not altogether surprising: build a railway across an undeveloped country, and in its early years it is likely to be less fully and profitably used than the London-Birmingham line. There are certain caveats that should be entered about Mr Clark's figures for the United States and Britain, but their main import is likely to be correct. In the advanced countries output probably has been expanding faster than capital in recent years: in other words, the marginal productivity of new capital has been going up.

So far, so heartening. But Mr Clark's next step is extraordinary. With a stationary labour force, he says, Britain cannot expect to go on increasing its output by more than two or three per cent a year—he himself believes that the increase will be much less. To achieve this arbitrarily assumed increase in production, Britain will need to add to its capital stock by less than two or three per cent a year, and it can do this by devoting less than five per cent of its national income to net investment. After providing for normal wear and tear (which, although Mr Clark does not point this out, now absorbs nearly 10 per cent of gross national product) Britain had better invest the rest of its savings in India and other undeveloped countries—where, on Mr Clark's showing, the immediate productivity of capital must surely be lower than here. If this was an ethical argument, it could be understood; as an economic argument it can be justified only by the assumption of an arbitrary ceiling to production increases, which—whatever its historical justification—the heartening capital figures (if they are right) should help to dispel in the future. Before this doctrine attracts wider currency, its basis should be understood. It is only because—in flat contradiction to his own statistics—Mr Clark believes in relative stagnation that he is opposed to investing in domestic success.

Finland's Creaking Coalition

THE uneasy coalition between Finland's two largest parties, the Agrarians and the Social Democrats, was running into trouble even before the strike of government employees broke out on Wednesday. In a recent parliamentary debate about the subsidy on butter a motion by a Social Democrat MP was unexpectedly defeated by 97 votes to 88, and a Social Democrat paper has attacked the Agrarians for voting with the right-wing opposition against their partners in office. The vote, in effect, urged the government to drop as soon as possible all the subsidies which it introduced last November. This would be anathema to the Social Democrats. It is significant that the Communists appear to have stood shoulder to shoulder with them in the voting on the butter subsidy.

On the face of it, the coalition is a union of incompatibles; the Agrarians speak for the farmers, the Social Democrats for the poorer townspeople. It has held together in office so far because the universal dislike of the Finnish Communists precludes a wholly left-wing grouping, and because many members of the right-wing parties mistrust the attitude which Dr Kekkonen, the Agrarian premier, displays towards Russia. But the two parties do not find each other very congenial bedfellows. Mr Veikko Vennamo, the assistant minister of finance and an outspoken Agrarian, has been saying sharp things about his Social Democrat colleagues, accusing them on one occasion of neglecting the interests of the farmers. Dr Kekkonen has long had his eye on the presidency, elections for which are due early next year; but other people do not share his enthusiasm, and there have already been rather wild suggestions that the 84-year-old President Paasikivi should be drafted for yet another term of office. The Social Democrats have arranged to select their candidate in June. Most important of all, the spring is bringing with it a heavy crop of wage disputes. Despite the government's success in keeping down the cost of living by means of subsidies and cuts in purchase tax, 23 more collective work agreements were denounced at the end of last month, and something like 80 wage claims are now outstanding. Many Social Democrats are going to find their loyalties tugging in different directions over this issue.

No Roast Pigeons in Budapest

THE Hungarian Communists have just completed another round in their long drawn out struggle over power and policies. For some time it has been a safe guess that Comrade Nagy was getting the worst of it in his duel with Comrade Rakosi; last week the central committee of the party uncompromisingly confirmed this. Mr Nagy owes his eclipse to two things. In the first place, what should have been a triumphant progress down the “June road” of 1953 has turned into a dismal fiasco. Industry and agriculture continue not merely to stagnate, but even to slow down, and the people seem as unwilling as ever to put their shoulders to the wheel; Mr Nagy is accused of creating an atmosphere of complacency “in which one waits for the roast pigeon to fly into one's mouth.” In the second place—and this is even more important—the

Hungarian premier seems to have forgotten his duty to the party. He is accused of denying and belittling the party's “magnificent victories”; and in organising the new People's Patriotic Front he has forgotten that—in the words of the central committee—“the most important thing in the work of every mass organisation is to make sure of the party's leading and directing role.” This is what comes of trying to enlarge the popular basis of a Communist regime.

The central committee does, it is true, maintain that the “new course” economic policy introduced in June, 1953, was “correct” and continues to be the official policy of the party; in the committee's view, all it now proposes to do is to correct “right-wing deviations” from this policy. This argument may be theoretically sound, but it will deceive nobody. What matters is the practical implication of the shift in emphasis away from light and towards heavy industry. Lip service is still being paid to the needs of the consumer and the importance of helping the private farmer; but collectivisation is again to be pushed ahead (albeit “primarily by enlightenment”) and in the second five-year plan, to begin next year, heavy industry is to have clear priority. Mr Nagy may, indeed, have failed to strike a proper balance between light and heavy industry; but it is very unlikely that Mr Rakosi will do any better.

Migration to America

There arrived in the United States in 1854, according to a return lately laid before Congress, 460,474 persons, of whom 49,000 were from Great Britain and 101,606 from Ireland—total from the United Kingdom 150,606, against 206,000 from Germany, 13,000 from France, and 13,000 from China and the remainder various. This return takes no notice of the number of persons returned from the States, and latterly, as we have already recorded, the number is considerable. Though it is probable that an additional number of Irish reaches the States through Canada, not included in this return, still the fact is certain that the number of Germans now annually arriving in the States exceeds the number of Irish. The latter begin to be wanted at home: the alterations lately made in property in Ireland will speedily permit that country to advance very rapidly. . . . There is plenty of land yet uncultivated, or incompletely cultivated, in Germany—plenty of available means of industry and life in every part of Europe; but the manner in which the soil is appropriated, and political and commercial restrictions imposed on almost every kind of business, are moral obstacles to the people making use of the physical advantages of their situation. Many of the moral disadvantages under which the Irish laboured are removed; others are in course of removal; and their own progress will ensure an increased power to remove them. . . . It is rather curious . . . to find the German States carefully educating their people to make them good Republicans. In this, however, lies another source of improvement for the States. The better educated quiet Germans will probably make at least less heated politicians than the Irish; and, as the Germanic element of their society increases, the world will hear less than at present of the wild policy which sometimes characterises the Americans. Our war, too, will probably operate to prevent the Irish from emigrating in such numbers as heretofore to the States, which will make the emigrants from the Continent more welcome.

The Economist

March 17, 1855

Letters to the Editor

Hire Purchase Controls

SIR—In your issue of February 26th you argue that specific controls are a retreat from principle. There is always a strong case against trying to do by specific controls what can be done by a general cut which would avoid administrative anomalies and give the consumer greater freedom. However, hire purchase is an exception.

A rise in Bank rate is an effective check in most money markets because "true interest" is a large proportion of the total interest charge. A one per cent rise in Bank rate is effective against mortgages and debentures whose interest rates are only four or five per cent, and against common stocks whose effective rates of return are three to seven per cent. The rates on hire purchase are much higher and consist mostly of "risk premium" and administrative costs. An increase in the "interest" element of these rates amounts to a small increase in the total rate, and one cannot expect the increase to have much effect on the volume of hire purchase credit. In view of the rates that people are willing to pay in order to buy on hire purchase, it is difficult to believe that an additional one or two per cent would have any effect on them. Given continued high incomes the consumer will finance any extra charges or risks which the market feels it must cover.

In consequence, a damper can be put on hire purchase credit only by a radical increase in the monthly outlay of the buyer, and this can be assured only if the payment period is made short enough to raise the monthly payments by a significant amount.—Yours faithfully,
WALTER C. NEALE
Yale University.

Price Maintenance Defended

SIR—In *The Economist* of March 5th your correspondent, Mr Harris, writes: "... the system of price maintenance must cover the least efficient and highest cost traders..." This statement surely discloses ignorance of how a modern trade association functions and how a price is decided.

When prices are based on the production costs of a group of manufacturers the costs of those producers which reflect inefficiency are normally discarded by a trade association. It is sometimes decided that the figure of the lowest cost producer should be used as a fair basis for deciding a price, but this cannot always be done. The figure may, for instance, relate only to par-

ticular circumstances of short duration and may not be representative. The aim is normally to find the average cost of efficient production, and regular revisions are made, taking into consideration quantities produced and improved efficiency in manufacturing processes.

The efficient cost figure set by an association naturally becomes the figure after which each manufacturer strives. If he fails to reach it, he soon loses ground in competition with his rivals within the association. Furthermore, if the expensive producer does not improve his efficiency he may have to sell at a loss and find himself faced with bankruptcy. There is no question of protecting the "least efficient" producer, as Mr Harris believes.—Yours faithfully,
London, S.W.7

COLLIN BROOKS

Making West Africa Pay

SIR—Whilst I hesitate to add to a controversy that has perhaps gone on too long, I feel that some of your reviewer's remarks in your issue of February 26th on Mr P. T. Bauer's "West African Trade" cannot pass without challenge.

The reviewer gives the impression that, in the long argument concerning the marketing boards in West Africa (now in its fifth year), the opposition has been routed and Mr Bauer left in victorious possession of the field. There are many who would not agree with this view.

Your reviewer summarises Mr Bauer's condemnation of the past policies of the boards. In some cases, however, the data required in order to give a final verdict on the effects of these policies are just not available. This particularly applies to the effects on production and incomes.

Mr Bauer's book contains the case for the prosecution, fully documented, but substantially the same as that which he has put forward elsewhere. Mr Bauer has had the opportunity of reaching a large and important public opinion through newspapers, the academic journals and, more recently, on the BBC. Given the authority and persuasiveness of his attack the surprising thing is that he appears to have had so little influence; today the marketing boards continue to operate as they did when founded, and those in control of them must either have regarded Mr Bauer's case as wrong, or as irrelevant, or both. The puzzle is to explain why the African politicians and administrators who are now in effective control of the policy of the boards have not seen fit to change them.

THE ECONOMIST, MARCH 19, 1955

Part of the answer is probably that while Mr Bauer's economic analysis is often irrefutable, his political economy is unacceptable to the West African political scene today. For example, whilst there have been a few cases of criticisms by Africans of the pricing policies of the boards, nobody has seriously proposed any change in the system. What little agitation there has been has favoured extending it to other products, particularly hides and skins.

West Africans are reaching political independence to find that eighty per cent of their export trade is not in the hands of expatriate firms, but of public boards that are ultimately under their control. This is, perhaps, the main reason why the long attack on the marketing boards seems to have had such little influence in "the dark places of colonial treasuries."—Yours faithfully,
E. K. HAWKINS

West African Institute of Social and Economic Research, Ibadan

Forbidden Topic

SIR—In your issue of March 5th you argue that landowners ought to get their rents up to an economic level rather than ask for more state aid in the form of grants, lower death duties and cheaper long-term loans for improvements. As you say, the machinery for raising farm rents is available, and on the face of it it appears odd that rent should lag so far behind increases in costs.

I should like to explain briefly some of the reasons. If a landowner cannot get agreement over a revised rent with his tenant, he must go to arbitration. This is expensive, as it may involve him in professional fees amounting to a considerable sum. Arbitrator's awards refer to *current* conditions, but do not start to operate until many months after they have been made (anything up to eighteen months or more). So, with rapidly rising costs, the new rents may already be out of date by the time they begin to operate, and they must run for at least three years before they can be revised again. On top of this, one must take into account that some awards are undoubtedly influenced by the current average level of rents in the neighbourhood, and are seldom "economic," taking all the landowner's commitments into account. There is, however, a tendency for professional men to begin to approach problems of land valuation and rent in the light of changed modern conditions. But it is a very slow business to alter the climate of opinion as to what is an equitable rent, and meanwhile the gap between outgoings and rent is inadequate to meet the heavy investment necessary to modernise agricultural equipment on top of the normal programme of maintenance.—Yours faithfully,

W. R. BURRELL,
Chairman of Policy Committee
Country Landowners' Association, S.W.1

THE ECONOMIST, MARCH 19, 1955



Creation in Scandinavia



Demolition in South America

Atlas-Copco puts compressed air to work for the world

In the hands of a sculptor, small pneumatic tools by Atlas-Copco are producing work in Norway which may live for centuries. Atlas-Copco concrete breakers, in the hands of South American workmen, are demolishing relics of the past to make way for new roads which will eventually bring the benefits of modern civilisation to many more thousands of people. As in Northern Europe and South America, so in

almost every part of the world—Atlas-Copco is on the job wherever compressed air is working hardest. It is almost impossible to name an industry in which Atlas-Copco has not found some justifiable application for 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.



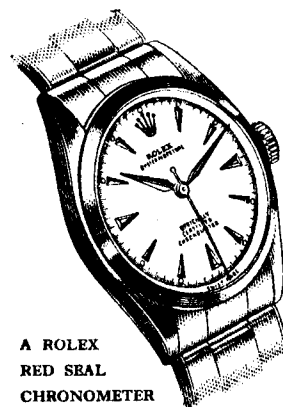
Men who guide the destinies of the world wear Rolex watches

YOU KNOW their names as you know your own. You know their faces from a thousand newspaper photographs, their life stories from a hundred magazine articles. You have seen them and heard their voices on newsreels and on your television screen. Their actions and decisions influence the pattern of our lives.

We cannot mention their names, or show pictures of them. It would not be fitting to do so, for they include royalty, the heads of states, great service commanders. But we invite you to look carefully at the next pictures that you see of them, at their wrists as well as their faces and clothes. You will notice that in almost every case they wear a wrist-watch. That watch will most likely have been made by Rolex of Geneva.

We are proud of the service given by Rolex watches to so many eminent men. It is scarcely necessary to point out that the performance of these watches is, in the highest degree, accurate and dependable.

The Rolex Oyster Perpetual Datejust, the most remarkable achievement in watchmaking today. The extraordinary accuracy of its chronometer movement is attested by the fact that every Datejust is awarded an Official Timing Certificate by a Swiss Government Testing Station, with the added distinction "Especially good results." This movement is protected from all hazards by the famous waterproof Oyster case, invented by Rolex. It is automatically self-wound by the Perpetual "rotor" mechanism, another Rolex invention. This keeps the tension on the mainspring constant and makes for even greater accuracy. The date is shown on the dial, changing automatically each night at midnight, and magnified by a "Cyclops" lens for easy reading.



A ROLEX
RED SEAL
CHRONOMETER

The Rolex Oyster Perpetual—culmination of three Rolex triumphs. In 1910 Rolex gained their first Official Timing Certificate for a wrist-chronometer. Now Rolex have produced 250,000 Officially Certified wrist-chronometers—three times as many as the rest of the Swiss watch industry combined. In 1926 Rolex invented the Oyster case, the first truly waterproof case in the world. The rugged and sturdy Oyster protects the movement, permanently, from water, dust and dirt. In 1931 Rolex invented the first "rotor" self-winding mechanism. A new refinement of this Perpetual "rotor" powers the Oyster Perpetual, silently and automatically, actuated by every slightest movement of the wrist.

ROLEX
*A landmark
in the history of
Time measurement*



A ROLEX
RED SEAL
CHRONOMETER

THE ROLEX WATCH COMPANY LIMITED (H. Wilsdorf, Governing Director), GENEVA, SWITZERLAND, and 1 GREEN STREET, MAYFAIR, LONDON, W.1.
and THE AMERICAN ROLEX WATCH CORPORATION, 580 FIFTH AVENUE, NEW YORK

Books & Publications

The Done Thing

THE SOCIAL FOUNDATIONS OF WAGE POLICY.
By Barbara Wootton.
Allen and Unwin. 200 pages. 15s.

THE central thesis of Mrs. Wootton's long-awaited book (first planned when, just before the war, she discovered her own earnings to be exactly the same as those of the riding-elephant at Whipsnade) is that wages and salaries are socially rather than economically determined. What settles them is much less the push and pull of market forces, as argued by economic theory, than social pressures and conformities, the Done Thing. There is "a correspondence between the social and the economic hierarchies," and remuneration is settled, whether by collective bargaining, legislation or arbitration, by appeal to a mixed bag of discordant principles most of which are ethical and conventional. There is the earnings-of-comparable-occupations principle; it is right that similar jobs should be similarly paid. There is the cost-of-living argument; it is right that standards of living should—not merely individual by individual but job by job—be safeguarded. There is the traditional-differentials argument; it is right that greater skill or responsibility should carry their traditionally greater reward. There is, for once in harmony with economic theory but not arising from it, the special-disadvantages theory; it is right that dirty or dangerous work should carry higher rates of pay. And finally, far behind the rest in importance, there is the straight economic manpower-needs argument; if this industry lacks workers, it must bid higher to get them.

Mrs. Wootton shows these principles diversely at work in negotiation, debate and official or TUC pronouncements since 1941, and emerges with "a certain cynicism" and with the conviction that the common factor on both sides of every conference table is sheer conservatism, variously disguised stand-pat. Neither economically nor ethically is this a good thing. A positive policy is wanted; a policy with a sound ethical foundation can, in a setting demonstrably governed by ethical arguments, be put over by a government and a public opinion which has clarified its ideas; the ethical standard should be one of equality, to which practice should conform as fast as possible; the only exceptions should be those which, in the interests of economic necessity, use higher pay to attract workers to industries and occupations which (by social, not profit-and-loss, standards) are under-

manned. This at least is coherent. One may fail to share Mrs. Wootton's unshaken faith in the omniscience of governments, and have reservations about the role, behind the façade of ethics, of sheer brutal bargaining power. But without discarding so light-heartedly as she does the market forces which play on the wage or salary bargain, one can welcome her realistic emphasis on the determinative force of the Done Thing; and whole-heartedly agree that it is better to pursue equality, via the Done Thing, in gross incomes than to impose enormous and disincentive taxes on gross incomes which are widely unequal. Whether equality, as against the relief of poverty, the ironing-out of anomalies, and an ever-wider opening of the career to talent, should be pursued any further than at present is, however, quite another question. Mrs. Wootton has no hesitations. Equality is right and democratic, inequality is wrong and undemocratic, and that is that.

It is remarkable that so human and sensible a thinker should never ask herself what a truly equalitarian society—a £14-a-week - average - minimum - and - maximum-in-one society—would actually be like; what would be its adaptability in a changing world, what its leadership, what its intellectual, administrative and cultural achievements; that she should dwell so undeviatingly on the unimportance of the supply-price of excellence and the ethical irrelevance of its rewards, and ignore so blankly the importance of its necessary conditions. Social justice, interpreted as equality, has a price of its own. No community has yet, whatever its original intentions, found that price worth paying. Britain may be the first; but one doubts it.

Enlightened Empress

THE MEMOIRS OF CATHERINE THE GREAT.

Edited by Dominique Maroger; translated by Moura Budberg. Introduction by G. P. Gooch.

Hamish Hamilton. 400 pages. 25s.

IT is a pity that the translator and publisher of this volume have not explained the origin of the text. What does "Edited by Dominique Maroger" mean? Was his version taken from Rousseau's early edition (which was itself translated into English)? It does not seem to correspond to the better known edition of Herzen of 1859; for that opens with a sentence which does not appear here, nor does it include

Part II of this volume—70 pages of letters and fragments that are of the highest interest. Do these represent the "other documents" which were read along with the "Memoirs" by Arsenieff (as he told Herzen in 1840); and is their authenticity equally certain? It must be added that the English translation is pedestrian, and does nothing to lighten the tedium of domestic detail in which the reader soon finds himself involved.

On the other hand, nothing but praise is due to the introduction. Dr. Gooch knows his Catherine as a great historical figure, and appreciates at their proper value the "eighteen years of ennui and solitude" (it is her own description) during which she schooled herself for the thirty-four years of her reign as Empress. "A consummate actress," he calls her, "waiting eagerly in the wings for her call to the footlights"; and it was with a genuine feeling of relief that the audience turned from the tired regime of the Empress Elizabeth, the handsome self-indulgent daughter of Peter the Great, to the liberal and enlightened administration of the little German princess whom Elizabeth had chosen to marry the Grand Duke Peter and thus provide her with an heir to the throne.

How the heir was provided, apparently out of wedlock, and the background of court intrigue against which Peter was first put upon the throne and then removed from it—actually by assassination, but the official account was that he drank himself to death—is the main theme of the "Memoirs"; but it is complicated and confused by endless details of court balls, coach journeys, intrigues and amours, with only occasional references to international politics or the Seven Years' War. Peter and Catherine were married in their teens, and apparently the union was never consummated. He never grew up; he preferred playing with toy soldiers or with a puppet theatre, scraping his violin or beating his dogs, designing a Capucin convent in which all the court were to dress as monks, and of course drinking and practical joking, to the riding and reading with which Catherine varied the emptiness and boredom of her existence. It is charitable to suppose that he was insane, and the few months of his rule were enough to make his death desirable.

The real interest of this volume, then, lies not in the unfinished "Memoirs," which break off in the middle of a vital interview between Catherine and Elizabeth three years before the old Empress's death, but in the autobiographical and other fragments that follow. Here is her account of the death of Elizabeth, her letter to Poniatowski about her seizure of the throne, portraits of her ministers, a note found in a copy of *Télémaque* outlining her moral ideals, and the often quoted list of the achievements of her reign. There is evidence here that she deserved her title of "The Great"; and English readers will not forget that she purchased

the Houghton collection of pictures, presented Reynolds with a gold snuff-box accompanied by an autograph message of thanks for his "Discourses to the Royal Academy," and that it was believed that she had ordered the translation into Russian of Dr Johnson's "Rambler"—"so I shall be read," he proudly remarked, "on the banks of the Volga."

Soviet Babbitts

THE THAW.

By Ilya Ehrenburg. Translated by Manya Harari.

Harvill. 230 pages. 10s. 6d.

IF you ask a good dounce Soviet citizen what he thinks of this novel, he replies that Ehrenburg is a gitted man and should not have wasted time writing about unhappy people; when so few of the inhabitants of the Soviet Union are troubled by personal problems or discontents, why bother with those who are? It would be a bold Russian who answered otherwise, for "The Thaw" has been condemned with bell, book and candle, although Mr Ehrenburg wears his sanbenito with a slightly impenitent air. From this admirable translation the English reader will quickly learn why the novel achieved such popularity when it was published in Russia, and why the Communist Party took such strong exception to it. For "The Thaw," to put it briefly, blows the gaff.

It depicts a dreary little town somewhere in the great Russian plain, with a factory that produces machine tools. The factory manager, a well-meaning, modest and basically brave and kindly man, has been so warped by the system that controls him that he will do anything rather than draw the attention of his bosses in Moscow. A Soviet Babbitt, he looks resolutely at the brighter side of things, hoping that the other one will go away. He is genuinely saddened when he "peers into the damp, bleak hovels" in which his employees have to live because he misappropriated the house-building funds to meet Moscow's demands for plan fulfilment; but he knows better than to run into trouble by raising his voice.

Around him revolves a little society which is startlingly bourgeois in character; it consists solely of white-collar technicians, teachers and aesthetes, travels largely by taxi and takes champagne parties for granted. "The workers" get scant, and only collective, mention. The bourgeois characters themselves are drawn strictly from stock, but with enough anger to make them interesting. One artist is disillusioned and simply out to make money by flattering those in power; he expects 20,000 roubles for a heroic portrait of the manager, and thinks of buying a car with the money. Another artist starves for his ideals. A Jewish woman doctor is unnerved by the anti-semitic "doctors' plot" campaign, an actress broken by a life of "intrigues, cliques, little rooms in dirty hotels." An engineer unlucky enough to have rela-

tives abroad is resigned to the fact that he comes under a cloud each time some rival learns about them and denounces him. And there is a bossy matriarch: "if there were more like her, Communism would come very soon, but feelings she neither could nor wished to understand." She is the unhappy heroine's mother.

Feelings, Mr Ehrenburg hints, ought to be understood, even if it means delaying the millennium; and he ends his book with a symbolic ending of winter, some reunions and reconciliations of lovers, and a suggestion that the ice of hypocrisy and bleak conformism is breaking up at last. But even at the time when he wrote he was evidently not too hopeful. He makes his pleasanter characters ashamed at the idea of behaving naturally, appalled by the contradiction between their better instincts and their training. The ugly system which he implicitly condemns is sustained by simple faith as well as by fear; and the Party bosses who in turn condemned his over-honest book were, no doubt, sure of the backing of a multitude of scandalised Babbitts.

People on the Move

BRITISH POSTWAR MIGRATION.

By Julius Isaac.

Cambridge University Press. 329 pages. 30s.

ALTHOUGH there has been a vigorous controversy over the pros and cons of emigration since the end of the war, it has been based on a somewhat imperfect factual basis. Remarkable figures have been issued of the outflow of migrants to the dominions since 1947, and the query has been raised whether this is for Britain's economic good. But statistics of emigration and immigration into Britain are so crude—with permanent settlers mixed up with temporary residents and mere visitors—that it has never been really clear whether Britain has been losing man and woman power heavily—whether the limit of a net annual outflow of about 80,000 which the Royal Commission on Population thought was the maximum the country could stand has been reached in any year.

Dr Isaac now throws a flood of light on the whole situation. Between 1946 and 1950 the net outflow has, according to his careful researches, been 140,000, or 1 per 1,000 of the total population per year. This is, of course, a negligible figure. Although in that five-year period some 1,224,000 people left to settle abroad, an almost exactly similar number came in, about two-thirds of them from the continent and Ireland. Thus Britain has in fact been peopling the dominions with British stock on the one hand, while absorbing and Anglicising Europeans on the other. Dr Isaac's researches indeed show that the extent to which Britain is a transit camp has been little realised; the movement of population in and out of the country has been remarkable.

Demographically, the picture may not

THE ECONOMIST, MARCH 19, 1955

be quite so favourable, with more of the younger age-groups leaving than arriving; but more women have left than men and more men have arrived than women. The losses of skilled workers have been great, but most of those who have left have been in the clerical and professional classes. From the point of view of Britain's economic health the picture is by no means so unfavourable as is sometimes supposed.

Dr Isaac believes that in years to come both the outflow and the inflow may slow down, which may make problems for dominions in search of population. The interesting thing about Dr Isaac's study is, however, that at a time of full employment and increasing welfare, Britain was able to lose and to replace workers on such a scale. Only those who wish to see a dispersal of population from Britain to the Commonwealth will be disappointed. It is certainly clear that the modest scheme for encouraging overseas settlement now in operation carries little danger of a declining British population. The upshot seems to be that at a time when Britain and the Dominions have had years of boom, both motherland and dominions have attracted migrants. It is less easy to see where they will come from in the future, unless the doors are opened wider to Italians and Germans.

Gods, Graves, Scholiasts

THE GREEK MYTHS: Volumes I and II.

By Robert Graves.

Penguin Books. 370 and 412 pages, respectively. 3s. 6d. each.

IN the course of his venturesome life, Mr Graves must have discovered the manuscript notes for Burton's "Anatomy of Melancholy" and decided to publish them in two bewitching, exasperating and brilliant volumes. For no one save Burton could pick his way so deftly and with such occult delight amid the most obscure mythographers of antiquity, the most recondite scholiasts of Alexandria and the barely known authors of marginalia in Hellenic texts. Lactantius on Statius, Didymus quoted by Eustathius, Ptolemy Hephaestionos, Scholiast on Tzetzes's "Lycophron," Stephanus of Byzantium *sub* Dryope, Second Vatican Mythographer (!)—they crowd the pages of this dictionary; and behind them come the anthropologists from Cambridge, the archaeologists from Mohenjo-Daro and Knossos, the astronomers and the comparative philologists. And at the head of the procession, brooking no challenge and brandishing "the double-axe, representing the conjoined waxing and waning moons," strides Mr Graves, pontifex to the White Goddess.

What is ingeniously described on the cover as "a companion to the Penguin Classics" is nothing of the kind. Anyone wishing to find out what is usually understood by the name Zeus or Orpheus or Charybdis had better stick to Smith's "Dictionary of Classical Mythology." The ancient world of Mr

THE ECONOMIST, MARCH 19, 1955

Graves is a more dangerous place for the uninitiate. In it a fierce battle is being waged between the White Goddess, the Goddess of the moon and poetry, the Great Ishtar, the matriarchal arch-queen of life who ruled from Elam to Ireland, and her male rivals, the new gods breaking in from the north. "Early Greek mythology is concerned, above all else, with the changing relations between the queen and her lovers, which begin with their yearly, or twice-yearly, sacrifices; and end . . . with her eclipse by an unlimited male monarchy." "True myth," moreover, "can be defined as the reduction to narrative shorthand of ritual mime." Consequently, Mr Graves's landscape is constellated with strange rites, orgiastic mysteries, horse-cults, human sacrifices, fertility symbols and blood offerings. It is a world that contrasts glaringly with the white and blue of the Attic temper. It is Asiatic, brutal and Cimmerian.

What Mr Graves has written is a guide, not to classical mythology, but to pre-classical rites and vestiges as revealed by archaeology and interpreted by certain schools of religious anthropologists. This is a companion, not to the Penguin Classics, but to some future collection of texts that would include Cretan linear inscriptions, Proto-Elamite tablets, Etruscan writings and the "Gilgamesh." But there is no doubt that these two inexpensive volumes are one of the most exciting and rewarding books to be published in many a lunation (to use Mr Graves's calendar). Figures consigned to dusty respect—Orpheus, Hercules, Daedalus—spring back to strange life. Mr Graves's "explanations" are among the finest of his novels. Countless critics will carp at him: his astronomy is rather personal, and some of his philological derivations, particularly from early Greek dialects, are far-fetched. But no one except Mr Graves (unless it is Burton after all) could have written these two volumes or bamboozled Penguin Books into foisting them on its innocent public. The latter will never have been led by its nose to more fascinating placés.

Shorter Notices

TAKE THESE MEN.

By Cyril Joly.

Constable. 367 pages. 15s.

The fighting in the Western Desert in the last war has found curiously little reflection in fiction. Despite the drama, both of the setting and the finely balanced conflict with Rommel, we have had nothing resembling a "Cruel Sea" to tell the story of the desert war in human terms.

Now a Regular Army officer, who served in the 7th Armoured Division in North Africa, has done something to fill this gap with what is clearly a personal memoir in fictionalised form. Colonel Joly cannot claim the narrative power of a Monsarrat, nor, with the exception of the portrait of one remarkable commander, has he depicted his characters with much depth. But his story rings with authenticity. The true atmosphere of those armoured battles, as experienced from within the confines

of a jolting, lurching tank, comes through admirably. This book, despite its limitations, contains the very stuff of the desert war.

★

A HISTORY OF THE WORKING MEN'S COLLEGE, 1854-1954.

By J. F. C. Harrison.

Routledge and Kegan Paul. 234 pages. 16s.

This book tells the story of an educational institution unique a hundred years ago, and still unique today. The Working Men's College in St Pancras was unique in 1854 because its founder, Frederick Denison Maurice, was determined to see that it fell into none of the pitfalls that had befallen previous ventures in adult education. The patrons and directors of earlier experiments had remained aloof from the students; the founders of the Working Men's College themselves taught in the classes. Maurice was surrounded by a keen group of young Christian Socialists. It was, however, his enthusiasm, ideals and driving determination that carried all before it. This book brings out his pre-eminence with vivid clarity; a pre-eminence thrown into clearer relief by the failure of some of his contemporaries to realise it. Thus John Stuart Mill said, "There is more intellectual power wasted in Maurice than in any man I know," and Matthew Arnold spoke of him as "beating the bush with deep emotion but never starting the hare."

Mr Harrison suggests that the chief strength of the Working Men's College lay in its founder's insistence that adult education work must be reciprocal if it is to succeed. The new conception of teachers and taught meeting together in a spirit of fellowship in which each gave and each received superseded the old ideas of instruction. In the words of the founder, "The College was established first for the benefit of us the teachers, secondly for the benefit of those whom we taught." It is not only the oldest adult educational institution in the country; it is also the only such organisation which derives no support from public funds. This book is a worthy tribute to a great experiment in adult education.

Books Received

ON THE SCOPE AND NATURE OF UNIVERSITY EDUCATION.

By J. H. Newman. Reprint. Everyman's Library. Dent. 278 pages. 6s.

UTOPIA: and a dialogue of comfort.

By Thomas More. Reprint. Everyman's Library. Dent. 447 pages. 6s.

THE PRINCIPLES OF POLITICAL ECONOMY AND TAXATION. Reprint.

By David Ricardo. Everyman's Library. Dent. 318 pages. 6s.

This book has a new introduction by Professor Michael Fogarty.

THE SYSTEM OR THEORY OF THE TRADE OF THE WORLD.

By Isaac Gervaise.

Johns Hopkins Press (London: Geoffrey Cumberlege). 38 pages. 16s.

METHODS OF CROP FORECASTING.

By Fred H. Sanderson. Harvard University Press (London: Geoffrey Cumberlege). 273 pages. 40s.

THE SOUTH AFRICAN SUGAR YEAR BOOK: 1953-54 edition.

The South African Sugar Journal. 256 pages. 10s.

The Battle of CRICHEL DOWN

R. DOUGLAS BROWN

The full story of Commander Marten's campaign, and a discussion of the issues on which it focused attention.

"Should help the intelligent citizen to understand not only the Cricchel Down affair but also the wider problem of controlling the Executive. It is lucidly written and easy to read."

Professor W. A. Robson

Illustrated with plates 12s 6d (March 21st)

Expansion or Explosion

ANTONY VICKERS

An urgent appeal for a reappraisal of our basic economic assumptions, by an industrialist well known for his success in raising production by the adoption of new methods.

Illustrated 6s

—THE BODLEY HEAD—

'Tea with an Author'

Harrods are inviting authors to give informal talks during tea. Afterwards, they will be pleased to answer questions and autograph copies of their books. These talks will be held in the Georgian Restaurant every Wednesday commencing March 30 at 3.30 p.m., and admission is by ticket, 4/6d (including tea). Please write to, or call at, the Book Department, Second Floor, for tickets and fuller details.

Harrods

HARRODS LTD.

LONDON SW1

American Survey

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Eisenhower's Conservatism

Washington, D.C.

THE deep-reaching differences which are developing between President Eisenhower and the Democratic Congress over important aspects of his legislative programme are little understood even in Washington. This is because, while the President is acting within the frame of a political philosophy, he has never explained it to Congress and the public; nor has he shown how his recommendations fit such a plan. He has given it a label, "dynamic conservatism" which, like so many White House slogans, is more concerned with sales value than with accuracy. In the first tests in Congress, the complaints have been that the programme is too conservative and not dynamic enough. The President's proposals for school construction, his suggestions for a vast development of highways, and his plan for federal re-insurance for private health insurance schemes are among the major measures under fire.

The President's failure to explain himself results from a curious conviction that people do not want to hear speeches on economics, although one of his predecessors, Mr Roosevelt, used to wrap the esoteric in simple parables and stir the voters to cry for more. A philosophy, however, has been worked out and carefully articulated within the Administration, even if only privately, and the President, after due study, has adopted it. The authors, not needing to sell it and trying only to describe it truly, call it "modern conservatism." The Eisenhower programme seeks to practise what the doctrine preaches. In fact, therefore, a system of thought is on trial in Congress but, because it is not known that a system exists, the several controversies are regarded as separate skirmishes with no connection between them.

The modern conservative, or "Eisenhower Republican," chooses what he wishes to preserve from the past and seeks to adapt it to the singularly difficult present. It is one of destiny's jokes that this permits him to make proposals which seem to be plagiarised from latter-day Democrats, until their internal structure is examined and the underlying conservatism is discovered. The modern conservative wants to preserve a free market and a free price system as a means of rationing goods among consumers. He wants to keep incentive and reward among the principal propulsive forces of a free economy. He advocates equal opportunity, not equal shares. He dedicates himself to a sound

dollar, regarding it as indispensable to a sound economy. He believes high levels of economic activity can be attained without inflation.

Above all, perhaps, he protects and stimulates private capital investment, emphatically choosing it over increases in consumer buying power as a path to economic expansion. Disenchanted with governmental compensatory measures, he pins his special hopes for expansion on an economic element he has discovered called "anticipatory investment." This causes proprietors to add plant (and so to increase jobs and business activity) to satisfy a capacity for additional consumption which is not visible in current statistics—but which is there to be exploited if producers are ready to meet it.

To keep a rein on the free economy, the modern conservative relies on monetary and fiscal management rather than direct controls. He is committed to the awakening of individual, local, voluntary effort rather than to the application of federal effort. Intellectually, at least, he believes in free international markets; knowing this runs counter to ancient Republican writ, he counts on Mr Eisenhower to elevate a partisan issue to the level of permanent national policy. He is not frightened by a large national debt, nor is he committed with absolute rigidity to a balanced budget. But he regards an approximate balance as a handy device to regulate government expenditures which otherwise would get out of hand.

He concedes that modern conservatism can be hard on the individual, who may at times find himself priced out of the free market, or unemployed while investment equips itself for new opportunities, or burdened by taxes in defence of the dollar's integrity, or short of electric power while localisation and decentralisation go their clumsy way. Admitting this, the modern conservative recognises that the government has an obligation to lessen some of these costs of freedom, although not necessarily all. He approves and would extend the reforms of the nineteen-thirties, such as social security, unemployment insurance, the minimum wage law and, that later device, government support for the price of basic agricultural commodities.

President Eisenhower's school construction programme is true to several tenets of the doctrine, and the criticisms brought against it show why the doctrine gets into trouble. The dynamically conservative President agrees with the Democrats that more classrooms are needed in a hurry.

The Democratic solution is direct financial aid by the federal government to local school agencies in large amounts. Mr Eisenhower put forward a fearsomely intricate scheme which would hold down federal grants and rely on indirect use of federal credit to help build schools. This modern conservative approach did not involve dipping deeply into the federal purse to meet a problem deemed to be a state and local responsibility. It sought to achieve the dizzy delights of large spending and deficit financing by the federal government without technical guilt.

This blend of dynamism and conservatism holds connotations of deviousness and expediency which would have called down Republican condemnations had the late President Roosevelt tried it. Again, in tune with modern conservatism, the proposed school programme is decentralised. It would be slower and clumsier than direct federal appropriations, federally administered, but modern conservatism accepts those disadvantages as a price worth paying for the enlistment of local responsibility, interest and thrift. But in testimony before the Senate Committee on Education, it was said that not one section of the plan was workable. No state school officer could be found to defend it. It was described as a "Banker's Bill," full of book-keeping devices to avoid federal obligation, and as carrying federal intrusion into local school affairs to new extremes.

The President's recommendations for a ten-year highway development plan costing \$101 billion ran into similar difficulties. Again, the President wanted dynamics while conservatively by-passing their cost, and he came up with a tentative proposal for a National Highway Corporation to issue bonds outside the national debt. The powerful issue bonds outside the national debt. The powerful democratic Senator, Mr Harry Byrd, who as governor of Virginia from 1926 to 1930 put that state on a strict pay-as-you-go basis for highway construction, denounced the corporation as a trick to "violate financing principles, defy budgetary control, and evade federal debt law."

★

Its first trial runs in Congress have shown that Mr Eisenhower's conservative policy, whether it is called dynamic or only modern, is deficient in political appeal. Yet it marks out the ground upon which the President and those genuinely faithful to him are ready and willing to conduct their political engagements. This is the ground upon which they are prepared to meet the Democrats now and in the next presidential contest in 1956. It is the ground upon which they are ready to fight it out with the old-style conservatives in their own party, who already assail the new doctrine as being questionable Republicanism.

It is not going to be an easy battle to win in either case, and the Democrats are going to be especially hard to deal with when they wake up to the fact that the President, if he has pirated their goals, has left them their politically attractive techniques for getting things done. The willingness of the Eisenhower command to accept battle on such terms is due in part to its belief that its methods will appeal to some deep, traditional instinct of freedom and self-reliance in Americans and so, in good season, win political support. Partly, too, it is evidence of a stern self-discipline in the task of giving the Republican party an up-to-date creed likely to win enduring majority support. Finally, it is realistically noted that the philosophy is applicable almost exclusively to domestic affairs and that, if

the economy can only be kept on a reasonably even keel, Mr Eisenhower can be re-elected on a "peace" platform, however his philosophy may have fared in the legislature.

Bangs and Whimpers

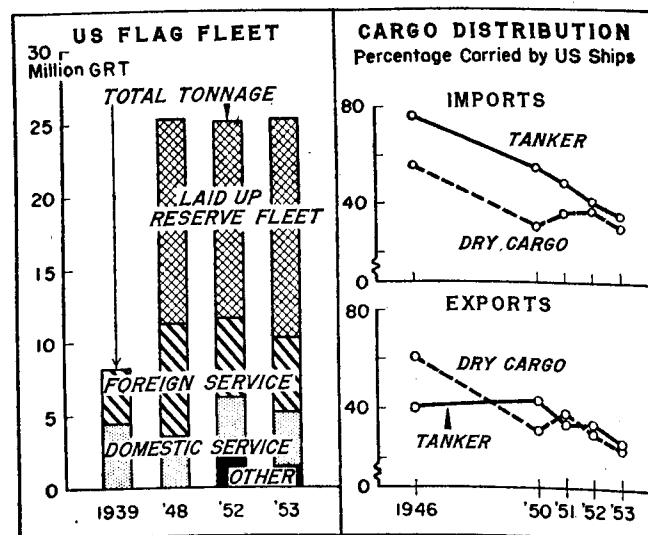
THE awesome realities of the nuclear age are being brought home to the American people with increasing starkness. It now appears that the bomb detonated at Bikini a year ago was a hydrogen bomb in a casing of natural uranium, U-238. The latter is far cheaper and more prevalent than its rare variant, U-235, or plutonium, both of which have reportedly been used in atomic bombs. In the resulting explosion, the H-bomb acted as a trigger, providing high energy neutrons which split the uranium and caused the gigantic fall-out of radioactive fission by-products. This means that it has become terribly inexpensive to create "super-hydrogen bombs," and that America's lead in the field may be far smaller than had been hoped. At the same time, there are wild rumours of an intercontinental ballistic missile, carrying a thermonuclear warhead, and the latest series of atomic tests in Nevada is illuminating cities hundreds of miles away.

These developments are bringing the long-neglected problem of civil defence to the fore. With a sudden touch of melodrama, Mr Val Peterson, the Civil Defence Administrator, has urged everyone in the United States to build some sort of underground shelter "right now" and stock it with food and water to last five or six days. He added: "We had all better dig and pray." Using a more calm approach, the governors of New York, New Jersey and Connecticut have conferred with Mr Wagner, mayor of New York, to study the question of evacuation and civil defence in an area grouping some 15 million people. Experts believe that with sufficient drill and two to six hours of warning, it would be possible to evacuate the four million New Yorkers crowded in Manhattan. But it was also pointed out that the preparation of the required transport and road facilities could not be undertaken without federal help and guidance. The same cry has gone up in other quarters: the mayors of Philadelphia and Milwaukee accuse President Eisenhower of failing to alert the nation, and the governor of Massachusetts has pointed out angrily that local authorities were not being given the "know-how" of survival from Washington. The fact that the nation's capital is thought to be comparatively easy to evacuate—it would be "no worse than rush hour"—is not much comfort to the rest of the country.

A more hopeful note has been struck by the confirmation of Dr John von Neumann for membership on the Atomic Energy Commission. Through its unanimous action, the Joint Congressional Committee on Atomic Energy has done something towards healing the rift between top-flight science and the government caused by the tragic dismissal of Dr J. Robert Oppenheimer. Dr von Neumann may restore to the AEC some of the sense of integrity it so badly needs. This appointment coincides with the start of the international school of atomic technology at Chicago. Mr Eisenhower greeted the 31 students from 19 countries as the first beneficiaries of his "atoms for peace" plan.

are now "mothballed" in the government's reserve fleet, and another 1,500 have either been sold to foreign owners or have been transferred for operation under Panamanian, Liberian and other foreign flags. Only about one half of the remaining tonnage—which has again shrunk to 15 per cent of world tonnage—is employed in foreign service, and it carries less than a third of America's foreign trade.

The cause of this decline is clear: it costs roughly twice as much to build a ship in an American as in a foreign yard, and the cost of running an American flag ship, which must be manned by an American crew to exacting standards, is on the average, at least four times as high as the cost of operating a foreign flag ship. American seamen's unions are strong and the shipping industry can offset high wage costs by mechanisation only to a limited extent. The willingness of Congress to grant to American shipping lines subsidies equal to the difference between American and foreign operating and shipbuilding costs has provided only sporadic relief. In order to qualify for a subsidy a shipping line must accept restrictions affecting, among other things, its trade routes, the replacement of



ships, and the size of its profits. Only 16 shipping lines, with a combined fleet of 281 ships, have so far been willing to accept these unpalatable conditions. On the other hand, one-half of the non-subsidised tonnage is employed in coastal traffic from which foreign shipping is completely debarred, and two-thirds of the tanker fleet works for the major oil companies who want no truck with "conditional" subsidies.

Of all the ships in the American merchant marine, the plight of the tramp fleet is the sorriest. This fleet owes its existence to the government's cut-price disposal of Liberty ships built *en masse* during the war. Its ships were obsolete when they came off the slipway, its wage costs are four times those of its foreign competitors, and it has no means of fulfilling the conditions attached to operating subsidies. Of the 140 ships remaining in the American tramp fleet last August, half have since transferred to a foreign flag, and most of the rest would transfer if they were given permission. The question whether an American tramp fleet is essential to security remains open.

But while lip service to national security costs nothing, an increase in shipping subsidies—which wins few votes—is abhorrent to a Congress intent on either balancing the budget or securing tax reliefs. The Merchant Marine and

Fisheries Committee of the House of Representatives, which is the focal point for all shipping legislation, is a junior and ill-favoured body, which is frequently overruled by the senior, conservative and powerful Appropriations Committee. The latter has just cut by \$25 million the Maritime Administration's request for subsidies. This latest cut is evidence of a chronic delay in payments, and the American Export Lines have been forced to borrow \$14 million.

In any case, subsidies, which prop up efficient and inefficient operators indiscriminately, lead inevitably to a general surplus of shipping and consequently to demands for further government assistance to secure not only competitive charges but also cargoes. Hence the "cargo preference law" which requires that at least 50 per cent of foreign aid or other government-guaranteed cargoes be carried in American vessels. Flag discrimination has the specious attraction of providing protection to American shipping without apparent pain to the American taxpayer, and it is about the only policy on which the entire merchant marine ever gets together. Americans, both in the shipping industry and outside it, see no reason why American gifts should not be carried entirely in American ships. To an essentially non-maritime nation the dangers of a world of rapidly increasing flag discrimination are only dimly apparent. The main dissenting voice comes from the farmers who are alarmed at the reluctance of some foreign countries to purchase government-owned food surpluses under 50-50 rules.

SHORTER NOTES

The Administration's reciprocal trade extension Bill is meeting with the same stiff opposition in the Senate as it did in the House of Representatives last month. In spite of urgent appeals from several cabinet members, including Mr Dulles, that the programme be continued for another three years without restrictive changes, many Senators are in favour of requiring the President, except in cases of national security, to yield to the Tariff Commission's recommendations in setting import duties. The protectionist spokesmen of business and labour, including the oil, mining and chemical industries, are also busy.

The Supreme Court has ruled for the first time on the issue of the immunity of a sovereign nation from legal action. By a narrow decision of four to three, reversing the judgment of the Circuit Court of Appeals, the Court held that the Chinese Nationalist government, which had sued the National City Bank to recover a \$200,000 deposit made in 1948, was not immune to a counter-claim by the bank of \$1.6 million based on defaulted Chinese treasury notes.

Statehood for Hawaii and Alaska was recommended by the House Interior and Insular Affairs Committee in a 126-page report submitted to Congress. But as long as the Republicans oppose the admission of Alaska, which votes Democratic, and the Democrats will not accept Hawaii alone, there is little chance that the report will be acted upon.

BICC RAILWAY ELECTRIFICATION

in every continent

GT. BRITAIN
British Railways
London Midland Region
Eastern Region

AUSTRALIA
Victoria State Railways
New South Wales Railways

BRAZIL
Estrada de Ferro Central
Estrada de Ferro Santos a Jundiaí

SOUTH AFRICA
South African Railways

INDIA
Great Indian Peninsula Railway
Bombay, Baroda & Central India Railway



BRITISH INSULATED CALLENDER'S CABLES LIMITED
21, BLOOMSBURY STREET, LONDON, W.C.1

The glamour of the steam train yields ground to the clean, swift, economic efficiency of electric locomotion. More and more railways throughout the World are being electrified. The Engineers of the BICC Group—British Insulated Callender's Cables Limited and British Insulated Callender's Construction Company Limited—have had unrivalled experience in this work. The Group has electrified hundreds of miles of track in every continent and is fully equipped to undertake complete schemes of all types of railway electrification in any part of the World. A recent contract in this country was the supply and erection of overhead line equipment for the Manchester-Sheffield-Wath Lines of the Eastern and London Midland Regions of British Railways. Another project being undertaken is the electrification of 232 track miles of the New South Wales Railways, the contract for which was awarded to the BICC Group in the face of keen international competition. On the left we list some of the railways for which the Group has carried out electrification work. Further details are available in Publication No. 13 "Railway Electrification" which will be sent to you on request.



"Daddy, where does the water

Water, you tell him, comes down from the sky in the form of rain. It is collected in giant reservoirs and pumped along pipes to our taps.

But the story is not always as simple as that. Over huge areas of the earth's surface man has to delve and pump to find water for his thirsting, arid lands. And for that he needs power—diesel power.

In Egypt, French Morocco and South Africa, for example, diesel engines supplied by The National Gas and Oil Engine Co. Ltd., a member of THE BRUSH GROUP, provide power for irrigation schemes that enable barren land to produce cotton, maize, rice, bananas and general farm produce. All over the world BRUSH GROUP diesels are forcing the desert to retreat.

THE BRUSH GROUP LIMITED

Manufacturers of electrical equipment and diesel engines for industrial, agricultural, traction and marine purposes

DUKE'S COURT • DUKE STREET • ST. JAMES'S • LONDON, S.W.1 and throughout the world

come from?"

Brush Electrical Co. Ltd.

Mirreles, Bickerton & Day Ltd.

J. & H. McLaren Ltd.

The National Gas and Oil Engine Co. Ltd.

Petters Ltd.

The World Overseas

New Chance for Nepal

FROM OUR SPECIAL CORRESPONDENT LATELY IN NEPAL

THIS week there has been a change of monarch in Nepal, which may well prove to be a turning-point in the country's history. The 1950 rebellion against the Rana rulers—the hereditary prime ministers who had usurped the King's power in 1846—brought the royal family back into politics; and the Nepalese have for their royal family a more than British loyalty, for the King is the incarnation of Vishnu. The late King Tribhuvana, who died this week, did not do much more than provide a rallying-point; but his eldest son, the new King, Mahendra Bir Bidran Shah, is both serious-minded and universally respected. As Regent for his father while the latter was undergoing medical treatment in Europe, he has already made his mark. And in his first proclamation to the people of Nepal he has appealed to them for unity and co-operation in the work of national reconstruction.

Before 1950, nothing at all had been done for the people of Nepal. The Rana rulers treated the country like a large private estate. There are a few mission schools, but no colleges, no university, only one hospital, only one road from the rail-head at Raxaul to the bridge path at Bhimphedi. Goods have to be carried to Katmandu, the capital, on human backs or by ropeway. There are no industries, except a couple of jute mills in the Terai, no public utilities, no legal codes, no administration and, strangest of all for a country world famous for its Gurkhas, practically no army. There is not even a proper taxation system, for the Ranas used to get their revenue from Customs, from the Gurkha capitation fee, and from farming out the country's natural resources—timber and rice—to minor relations who kept most of the benefits for themselves. The Rana Maharajas took an annual revenue of £1.5 million from Nepal; 90 per cent they kept for themselves, for investment in India, overseas or in jewels; 10 per cent they spent on such necessities as a sham army recruited from the unmartial people of the Valley of Katmandu, on runners and on *chowkidars*, watchmen who even today act as government information agents. It would still take nineteen days for an invasion from Tibet to be heralded in Katmandu. India has

installed a few radio sets in key places, but they are perpetually out of order and no one knows how to operate them.

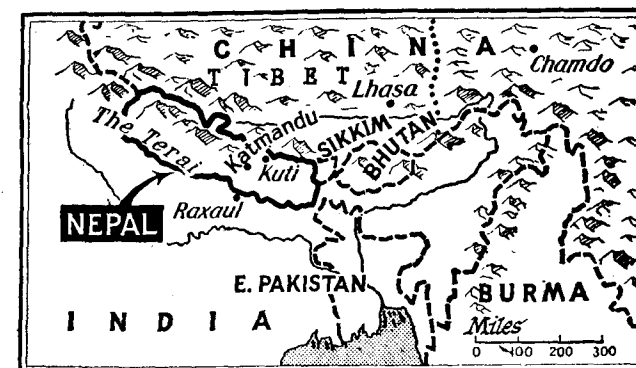
Nepal has to be seen to be believed. In the twentieth century it is difficult to visualise a land where, except for natural beauty, rice fields and the monuments to the vanity of a few men, there is nothing. The capital is littered with huge palaces in disrepair, and some 2,700 tumbledown temples, but there are neither roads, nor municipality, nor taxes for its 150,000 people; and, except for the occasional honest foreigner, nobody pays for the trickle of light they call electricity. The Customs official who looks at passports is illiterate; the bandits who roam the hitherto peaceful valley of Katmandu are policemen. In such a situation it is fashionable to describe a country as "ripe for Communism."

Yet in the case of Nepal this would be quite wrong.

It is true that the country occupies a strategic position on Tibet's border; that China, which shows Nepal as Chinese territory in its latest maps, has just opened a three-ton lorry road from Northern China to Lhasa via Chamdo and is actively extending it to the Kuti Pass. But aggression against Nepal would be unprofitable for

many reasons. The valleys all run the wrong way. There is a high Himalayan mountain ridge between each valley and the next. Nobody in Nepal, except the few Bhutias, speaks Tibetan or Chinese. Nepal's boundaries are backed by an Indian guarantee. Nepal's allergy to foreigners is so universal that the country would rise like one man against an invader. Above all, Nepal is only worth having as a dagger in India's back; and if China ever wished to invade India, the Na-tula Pass in Sikkim would be easier.

Nevertheless, one cannot altogether dismiss the possibility of Nepal going Communist. There are many Indian Communists in the Terai, and the few literates—under 3 per cent—read the *Times of India* and listen to All India Radio extolling China's friendship and India's own remarkable progress. Were the educated to revolt, the whole administrative structure is so negligible that Dr K. I. Singh, the Nepalese rebel leader now in exile in China, might come back with his core of trained followers and



capture power. Dr K. I. Singh is reputed to be honest and able as well as a Communist; he is not a foreigner and his countrymen's habits of passive and unquestioned obedience would play into his hands. The success of the Indian military mission in building up the Nepalese army may, however, soon make any such *coup* impossible.

India cannot ignore Nepal. In 1950, when the revolution against Rana oppression flared up, the late Mr Kidwai (not Mr Nehru) in effect allowed the revolutionaries to use India as their base. It was perhaps incorrect of him; yet he had no option. To have left the Ranas would have been to invite a Communist *coup* at some later date. Nepal's relations with India are ambivalent. There are deep bonds—linguistic, religious, racial, cultural. To the foreigner Nepal is like a very backward India. Nevertheless, there is in the country a deep-seated suspicion of outsiders. This ambivalence puts India in a very difficult position. The kinship is such that the two countries cannot treat each other quite like any other foreigners; yet the Nepalese allergy to strangers is so great that whatever India does is wrong. The Nepalese politicians swarm to the Indian Embassy for advice; and go away to attack India. Nepal cannot manage without Indian missions and then does not act on their advice. Nepal's budget—25 per cent in deficit—is far too small for any real development; so most of the development is done from India's £6 million, much of which is given under the Colombo Plan. India's money is paying for the building of roads, an all-weather airport, training the army, giving scholarships and helping all round. Other help—from the United Nations and the Americans—is by comparison a dribble. But while the people are grateful for it, they are not grateful for Indian help; they complain that the Indian army, which pays the labourers on its roads 3s. 6d. a day, is upsetting the labour market.

Sixty-nine Political Parties

One difficulty is that the 1950-51 revolution was incomplete. The new government was split into two, with three ministers from among the old Rana ruling caste and three from the new middle-class politicians who had been English-educated in India. The Ranas, headed by General Mahavir, the financier of the revolution and Nepal's black angel, did not co-operate with the politicians. Government after government tumbled while General Mahavir, taking advantage of the King's poor health, made money and fomented intrigues. The politicians, frustrated by the Ranas, instead of ushering in the promised reforms, quarrelled among themselves until there are now 69 political parties in the Valley of Katmandu. Thus the first four years of democracy brought chaos and lawlessness instead of progress.

Nevertheless, the situation is far from desperate. The new King began well before ever ascending the throne. At the beginning of this month, shortly after he had been made Regent, he dissolved the Cabinet, asked the politicians to prove the size of their following, announced the introduction of income tax and decided to tax the large land holdings of the Ranas. Moreover, because he alone has a position totally independent of anyone's support, he alone can ask India for the aid—which need not be very great—that his country needs to create the necessary administrative and technical services. The new King at least has the opportunity. He, and perhaps only he, could turn his obsolete Himalayan state into something approaching an Asian democracy.

Divisions in Germany

FROM OUR SPECIAL CORRESPONDENT

THE period when economic reconstruction was pushed forward in a framework of comparative political stability seems at an end in the Federal Republic. The crucial issue of rearmament in alliance with the West has rent the political fabric of the country, even though no party in the government wants to break up the present Bonn coalition. Splits have appeared in all the parties—least among Dr Adenauer's own Christian-Democrats—and in the Evangelical Church and the trade union federation. At the same time, the Russians appear to be making an effort to form an unholy alliance with some nationalist and former Nazi elements.

The split in the Evangelical Church (a union of the Lutheran and Reformed Churches which is much more akin to the Church of Scotland than that of England) was not healed at the all-German synod held last week in the Federal Republic. On the contrary, the chief result of the meeting was to make clear how many of the East German Protestant clergy accept the Soviet Zone regime, and how many of their colleagues in the west oppose the Paris treaties, on the grounds that they prevent reunification and foster civil war. To understand this phenomenon it must be recalled that the strength of the Protestant church lies in former Prussia, and its tradition is to submit to the state, whose ruler before the 1918 revolution was at the same time spiritual head of the church. At last week's synod, Herr Heinemann, who leads a small neutralist political party, was not re-elected to the post of Moderator, but he was brought into the church "government"; and Pastor Niemoeller, another neutralist pacifist, was confirmed as head of the church's "foreign office." The rank and file of the clergy were left without unequivocal guidance on the burning question whether they should take part in politics, and, if so, on which side—for or against the Paris treaties. Under these circumstances, it may be expected that the Russians will continue their efforts to use the pastors for their own purposes. One of their instruments is the Metropolitan Alexius of Moscow. This propagandist for "peace" is a modern version of the Orthodox and Calvinist churchmen who tried to bring the two bodies together on an anti-papal platform at the time of the Reformation. The attempt failed then, and may fail again, but it certainly will not be for want of trying by Soviet wire-pullers.

Dr Dehler Burns His Boats

The second split which has come into the limelight in recent days is in the Free Democratic party, the largest of Dr Adenauer's coalition "partners." The party chairman, Dr Dehler, burned his boats with the Chancellor by attacking him fiercely during the debate on the Saar agreement last month, and the internal fight revolves round the question whether the party should support their leader. There are various factions in the FDP, ranging from South German liberals to right-wingers who think that the party should be the political home of ex-Nazis. The tendency in recent weeks has been to strengthen the right wing under Herr Middelhaue, a deputy-chairman and a minister in the North Rhine-Westphalian government, but in Berlin the FDP has strongly criticised Dr Dehler and Herr

Queue Questions

2



SNOWBALL

London Transport believes it knows the sort of bus service that London needs and London deserves. Consider, for example, the No. 11 route from Shepherd's Bush to Liverpool Street Station. The service as planned should provide a bus every 600 yards or so; at any moment there should be three in Victoria Street, all moving steadily along. But we know it is not like that; there are traffic delays and buses sometimes come in bunches. And a similar story is true for all the routes that thread Central London. Congestion of the streets is strangling public transport.

The Londoner who owns a car may try to solve his individual problem by driving to work. But his logic is at fault. His car is adding to the demand for road space until it is finally lodged in garage or park (if indeed he is not obliged to leave it in the street). In solving his own problem he is adding to the problems of others. The crowded streets are made more crowded, the bus service becomes even less satisfactory. More bus passengers lose heart and in their turn take their cars to work. The snowball grows...

But if this melancholy progress could be reversed. If the motorist, frustrated and unhappy, would leave his car at home and entrust himself to bus or tube, then in time the clutter would begin to disappear from the streets. The buses would go through without delay and difficulty. Bus services freed from the shackles of over-crowded roads would regain the efficiency and regularity which is the right of the Londoners who use them.

ISSUED BY LONDON TRANSPORT



Wherever there gathers



a halo of Taxpayers



a cover of Underwriters



there's a fitting of

Church's

famous English shoes

Leathers, lasts and styles to fit the occasion, the mood and the man

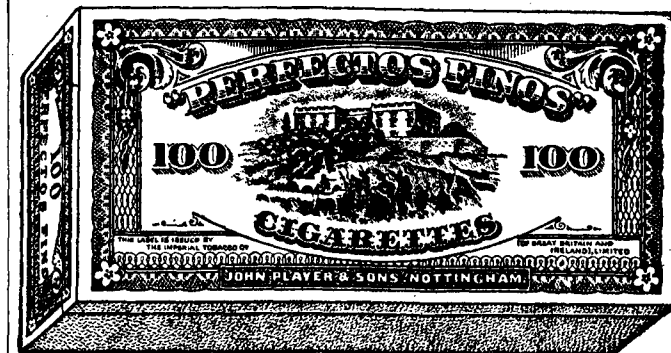
Shown here are 'Chetwynd', brown or black calf, or brown suede, 112/6. 'Messenger', brown or black calf, 89/9.

From authorised Agents throughout the country.

For nearest address write CHURCH & CO. LTD., DUKE ST., NORTHAMPTON



An essential contribution to

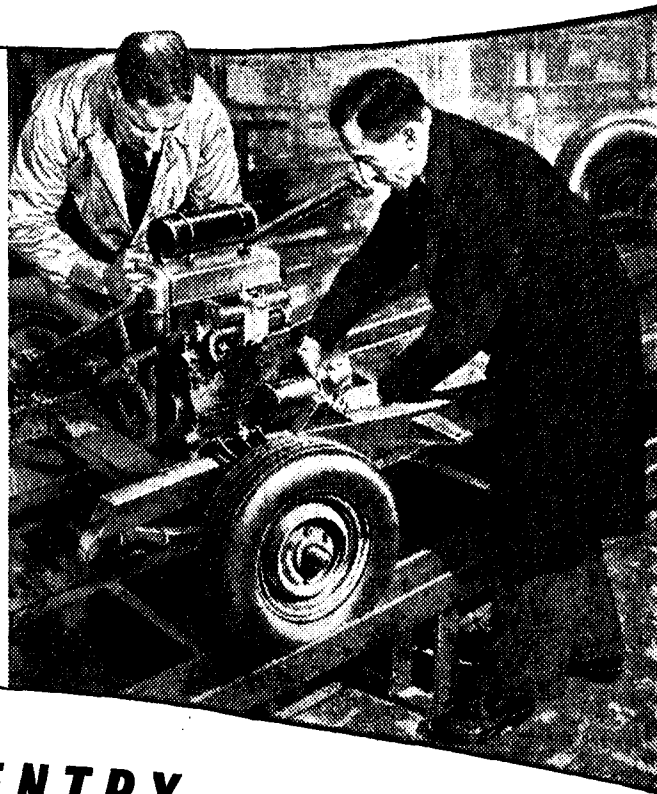
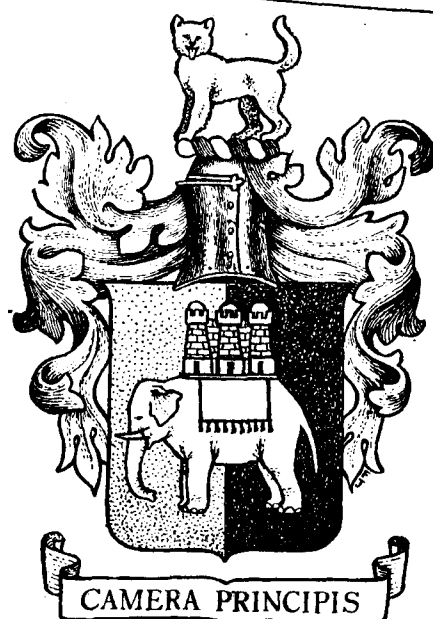


the art of gracious living

PERFECTOS FINOS 50's 14/8 100's 28/4
PERFECTOS No. 2 50's 11/8 100's 23/4

JOHN PLAYER & SONS, BRANCH OF THE IMPERIAL TOBACCO CO. (OF GREAT BRITAIN & IRELAND), LTD. (1950A)

The World is their Market



COVENTRY

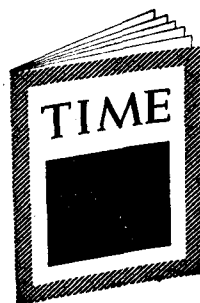
Coventry, once famous for fine woollens, is now a city of engineers. And much of its engineering skill is employed in the production of cars. Coventry's cars—designed and built for the world—come off the assembly line power-packed and beautiful to look at. But in Coventry they know that the end of the assembly line is only half way to prosperity. The cars they make must be sold—sold in a world market that grows more and more competitive.

It's the same in any industry. Making products for the world is only half the job. You've got to show them, sell them—and sell them hard—wherever a market for them exists. Many manufacturers—including Britain's leading car manufacturers—are doing this very successfully through TIME, The Weekly Newsmagazine.

SELLING IN OVER 100 COUNTRIES

TIME'S net paid audited circulation exceeds two-and-a-quarter million copies. 93% of the readers of TIME hold influential positions in business, government and the professions. They look upon TIME not only as the best means of keeping abreast of international news, but as an introduction to the world's foremost companies and products.

There are five separate editions of TIME* with the same editorial content. One circulates only in the United States. The other four—the International Editions—are published simultaneously and read by important people in over 100 countries outside the U.S.A. You can buy advertising space in just the editions you want, covering the world markets in which you are most interested.



Advertising in TIME sells around the world!

TIME

THE WEEKLY NEWSMAGAZINE

TIME Atlantic
TIME Pacific
TIME Latin American
TIME Canadian
TIME U.S.

TIME & LIFE BUILDING, NEW BOND STREET, LONDON, W.1 • Telephone: GROSVENOR 4080

Middelhaue. The Berliners demand that the party should support Dr Adenauer's policy of strength as the best way of dealing with Moscow.

The picture of disunion is the same, though not so visible, inside the leadership of the Socialist party and the trade union federation. The BHE, or refugee party, is also split on the crucial issue of the treaties, and even the Christian-Democrats are not as united as they were. The opposition is really directed against the Paris defence treaties, and the Saar settlement is only brought to the fore in the attack because it forms the weakest spot in Dr Adenauer's defences. As the Social-Democrats well know, if the Saar agreement is not ratified by the *Bundesrat* or if an appeal to the constitutional court can be used to block it, the result may be the downfall of Western European Union. The door will then be open for talks with Moscow on one of the forms of neutrality for Germany which the Socialists have in mind.

Mr Strijdom's Hundred Days

FROM OUR CORRESPONDENT IN SOUTH AFRICA

MR STRIJDOM'S South Africa is very much like Dr Malan's—only more so. Although the new Prime Minister has spent a good part of his three months in office reassuring various sections that his government's intentions towards them are strictly honourable and that they have nothing to fear, there are no indications that Mr Strijdom or his principal lieutenants are going to modify their political approach now that they are in power. The speech from the throne promised not only that Parliament would continue to seek means of depriving the Coloured people of the Cape of their common roll franchise rights, but also that it would seek to establish its own sovereignty *vis-à-vis* the courts. The Prime Minister still has to reveal his plans for achieving these goals, but it is difficult to see how another bitter constitutional crisis is to be avoided.

Mr Strijdom is far more determined than Dr Malan ever was to "establish the sovereignty of Parliament." He has come to link this—which in his view means depriving the courts of such testing rights as they may possess—with the ultimate attainment of a republic, and is determined that no court is going to prevent him from achieving this life-long goal. He is perfectly sincere, no doubt, in saying that Parliament at the moment is not sovereign because it cannot do precisely as it wishes by ignoring its own rules, for his party regards the South Africa Act as a "foreign" statute.

This does not mean, however, that Mr Strijdom will do anything rash or precipitate about either the Cape Coloured voters or the sovereignty of Parliament. Nor will he take action to establish a republic until he is ready and he thinks the moment opportune. He has already said that in the life of this Parliament there will be no official move to establish a republic. His three months in office suggest that the Prime Minister is quite as shrewd as his old predecessor, and he may in time also develop Dr Malan's patience and sense of timing.

In the realm of administration, Mr Strijdom is already reaping the fruits of shunting Mr Sauer out of the Ministry

of Transport and replacing him by Mr Schoeman, who lost no time in taking energetic steps to overcome the railway crisis brought on by the system's inability to carry the goods offered it. The business community is especially pleased with Mr Schoeman's vigour; and although it is early to speculate, Mr Louw's tenure at the Treasury might well be nearly as acceptable to industry, mining and commerce as Mr Havenga's was. Although the decision to entrust him with External Affairs as well as Finance has been criticised as impracticable, it is unlikely to be reversed. The present Cabinet team will probably remain basically unchanged for a long time, with Mr Strijdom, Dr Verwoerd, Mr Swart and Mr Louw as the Big Four. And it becomes clearer every day that after the Prime Minister—some observers would even say with him—the biggest of the Big Four is Dr Verwoerd, the Minister of Native Affairs. His handling of the Western Areas removal scheme—the thoroughness of the preparations, the determination to brook no interference, the staggering display of force, and the Minister's provocative and intemperate attacks on all who either gave him friendly advice or threatened to say him nay—all this has finally stamped Dr Verwoerd as the implacable, ruthless politician that his opponents have always thought him to be. He is setting the pace in Parliament this session as he did last, and not even the outcry that met his fantastic scheme of some day clearing the Western Province of the Cape of its African population—which today numbers about 178,000—has deflected him. Dr Verwoerd has linked *apartheid* with the survival of the white man in Africa, and whereas Dr Malan and Mr Havenga might have slowed down his pace, Mr Strijdom shares his views so wholeheartedly that the Minister of Native Affairs is able to forge ahead.

Nobody knows where Verwoerdism will end, but a good many people are most apprehensive. There are even Nationalists who express private concern about Verwoerdism, just as there are many followers of Hertzog who are deeply unhappy about the party's treatment of Mr Havenga. In the Free State a former Hertzogite MP, Mr Fullard, has resigned in disgust because, he alleges, former Havenga men are being treated like "bywoners" (sharecroppers). There is no doubt that a small section of the Nationalist rank and file is bitter about Mr Havenga's ejection, and among them are Malan men who feel that their leader's wishes were flouted when the parliamentary caucus chose Mr Strijdom. These rumblings in Nationalist ranks are at the moment only a sign of unrest, partly personal and partly ideological, but they could also arise out of concern over the course upon which the uncompromising leadership of the party has embarked.

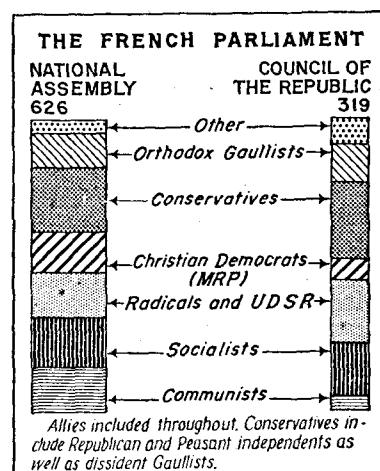
French Senators on the Brink

THE charming Luxembourg Gardens in Paris lie between the Latin Quarter, the once Proustian, now "existentialist," St. Germain and artistic Montparnasse. Within stands the Luxembourg Palace, somewhat reminiscent of the Florentine Pitti. Since 1800 it has been, with only brief interludes, the seat of France's upper chamber. It is here that the Council of the Republic should within a

few days decide whether or not France will finally put its reluctant signature to a document authorising Germany to rearm. Not only an outright veto but even an amendment to the London and Paris agreements would be enough to make necessary a second reading in the National Assembly; that is, it would involve at least the indefinite postponement of ratification and more probably the burial of the whole project of Western European Union.

It may seem strange that this critical decision is to be made by an institution which is the result of an afterthought. At the birth of the Fourth Republic its ancestor was so discredited that no provision was made for the senate in the first constitutional draft. The proposal for a unicameral parliament was, however, rejected in a referendum. The Communists and Socialists, who were then in a majority, opted for the second best: a weak upper chamber, whose political make-up should not differ greatly from the lower one. Thus the Council of the Republic can meet only when the National Assembly is in session and its legislative powers are chiefly of a delaying nature. But with the Third Republic coming back into favour, the Council has tended to regain the importance of the former senate. In the present case, indeed, the Council's delaying powers are almost equal to a veto. A bill rejected or amended by the Council would have to be debated all over again by the Assembly and even if the latter did not change its mind—which is far from certain—the Council could still postpone ratification by an additional hundred days. Both Washington and London have made it plain that they will not wait so long. Thus only if the Council's reservations—such as a request for four-power talks before implementation or for a clarification of the Saar agreement—are expressed in the form of a pious hope, can trouble be avoided.

The delaying power of the Council has become important because the draftsmen of the constitution did not succeed in their second objective. A glance at the accompanying table shows that politically the upper chamber is no longer the image of the lower one. It was so at first thanks to an electoral system which could be defined as indirect proportional representation. But the system has been changed. The bulk of the 320 senators (246 for metropolitan France and 74 for the overseas territories) are elected on a majority vote, not by proportional representation. The electoral college has also been altered drastically. It now consists not only of deputies and county councillors, but also of 100,000 representatives of municipal councils. A combination of indirect election, rural bias, and predominantly majority voting explains the relative weakness of the Communists and the strength of conservative elements. The small number of Christian Democrats is due to the fact that the Council was originally elected at the height of the Gaullist wave.



One half of the Council is elected every three years and the next senatorial poll in fact takes place this June. Since many senators are also directly or indirectly involved in next month's local elections, the Communists have seized this opportunity to stage a pressure campaign in the Luxembourg lobbies under the slogan: "No votes for the supporters of the *Wehrmacht*." M. Fauvet, however, has calculated in *Le Monde* that, because of the indirect voting procedure, few senatorial candidates are really greatly affected by the Communist threats. The situation would be different if the Gaullists joined in an all-out campaign against German rearmament.

On the eve of the debate the remarkable thing is the astonishing apathy of the Gaullists. The General himself has as yet made no appeal against ratification; his supporters in the upper chamber seem, on the whole, resigned to the inevitable. Indeed, at this stage, this would appear to be the prevailing mood among all the opponents of the Paris agreements, with the exception of the Communists. Parliamentary arithmetic, lassitude, the desire to avoid a second debate in the Assembly, in some cases fears of a swift western reaction and consciousness of the futility of a French veto—all these factors seem to contribute to this mood. Unless the Gaullists launch a last-minute counter-offensive, M. Pinay should get the treaties through. Yet the French parliamentary mood is fickle. So much will depend on the atmosphere of the debate itself. Adroit speeches on the Saar or on negotiations with Russia could sway many a vote. The air of the quiet Luxembourg garden may be filled with drama next week. With all eyes fixed on it, the Council has to decide: will it write the epilogue to one crisis or the prelude to another?

Strong Medicine for Danes

FROM OUR CORRESPONDENT IN COPENHAGEN

LATE on Monday evening, after a three-day extraordinary session which was both broadcast and televised, the Danish Folketing adopted by 89 votes to 86 an emergency programme introduced by the Social Democrat minority government to combat the steadily worsening balance of payments position. Hr H. C. Hansen, who took office after Hr Hedtoft's death in February, has thus survived the first major crisis to confront him as Prime Minister. The government plan was supported by the Social Democrats and Radicals and—in dramatic defiance of his own party—by Professor Thorkil Kristensen, the former Liberal finance minister and one of the shrewdest opposition politicians.

To halt over-consumption by mopping up surplus spending power is the emergency programme's aim. The new indirect taxes, which become effective immediately, together with various economies, will provide an estimated 900 million kroner (£45 million) over the next two years. Purchase tax of 10-15 per cent on a wide range of domestic articles, including clothing and plastics, should produce 275 million kroner (£13½ million) annually. Taxes on petrol, tea, coffee and cinema tickets are raised. Many non-essentials—radios, television sets, furs and jewelry among them—will become dearer. Milk subsidies are abolished, but children's allowances are increased. Postage and railway freight charges will rise.

The new plan constitutes the third and most drastic instalment of correctives applied since the Social Democrats took office in September, 1953. It may be recalled that last June clouds on the economic horizon caused the government to raise the bank rate from 4½ to 5½ per cent, to cut public building and curb imports of American cars. In September the continued drain on reserves led to higher taxes on beer, spirits and tobacco and restrictions on hire-purchase transactions. As the price of their support, the neutralist Radicals exacted cuts in defence expenditure, reduction of military service from 18 to 16 months, and the exemption of 3,000 men from the 1955 call-up.

These earlier measures proved ineffective. The new plan represents a real attempt to stop the rot at the risk of unpopularity. The broad masses are to have a taste of what Hr Kampmann, the Finance Minister, described as "strong medicine." A neat piece of financial jugglery ensures that the higher prices resulting from the new taxes will not have the effect of raising the cost of living index (to which wages are linked). The government will issue 400 million kroner worth of 5 per cent bonds to taxpayers, graded according to taxable income.

When presenting the Economic Survey for 1954 last week, Hr Krag, the Minister of Economics, painted a dismal picture; and it was against this background that the government acted. The 1954 trade deficit of 1,470 million kroner (£73½ million) was double that of 1953; the drain on reserves for the year reached the equivalent of £25 million. At the end of February Denmark's dollar reserves stood at the equivalent of £28½ million, but the country owed £35 million to the European Payments Union, from which additional credit facilities are limited to £8½ million.

Over-consumption, resulting from full employment and high wages, has been the root cause of Denmark's economic difficulties. Last year nearly the entire labour force received a 6 per cent increase in pay. The higher cost of living automatically brought further increases this year. Contributory causes were the poor harvest (13 per cent below 1953) and the breakdown of trade talks with Russia. Furthermore, towards the end of 1954 the terms of trade turned against Denmark. However, barring misfortunes—like the inopportune threat of agricultural workers to strike next month—the crisis plan stands a fair chance of success.

Honourable Duty for Chinese

CHINA is showing great caution in building up its conscript army. A draft conscription law, drawn up by the State Council and debated by the Standing Committee of the National People's Congress last month, is now being circulated for local discussion. The State Council (the body which consists of the ministers) is clearly anxious to discover the public's reactions. The local "people's committees" have been instructed to send in reports by the end of next month, and the law will finally be submitted for approval to the next annual session of the National People's Congress, probably in the autumn.

This anxiety is reflected in Chinese propaganda about conscription. The *People's Daily* of Peking had admitted that "some difficulties are expected" when compulsory military service is first enforced. "Because of their inade-

quate understanding of the system, some people still have doubts and worries of varying degrees. . . . We must carry out extensive publicity among the people," the paper said. The preamble to the draft law stresses the need for patriotism. In a passage almost worthy of Kant's gradations of obligation, it refers to the "sacred duty" of citizens to defend the fatherland and their "honourable duty" to perform military service as required by law.

The new proposals are based on the experience gained from last September's conscription order, under which 450,000 men have been called up during the winter months. The September order was clearly designed as a "trial run" for the conscription machine. Its main provisions are embodied in the present draft law. For NCOs and privates in the army full-time conscription will last for a period of three years, in the air force four years and in the navy five years. Exemption may be granted to men who are only sons or the sole support of their families, as well as to those medically unfit and to students. "Counter-revolutionaries, feudal landlords and bureaucratic capitalists deprived of their political rights" are denied the privilege of serving their country. Otherwise every man between the ages of 18 and 40 is liable, and after his active service he will be transferred to the reserve. Men reaching the age of 18 will register by July 1st each year, but enlistment will be delayed until November, after the harvest.

How Many Conscripts?

How many men can China conscript each year? In theory, something like three and a half million young Chinese might register every year, and about two million of them would actually go into uniform if exemptions were granted on the same system as in Britain. In fact, neither the economy nor the administrative machine could deal with anything like that number. From the diffidence with which the Chinese are approaching the problem it seems that this winter's intake of 450,000 has been troublesome enough. It is emphasised by the *People's Daily* that what is now being done is part of a "gradual enforcement" of conscription. There is to be no swift release for the existing volunteer army: the draft law provides for their retirement by stages in accordance with requirements. The number of conscripts actually to be called up each year will be decided by the State Council, which will allocate quotas to the provincial authorities, who will in turn allocate sub-quotas to smaller areas.

The State Council knows that with a population of nearly 600 million, not all of them fully disciplined yet, universal conscription in China would create a monster. The Council wants the monster to grow up slowly under its control. To

"Motor Business"

The current issue of this quarterly research bulletin for the motor and allied industries deals with:—
The domestic and export markets for agricultural tractors.
Car ownership and purchase in Britain.
Second-hand price indices of cars and vans.
The bulletin is fully illustrated by charts.
For full particulars of this service apply to:—

THE ECONOMIST INTELLIGENCE UNIT
22 Ryder Street, St. James's, London, S.W.1
Whitehall 1511. Ext. 47

help enforce discipline the Chinese have borrowed from Russian experience. Officers, instead of being designated by their function—company officer, battalion commander, and so on—will now be given orthodox military ranks. Officers of the reserve will enjoy various privileges under the proposed legislation—expenses when they report for training, leave with pay from their places of work and the guarantee that their posts will be kept open for them. The conscription law mentions no such privileges for other ranks. In addition, the Standing Committee of the National People's Congress last month adopted a series of regulations providing for the award of campaign medals and orders for distinguished service. These will be retrospective; one of the medals, that of the "1st August," will be awarded to men who fought in the revolutionary wars in the ten years after the establishment of the People's Liberation Army on August 1, 1927.

A sort of officers' training corps is also provided for. Students at senior middle schools are to be given military training before conscription, and those at higher educational establishments will be trained to become officers of the reserve. Training at both school and university is apparently to be universal and compulsory. It looks as though something like a class of professional officers is to be fostered—the *People's Daily* has referred to "career officers" who are required to make the safeguarding of the country "their long-term job or even their career."

In the process of conscription considerable power will be wielded by the "military enlistment bureaux." These, the draft law is careful to specify, are military organs to be set up in each enlistment district to administer the work of enrolment. Since the number of men required for active service each year is likely to be considerably smaller than the total number of those who register, the enlistment bureaux will enjoy wide discretion. In rural areas especially, they are unlikely to have long lists of deferred occupations to guide them in their choice of whom to enrol and whom to leave out (as America draft boards have). This may be a clue to one of the secondary aims of the new conscription law; it may be a weapon to brandish over the heads of those who make themselves unpopular with the local authorities by a "reactionary" attitude.

It is most unlikely that China's aim is to create a monstrous and unwieldy conscript army ready for action in the near future. More likely the purpose is to provide replenishment for the existing army, for which the flow of volunteers is proving inadequate, and gradually to build up a competent reserve force which is better trained than the present militia. There are vast problems of morale and administration to be solved before the Chinese can throw their conscription machine into top gear.

Shadows over Argentina

FROM A CORRESPONDENT

THE talks in Buenos Aires about the new Anglo-Argentine trade agreement have taken place against a disheartening background. Past experience in this trade ought to have taught the lesson that agreed figures set down on paper have little relevance to the amount of trade

eventually done, which depends on such hard facts as Argentina's ability to earn foreign exchange and Argentina's needs. These facts remain hard, in spite of all the efforts made in Buenos Aires to blur their edges. While Argentina admittedly has a sizable surplus of wheat for sale, much of this is already committed under existing bilateral agreements (the recent trade pact with Brazil alone calls for a million tons a year). The meat situation is still unpromising; the quota required by the last Anglo-Argentine protocol, which should have been shipped by June of last year, is only now being completed. The recent drought severely damaged the maize crop, which would otherwise provide a major export commodity. In January exports of maize were completely suspended; and it seems that all the available supplies will be needed for the home market unless other grains can be substituted for maize for stock-breeding purposes.

The outlook for Anglo-Argentine trade might, of course, improve substantially if Argentina could step up its domestic production of petroleum and thus reduce its requirements of foreign oil. For that, however, it must obtain more assistance from foreign capital, and this remains an uncertain factor. Last week President Perón's campaign to attract foreign capital marked a signal success when the Export-Import Bank in Washington approved a \$60 million line of credit to help finance the sale of American equipment for the \$250 million steel plant that is to be built on the Parana river. But the bank's action has been vigorously criticised in the United States, not only as implying official approval of the Perón regime, but also as being a poor risk. Many potential investors are still far from convinced that the *Peronista* leopard has changed its spots.

Wooing Foreign Investors

The extremity of Argentina's present need for foreign assistance is reflected in the foreign tour lately undertaken by Sr Hogan, the minister for agriculture. Sr Hogan, a former ambassador in London and a widely respected representative, was an obvious choice for the task of encouraging British and American investors. Less convincing are the arguments now deployed in favour of new British ventures. The British are alternately warned that German and Italian capital is rushing in ahead of them and reassured that American capital is not. To the shrewder of them the fine words of the new law on foreign investments seem less important than the fact that in Argentina official corruption, especially in state-controlled commerce, has reached an unprecedented peak, and that inflation is again a pressing threat to the whole economy.

Some two years ago a government spokesman admitted in the Argentine Congress that President Perón's first five-year plan had only been financed by recourse to inflation, but he claimed that the second plan would avoid this. Inflationary pressure was, indeed, checked during the interlude between the two plans, but now the government is working the printing presses hard again. Between January, 1954, and January, 1955, the note issue rose by over 5,300 million pesos, an increase of a fifth. Banking loans and deposits show comparable increases, and loans still overtop deposits by about 70 per cent. Nor is this at all likely to prove a brief episode. The projects of the second five-year plan commit the government to heavy capital investment, and it seems bound to have recourse to further inflation.

man and tree

If nature is kind, a man may live in health to a hundred years, a tree to a thousand. Man's knowledge of the chemistry of health is increasing. Through science man is gradually making nature kinder and more predictable.

Fisons are in the business of chemicals.

Their main manufacture over the last hundred years has been chemical fertilizers to enrich the soil.

But they make chemicals for medicine and industry, too.

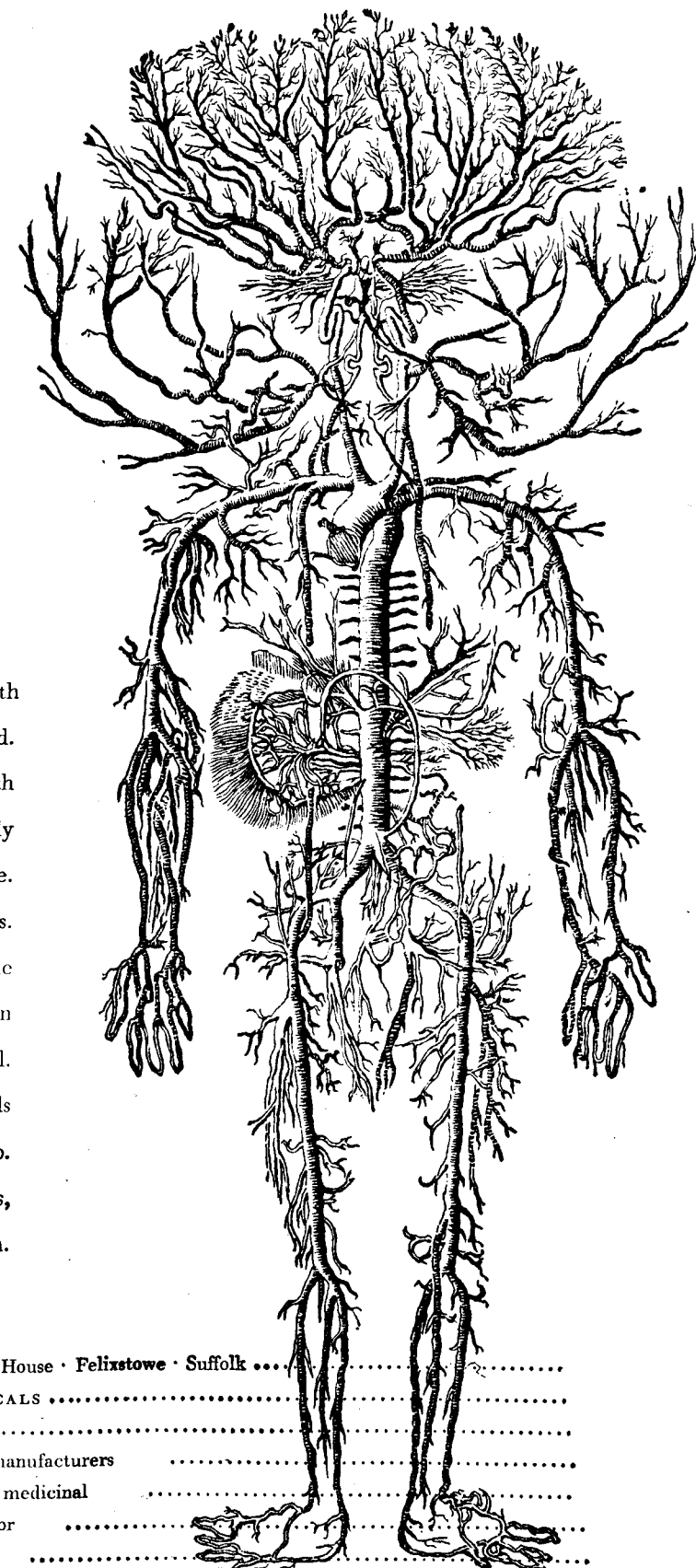
Fisons contribute to Britain's harvests, health and wealth.

FISONS LIMITED · Harvest House · Felixstowe · Suffolk

FERTILIZERS · HEAVY CHEMICALS

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

it's all in **FISONS** field





Finance for Industry and Commerce

ICFC provides finance in the form of long-term loans on fixed terms, or share capital, to industrial or commercial enterprises established in Great Britain. Amounts range normally between £5,000 and £200,000.

The Corporation is ready to consider applications for capital to purchase additional buildings, plant and machinery, or to provide increased working capital to further the expansion of business. Consideration will also be given to new ventures which are soundly conceived and adequately sponsored.

Please ask for our new booklet—"Capital for Business and Where to Find it".

INDUSTRIAL AND COMMERCIAL FINANCE CORPORATION LIMITED

Subscribers: The English & Scottish Banks.

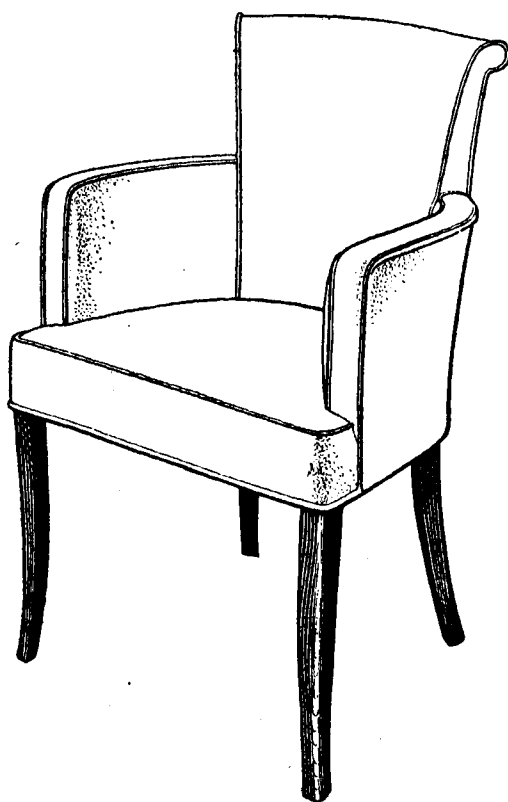
HEAD OFFICE:

7, DRAPERS' GARDENS, LONDON, E.C.2
Tel: NATIONAL 8621/5

BRANCHES:

BIRMINGHAM—214, HAGLEY ROAD. Edgbaston 4181
MANCHESTER—73, WHITWORTH ST. Central 5429
EDINBURGH—33, CHARLOTTE SQ. Edinburgh 30212

Well-padded Cell



Senior executives condemned to spend long hours sitting on committees should consider this new Heal chair, especially designed for conference and boardrooms. The well-padded arms and well-sprung seat will see you through even an all-day meeting in a very high degree of comfort indeed. There is a choice of covering materials—though we particularly recommend hide for long wear—and a special high-backed version to preserve the dignity of the Chair. Come and try out this chair in our Contracts Showroom, where you can always see a wide selection of Heal furniture for boardrooms and offices. Your visit will show you just why so many of today's leading and most progressive companies—both in Britain and abroad—bring their furnishing and decorating problems to Heal's. If you cannot call, please tell your secretary to write for our booklet, *Furniture for Special Needs*.

HEAL'S CONTRACTS LTD.

196 TOTTENHAM COURT ROAD, LONDON,
TELEPHONE: MUSEUM 1666

THE BUSINESS WORLD

Guidance for Retailers

THERE have been great changes in the pattern of retail trade in this country since the war, but until now they have had to be sensed rather than measured. The retail economy, with its vast annual turnover, long lay in statistical twilight with no figures about the number, distribution and turnover of shops and distributors until the first Census of Distribution collected them in 1951. The publication of this enormous volume* of new material was not completed until late in January with the appearance of the third and final volume. Retailers and their suppliers who have managed for so long on a mixture of intuition and judgment without this pile of statistical hard tack may well ask whether such figures can have much value in the day-to-day running of their businesses.

To this, the only answer is that they ought to have. The census could be the plain man's guide to the state of retail trade. It can be made to throw a great deal of light on the state of retailing in a typical High Street of a town of any given size, or in a given part of the country. From its elaborate tables, the ordinary shopkeeper can measure the strength of the multiples and of the co-operatives, the kind of turnover that different shops secure and (as some partial measure of efficiency) the sales per head effected by their different staffs. He can get some idea of his competitor's trading margins, and the kind of turnover that those margins appear to support. But all this has to be mined from the tables, like gold from quartz; there are no nuggets just for the picking. It is putting the case for the census at its lowest level to say, as some of its apologists do, that traders will gain automatically from improvements that it is bringing about in the Board of Trade's monthly

retail figures. These have been based on a sample that was known to be incomplete and suspected (rightly as it seems) of being inadequate. Some of the improvements that the census makes possible have been put into effect in the January retail trade figures published last week-end, and others will follow during the year. Yet the census has cost the taxpayer £710,000 and it has cost traders much expenditure of time to complete the forms. These costs can be justified only if its results prove of positive value to shopkeepers.

No one has attempted to "sell" the census to retailers, and they cannot be blamed if they blench at the idea of using it. Yet with a little digging and a bit of guesswork the amateur statistician can draw useful conclusions from this gritty volume. Sales of clothing can be taken as an example. Here is a branch of retailing where some of the biggest changes in structure have occurred in this generation, particularly in the rise of the multiple chains. In 1950, when the census was taken, there were 531,000 shops of all kinds in the country and their combined turnover was £5,000 million. More than 2½ million people were employed by them and more than 400,000 people either owned their shops or were working without pay in them. Out of this total, just under a fifth (89,000) were clothing shops, scoring nearly 18 per cent of the country's retail turnover with sales of £885 million. They averaged nearly £10,000 of sales per shop, and their staff of 384,000 made sales of roughly £2,300 per head.

The census results show that these figures compare reasonably well with other kinds of shops. Sales per clothing shop and sales per head of staff conform to those for the retail economy as a whole. Had they not done so,

* HMSO. Short report 2s. 6d.; Vols I-III £2 5s. complete.

it would have been fair to assume that the clothing shops lagged in efficiency behind other types of retailer. On the other hand, one might have expected that the clothing group, which has the highest gross sales of any group apart from the food shops, should have set a lead in trading efficiency. The clothing shops as a whole do not seem to do this. Can the census explain why?

Its tables reveal a marked variation in the turnover of shops in different parts of the country. In Greater London, average yearly sales exceed £13,000; in parts of the north and midlands, they are less than £9,000 per shop. The south, south-west, the east, some other northern districts and Scotland record turnovers of £10,000 and £11,000 a year. This geographical variation in sales is a point of importance; but in addition there are marked differences in the size and turnover of different clothing shops in a given area. For example, in the country as a whole nearly 20,000 clothing shops (more than a fifth of the whole) sold less than £1,000 worth of goods in 1950; but at the other end of the scale, 2,367 shops did more than £50,000 of business each.

★

These figures vary in turn according to the particular part of the country to which they relate; if one takes the south-west as an area where clothing sales are reasonably high—they average more than £11,000 a year for its 4,700 clothing shops—the census shows that 16 per cent of the shops rank as very small (a smaller proportion than for Britain as a whole) and 141, or 3 per cent of the total, can be classed as big, with turnover exceeding £50,000. In Bristol, with a population of 442,600, there are 792 clothing shops with sales totalling £8.4 million. If Bristol is in any way typical of a big town, it is reasonable to assume that 175 of those shops are small, doing about £600,000 worth of business between them; at least 100 will be of moderate size with sales of £10,000 to £25,000 each, and that nearly half of the clothing trade of the city was probably done by about 30 big shops with sales of £50,000 or more.

How are these shops likely to be organised? In Britain as a whole, the multiples (defined as chains with ten or more shops) did a third of the trade in clothing. But they are not so strongly established as this in the south-west of the country. A higher proportion of shops belong to chains—17 per cent as against a nationwide average of 13.3 per cent—but their sales amount to less than 31 per cent of the region's clothing trade. It would not be wise, however, to conclude that what is true of the south-west as a whole is also true for a city of the size of Bristol. In such big towns the multiples account for more than 40 per cent of total clothing sales. Allowing for the relative weakness of the multiples in this part of the country, and balancing this against their known strength in big towns, the figures suggest that the multiple shops might have accounted for about 38 per cent of Bristol's clothing trade in 1950 with com-

bined annual sales probably amounting to £3 million out of the £8.4 million total. Again, in this district, the co-operatives do not seem to have made much headway; their sales in the country as a whole were of the order of 6 per cent of the total, but they took less than 4 per cent in the Bristol area.

To sum up: judicious use of the census suggests that the prospects for clothing shops in Bristol are rather better than in the country as a whole; the chances of survival for really small businesses are not, perhaps, as good as they might be elsewhere; a higher proportion of business seems to be done by the big, independent clothing shops than in other towns of similar size. It is possible to do this kind of exercise for towns of any size in any part of the country and not only for broad groups; in clothing itself the retailer can make similar estimates for shoe shops with, and shoe shops without, repairs; for men's shops, women's shops, milliners, furriers, corsetières and even second-hand clothes dealers. And clothing is only one of the many groups of retailing with which the census is concerned.

Then the census throws some light on the question of efficiency. The small clothing shops seem to need a high mark-up. The average for all shops is a little less than 25 per cent, but the smallest shops add nearly 31 per cent. This compares with 24 to 26 per cent for the bigger shops, many of whom deal direct with the manufacturers while their smaller competitors deal through wholesalers. The rate of stock-turn varies from $3\frac{1}{2}$ times to $5\frac{1}{2}$ times a year, but the really big shops with trade in the region of £1 million turn over their stock more than 7 times a year. It is possible to compare the sums paid out in wages in clothing shops of different size and the differences in sales per head that their staff achieve. How does it happen that the staff of a quarter of the 2,254 shops with sales of £25,000 to £50,000 a year sell £3,670 worth of clothing in a year while those working for some of the others cannot do more than £2,010? How do a quarter of the retailers in this turnover group manage to work to a margin of 19.4 per cent while the same number add margins of more than 26 per cent? The comparisons suggest a great spread between efficient and inefficient shops.

All these figures—the merest sample of many thousands to be gleaned from the census tables—admittedly give a static picture of conditions that existed five years ago when price controls and continued shortages made trading conditions difficult. Something can be done to bring the figures up to date by combining them with the Board of Trade's own monthly index of retail sales. It will be easier to do this when the index has been revised in the light of the census, but some rough and ready calculations can be made to show at least the movement of trade since 1950. Last week-end the Board of Trade published its estimates of retail trade during the retail year February 1954 to January 1955. In conjunction with the census figures, the index suggests that clothing sales during those twelve months were about £965 million for the whole country.

Bristol trader might estimate from this that sales in his town were about £9.2 million for the period. He would note that according to the Board of Trade the sales of the multiple shops were 40 per cent higher in 1954 than they were in 1950 (whereas average clothing sales were up about 9 per cent for all shops) and he might conclude that the turnover of the multiples in Bristol could have been of the order of £4.2 million. If the guess is correct, the multiples would seem to have gained ground at a spectacular rate, since they would have done about 45 per cent of the city's clothing trade. It is a calculation in line with the rapid advance of multiple trading since controls were lifted.

Selling Through the Slot

IN the last year or so some of the rusty and forlorn slot machines that have been standing empty on railway platforms up and down the country have been replaced by shiny new machines that work. Rationing and restrictions on cigarettes and confectionery, and together with changes in taxation and prices, had relegated automatic sales to a limbo lasting fifteen years. But the scrapping of sweets rationing in 1953, the recent lifting of cigarette quotas, and more freedom to import coin machines from the Continent, have given the designers and operators of these machines their cue to resume business.

Before the war there appear to have been up to 70,000-80,000 slot machine columns in use (the industry understandably counts the number of columns in operation, and not the number of individual machines, from the which may contain any number of columns, from the single scarlet sentinels of the Nestlé chocolate penny machines to batteries of twelve or more). Very few of these prewar machines can be used today, even after considerable adjustment and attention. Operators have had to start largely from scratch, and it will undoubtedly be some time before even the prewar selling capacity is regained. Since 1953, when the first batch of new machines appeared, only about 4,000 to 5,000 columns appear to have been installed, and the companies, in looking forward to 1960, do not expect that more than about half of prewar capacity will be in use even then.

How much business can the manufacturers and operators of these machines hope to attract? No estimate has ever been made of the size of automatic machine sales before the war; developments that have been taking place behind the scenes recently indicate that there will be several new features in postwar automatic vending that may carve out entirely new markets for the operators. By designing new types of machine, by widening the range of packs that are offered, and by experimenting with new sites, the industry hopes to exploit further the two principal advan-

A comparison of later returns with the census may also show whether that growth has at last been checked.

The scope of the census may be frightening to the High Street draper, but he, or his trade association, or his Chamber of Commerce, ought to make use of the information it contains about his own trade, his own area, and his own town. He can use it as a test of his own efficiency in retailing, and if he is honest he will have to admit that it contains evidence of inefficiency in all ranks of retailing. Its figures relating to sales per head, to turnover and to trading margins, point the way to improvement.

★

The penny, the sixpenny bit, and the shilling were the three coins around which machines were built before the war. Today the coins most used are the sixpence and the florin, though chewing gum machines still use coppers, and the shilling is a useful intermediary coin on other machines. But the high value of the coin the customer is obliged to insert, the more likely is he to require some change. Change giving machines have been practical for some time—for over twenty years London Transport has used them—but some operators believe that the giving of change is an unnecessary frill, even though it makes a

machine generally more adaptable to changing prices. The danger of spurious coins is said to be much exaggerated, and the loss ratio is apparently very small. The traditional types of machine have been given a more compact and modern design, which allows a fuller display of the packs they contain. BAC are launching a neat array of standard machines with columns that fit side by side on a wall, on a stand, or in a recess, or grouped in a semi-circle or circle around a central post. These are British machines; for cigarettes, BAC is importing a Danish model that takes florins and automatically returns the change, whatever sum that may be. For cigarettes, particularly, operators need machines that can be adapted easily to any change in retail prices.

These are the traditional models that have been brought up to date. But if operators are to realise the full potentials of their automatic salesmen, they must develop machines capable of offering new packs, of assorted shapes and sizes, and of varying prices. This combination of needs is partly met by the composite machines that are beginning to appear on the larger railway stations. BAC's automatic shop, as these machines are called, is the "Vendol." In appearance this is rather like a squat telephone booth. But the window reveals a revolving tier of eight circular trays, each divided into compartments, to which access is obtained by a series of sliding doors that open on the insertion of the appropriate coin. The Vendol has not yet been launched; the automatic shops that have made their entry are the "Elmer" and the "Hiram," made by a British telecommunications company. The largest version offers up to 25 different articles which the customer can obtain by pressing the correct button. Neither machine gives change; the Elmer and the Hiram, however, accept any number of pennies, sixpences, and florins to make up the correct price—if the customer has the coins in his pocket—and the Vendol packs can be made to fit the three standard prices.

★

To what extent these machines will produce extra sales, swelling the total of sales through all channels, it is difficult to conjecture. The automatic vendors in the United States that have boosted sales are for drinks, tea, coffee, and soup. Four machines for this trade have appeared or are about to appear in this country. Some use bottles and some paper cups; some are refrigerated, or offer cooled drinks, whilst others provide hot and cold drinks at the turn of a switch. Technically and hygienically these machines have not been easy to design, but they have achieved some success, and development is unlikely to dawdle once the highly competitive soft drinks industry takes them up.

Customers for these machines, and those that sell ice-cream, fruit, and packed food, must be sought in places where large numbers congregate, where inten-

sive sales are possible, and where other outlets are lacking or would be uneconomic. Factories are the first on the list of soft drink machine operators. But universities, colleges, sports stadiums, amusement parks, cinemas, and dance halls, if American experience is a guide, may soon be tried. Insurance companies installed their automatic insurance peddlers at air terminals some time ago. But servicing and maintaining machines at widely scattered points soon taxes the resources of operators; they find that agents on the spot, employed by the site-owner, are the better answer. Responsibility for maintenance is usually retained by the manufacturer or operator; it is here that most damage could be caused to the reputation and acceptance of automatic machines, and the more complicated the machine the more important becomes the need for repeated attention. The increased cost of outlay, compared with the smaller proportionate increase in retail margins, is one more reason why operators are seeking fields for automatic vending outside the traditional models and packs and places used before the war. It will be some time before the success of this venture into wider markets becomes measurable. Even if these newer packs, American operators have found that machines are still a high cost method of retailing. There remains some doubt about the attitude of retailers, who always used to be rather suspicious. The retailer needs to be convinced that coin machines mean net extra business, not just extra sales outside the shop offset by fewer over the counter. The public, too, has had many years without slot machines, and the industry may have to begin with selling the idea of automatic vending (the free packet comes in here). The trend in the food trade towards more and better packaging certainly helps the operator; and the policy of sticking to branded and advertised goods also seems right. Articles that already possess a reputation will sell themselves and they will also help to sell any new method of bringing them to the customer. Shoddy goods, and machines that break down, would soon destroy confidence.

ISSUED THIS WEEK

Our three-monthly reports on business conditions in

**ARGENTINA
PERSIAN GULF
FINLAND
AUSTRIA**

Fifty similar reports, covering seventy countries, are issued every three months. The annual subscription to one country or territory is £10 and there are discounts when more than five reports are taken. Subscribers receive ANNUAL SUPPLEMENTS giving useful background data. (Single reports cost £3.)

For full information about this and other services apply to:

The Economist Intelligence Unit
22 Ryder Street, London, S.W.1. Whitehall 1511 Ext. 144.

Business Notes

Decline and Rally

Two events that may be significant for investors occurred on Wednesday. A sharp—indeed an ominous—decline in the market was checked by a smart rally, and the first account of a new Stock Exchange year began. The new year will need to be glorious if it is to live up to the standard set by its predecessor. Yet even in a magnificent year like that just ended the inexorable force of high taxation on partnerships and unlimited companies leaves scars. The erosion of the jobbing system that distinguishes London from other markets still goes on, and as the new year begins it is learned that another merging arrangement is shortly to be made affecting the gilt-edged, foreign stock and oil share markets.

The investor has also just experienced an uncomfortable reminder that even in good years the course of security prices must adapt itself to big changes in monetary policy. The fall that started in industrials early in February and continued until the beginning of this week has been sharp—almost 11 per cent in five weeks (it is probably not significant that a slightly lower point was touched in the indecisive markets of the first two days of this week). The fall that continued in fixed interest securities from mid-November until the end of last week was naturally smaller, for it is the nature of fixed interest securities that they are less volatile; but a fall of a fraction over 8 per cent in

GILT-EDGED NET PRICES

	Peak, Nov. 18, 1954	Trough, Mar. 11, 1955	Mar. 16, 1955
Savings 3% 1965-75	95 ¹ / ₈	86 ¹ / ₈	87 ¹ / ₈
Brit. Electricity 3% '74-77 ..	95 ¹ / ₈	86 ¹ / ₈	87 ¹ / ₈
Transport 3% '78-88	90 ¹ / ₈	80 ¹ / ₈	82 ¹ / ₈
Gas 3% '90-95	90 ¹ / ₈	81 ¹ / ₈	83 ¹ / ₈
War Loan 3 ¹ / ₂ %	68 ¹ / ₈	60 ¹ / ₈	62 ¹ / ₈
Treasury 2 ¹ / ₂ %	68 ¹ / ₈	60 ¹ / ₈	63 ¹ / ₈
Consols 2 ¹ / ₂ %	118.10	108.44	109.27
Fin. Times Fixed Interest			

sixteen weeks is not one that investors can afford to ignore. It is not possible yet to say that the turn for the better on Wednesday marks the end of the downward movement; it might be no more than a pause, even though the recovery was held in Thursday's less decisive markets. It is certainly not yet possible to claim that the adjustment to dearer money linked with higher wages has finished working through the security markets. Industry itself is only beginning to feel the impact of dearer money. Will there be no more repercussions on industrial ordinary shares? Nor can it be claimed that the parallel adjustment in America

that showed itself in the sharp break on Wall Street last week and early this week is necessarily finished.

What can be claimed is that the resilience of the British economy and its strength remain great, and that investors with big funds building up are aware of it. That showed itself forcefully in the markets on Wednesday when investors suddenly decided to take the big new bout of wage increases in their stride. In the industrial market the turn was sharp; in the gilt-edged market the bears were quickly squeezed, and institutions that had been holding off became buyers

ORDINARY SHARE PRICES

	Peak, Feb. 3, 1954	Trough, Mar. 11, 1955	Mar. 16, 1955
Imperial Tobacco (£1)	61/6	60/9	61/9
ICI (£1)	44/9	40/1 ¹ / ₂	41/4 ¹ / ₂
Unilever (£1)	78/6	75/-	79/-
Courtaulds (£1)	42/3	36/-	36/9
Turner & Newall (£1)	114/6	98/-	100/6
GUS (5/-)	60/9	48/6	51/6
British Petroleum (£1)	85/-	71/-	75/6
P & O (£1)	72/6	59/10 ¹ / ₂	61/-
Fin. Times Ordinary	197.5	175.9	179.4

on a moderate scale; in the new issue market lists for the offer of the Thomas Firth and John Brown ordinary shares and debenture stock were quickly closed with heavy over-subscription; the debenture stock was subscribed about ten times over and the ordinary shares about twice. In the gilt-edged market it has taken the institutions a little while to decide that the yields of a fraction either side of 4 per cent now obtainable from long-dated stocks lie within their target range, but that decision appears to have been taken.

The Rate for the Job

THE stream of industrial companies seeking to raise money through the market has certainly not been stopped by the fall in share prices. It has been slowed down only to the extent that companies—Debenhams for example—find it necessary to pause and take their bearings. In time the fact that money costs more, however it is raised, must appear and act as a restraint, though that restraint will seldom be conclusive if earnings are expanding and the means of carrying an additional interest charge seem to be at hand. Where plans were already being made to fund a bank loan, the first reaction to dearer bank loans is to hasten those plans along.

But some of the effects of dearer money are already apparent in the new issue market, as issuing houses and brokers struggle with fair success to find a new price basis. The yields established by the ordinary shares and $4\frac{1}{2}$ per cent debenture stock of Thomas Firth and John Brown when that market has settled down should give a useful guide for other offers. The indicated yields there are 6.4 per cent on a good class steel ordinary share and about £4 12s. per cent on a good thirty-year debenture. At the moment the market is still feeling its way. At the most speculative end no change can yet be detected.

But on industrial prior charges of good medium quality the change is obvious. Well over $4\frac{1}{2}$ per cent to redemption must now be offered. The offer of £600,000 $4\frac{1}{2}$ per cent unsecured loan stock 1967-70 at £97 in Lines Brothers, the toy manufacturers, gives a redemption yield of £5 os. 9d. per cent. The £500,000 of 5 per cent unsecured loan stock of Crossfield and Calthorp offered to existing stockholders at par offers just 5 per cent. One of the best placings this week—the £750,000 of $4\frac{1}{2}$ per cent debenture (1970-85) in George Angus at £98, offers £4 12s. 5d. per cent. By way of contrast in mid-February between the Bank rate moves but when part of the fall in gilt-edged had already taken place, the Truman Hanbury 4 per cent debenture 1980-85 could still be offered at £98 to yield £4 2s. 3d. and the Electric and Musical Industries $4\frac{1}{2}$ per cent unsecured loan stock could be offered at par. A month has made a difference of almost exactly one-half per cent in the yield expected from industrial prior charges.

Squeezing the Shunters

THE recovery of sterling in the exchange markets has continued during the past week, the official rate on the dollar rising to its highest since November. The best level reached early this week, namely \$2.79 $\frac{1}{2}$, has not, however, been held; the rate has fallen back slightly to \$2.79 $\frac{1}{4}$. But there is reason to believe that the authorities have intervened in this market to prevent too sharp a rise—and that they may thus have regained some of the gold and dollars lost in last month's operations in the opposite direction, in support of sterling in the London market. That is not to say that, on balance, the Exchange Equalisation Account has been netting hard currencies in the last few days; it appears to have had to continue its supporting operations in the transferable sterling market, where the rate has kept significantly steady at \$2.76 $\frac{1}{2}$. It is evidently the policy of the authorities to keep the discount on the transferable rate just small enough to deter commodity shunting operations. Thus official policy has a double objective—to narrow the margin by holding the transferable sterling rate up and at the same time by preventing the official rate from rising at the full pace induced by market forces.

The battle against commodity shunting is being reinforced, too, by certain European exchange authorities. In particular, the Bank Deutscher Laender has voluntarily come to the aid of sterling. This is in keeping with the co-operative attitude of its president, Dr Vocke, and follows the recent meeting of central bank chiefs at the Bank for International Settlements in Basle. The German central

bank has now put a barrier in the way of most of the commodity "switch" business by which dollar imports were bought for EPU currencies, mainly through Belgian purchases in the London markets. The deals included purchases of dollar cereals and cotton, which a British merchant can legally re-export to Germany or to any other country outside the sterling area only on a "dollar for dollar" basis. Ingenious continental merchants had, however, found ways of evading these restrictions and of securing dollar wheat and cotton through channels that enabled them to make payment in sterling. When the German authorities authorised allocations of sterling for these purposes they were in effect financing "reverse shunting"; now they will discontinue such allocations, and dollar commodities will have to be bought for dollars, whether in the London market or direct.

German Co-operation

THIS measure does not in any way affect the freedom of German or any other merchants in dealing on British commodity markets when the "dollar for dollar" clause does not apply—for example, in copper and sugar, and in certain essentially sterling commodities such as rubber, tin and cocoa. These commodities may be imported and exported without restriction, irrespective of the currencies in which payments are made in each direction. But the German initiative should bring considerable relief to sterling. In the last quarter of 1954 the German authorities allocated about £10 million of sterling for "dollar transit imports."

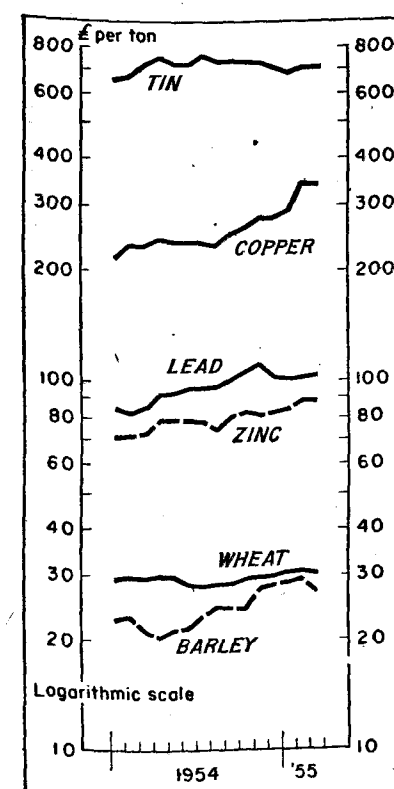
In Germany, the Bank Deutscher Laender's action has been criticised, on the ground that it has taken at the request of the Bank of England and to be against German interests. The effect of buying for dollars instead of for soft currencies will be, on the one hand, to cheapen dollar imports into Federal Germany, because the "shunting" premium will no longer have to be paid. On the other hand, the critics argue that Germany's dollar reserves will diminish and its EPU surplus will increase, whilst it is unlikely that the fall in the cost of imports will be reflected in retail prices. The Bank Deutscher Laender has, however, accumulated such large reserves in gold and dollars—these now stand at close to \$2,000 million—that it can take this step without danger. It is, indeed, quite in keeping with the German policy, which is now directed towards increasing and cheapening imports by lowering tariffs and extending liberalised dollar trade.

HP Overdrafts in Perspective

HIRE-PURCHASE finance has been a nigger in the woodpile of bank credit expansion, but it has certainly not been the only or the biggest one. The latest quarterly classification of bank advances for the first time shows separately the amount of bank loans to hire-purchase finance companies. Last month total

lendings by all members of the British Bankers' Association under this head amounted to £30.5 million. This is a much smaller total than might have been supposed after the attempt to make hire purchase the scapegoat for over-expansion in the domestic economy generally. It is fair to note, however, that the new category does not—and cannot—include bank lending that may have served to finance hire-purchase, trading through less direct routes than the finance companies. Moreover, the rate of growth in the disclosed lendings has been rapid. Twelve months previously the total was only £11.2 million; in the ensuing nine months it rose by £8.5 million and in the latest three months by £10.8 million. Even this latest rise, however, was equivalent to no more than one-thirteenth of the expansion of bank advances as a whole, and the disclosed loans still account for only 1.4 per cent of all advances.

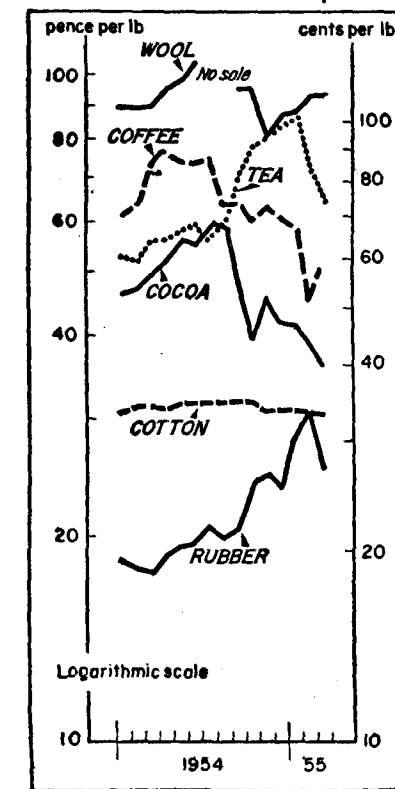
The aggregate, as expected, rose faster during the quarter than ever before—by £142 million to £2,095 million. This is £39 million above the peak reached in May, 1952. An important slice of this new credit has been swallowed by the nationalised public utility industries, whose borrowings during the quarter rose by £43 million to £162 million, likewise a new peak. In the £99 million of net new lendings to all other borrowers—which in the similar period last year absorbed £57 million and in 1952-53 £10 million—a significant share has been taken by the big "personal and professional" group. This shows its biggest rise for a number of years, by £14 million to £393 million. Otherwise, the expansion has been fairly evenly spread over the categories, with the notable exception of the steel group, whose net borrowings have dropped by £15 million, obviously in consequence of the repayment by the Iron and Steel Realisation Agency, out of the proceeds of its recent sales, of the £30 million of bank loans shown as still outstanding in its end-September accounts. The most notable rises in



Fall in Commodities

COMMODITY prices seem to have passed the peak. On January 25th *The Economist* commodity price indicator stood at 103.6 (1952=100), the highest point reached in the last three years. Since then the indicator has fallen steadily, reaching 96.0 this week. That should eventually bring a welcome—though small—relief in the cost of British imports. It is possible that dearer money in Britain has recently assisted the decline, but it can hardly yet be playing its full part. Consumer resistance has pricked the boom in tea, coffee and cocoa. Weakness in rubber has followed selling by speculators, and cotton prices have dropped owing to uncertainty about the acreage to be fixed for the new American crop.

Several commodities have moved against the general trend. The prolonged recession in sisal is over, and prices have rallied sharply. Wheat and wool are firm, copper is still very high and prices of other non-ferrous metals are steady.



the industrial categories were £17 million for food, drink and tobacco (down by £0.5 million twelve months previously), £7.8 million for retail trade (up £4.4 million), £9.3 million for builders and building materials (up £2 million), and £10.6 million for textiles and notably cotton (£7.8 million).

The extent of the industrial spread will enable the banks to claim that all this represents good and justifiable business, the seasonal pressure from which has been heightened by the block in the new issue market in recent months. But, however "good" the business, it all adds its quota to the building up of the excess of domestic demand that has perforce spilled over into the balance of payments. The lesson from these figures is that monetary policy needs to be kept fully taut. Only thus will the banks learn to keep a tighter rein on their lendings.

Television Advertising Rates

THE rates for advertising time on the Independent Television Authority's London transmitter were announced this week by the two London programme contractors. Both companies, Associated-Rediffusion which will operate from Monday to Friday, and Associated Broadcasting Company, which will operate during the week-end, are quoting flat rates to be charged regardless of the size of audience or even of the probable number of sets within the transmitting area that are capable of receiving the second programme. They differ, however, on their estimate of what the traffic will bear, and in general, the week-day rates proposed by Associated Rediffusion are the higher of the two. This

company has established a basic rate of £650 per minute. For the peak viewing time from 8 p.m. to 10 p.m., the rate is raised to £975. Off-peak times in the mornings are rated at £325 a minute.

The week-end charges proposed by Associated Broadcasting Company show a wider variation. Morning rates are lower, at £200 a minute, so are the afternoon rates of £350 a minute on Saturdays and £600 on Sundays. Between 7 p.m. and 8 p.m. it is proposed to charge £600 a minute and the peak charge of £1,000 a minute is proposed only for the 90 minute period between 8 and 9.30 p.m. After that, the rate is reduced again to £600 a minute. The company will operate the Birmingham transmitter, when it is completed, during the week-days and its rates in this area are roughly half those fixed for London, reflecting a rough measure of the difference in population in the two transmission areas.

Advertisers may find these rates high. Many of them have considered paying £1,000 a minute for advertising time on the whole network (probably more at peak hours) and there is a big difference between booking a network covering about 50 per cent of the population and time on a single station covering only the London area. But by buying time on the London transmitter in its opening weeks, advertisers will be able to book the most favourable positions to the exclusion of less venturesome competitors, and in addition, to try out the techniques on this new advertising medium before a moderate-sized and no doubt receptive audience. There will probably be no lack of early support for the two companies. The testing time will come when the service has established itself, when methods for measuring the audience for given programmes have been introduced and when advertisers have had time to consider what returns they have had for their experimental outlay.

Credit Insurance Extended

FOR fully a year the pressure of a buyers' market has been steadily eroding the dividing line between the short- and the medium-term insurance facilities offered by the Export Credits Guarantee Department. British exporters of certain types of light engineering products have found that in many markets buyers demanded credit beyond the six months that the Department would insure under its short-term policy. Yet the business itself made it unsuitable for medium-term cover of up to about five years. That type of guarantee is designed for exporters of capital goods and each transaction has to be insured separately at a premium appropriate to its character. It is cumbersome and expensive for exporters of light engineering products, for their orders may be numerous and small. The short-term policy, on the other hand, can turn his type of business to good account. Because the business is spread over many markets the Department's risk is also spread. The Department will therefore insure either an exporter's whole turnover, at fixed premiums, the business being notified to the Department as it is done, or it will similarly insure his turnover in a selected number of markets if these give an acceptable spread of risk.

To meet the need for an extension of short-term cover for such exporters, the Department recently allowed some

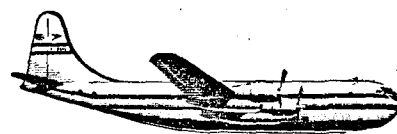
of its "whole-turnover" policies to apply to credits granted up to one year. It has now decided that it can offer a general extension under that or the "selected markets" policy for certain engineering products sold on credits of up to a maximum of two years, where the average period of credit is not more than one year. The new cover will be limited to 20 per cent of the exporter's annual turnover in the past two years' trading, or 20 per cent of the business offered to the Department in a policy year, whichever is the lower, and the Department reserves the right to refuse business.

In addition to this extension, the Department has recently stepped into the new field of insuring earnings from invisible exports. This is a business that does not fall into neat categories, but the principle of spreading the risk can sometimes apply, as in the royalties on a book. Other types, such as payments for a large-scale survey of mineral resources taking several years, must be treated as an invisible export of a capital good, and charged accordingly.

Putting Votes into Roads

THE proposal of a new "super-authority," as the Minister of Transport calls it, to build roads for Britain has apparently been deemed worthy of a super pressure group. A new body called the Roads Campaign Council, which claims to represent the "road transportation community" in Britain, began public operations last week, advocating a National Highways Authority as the instrument by which the country should spend £75 million a year as soon as possible on new roads and major improvements. The Government's latest programme, it may be recalled, provides for a level of spending that will not reach £50 million a year until 1959. In addition to the British Road Federation, which itself has the support of a hundred trade bodies with 250,000 member firms, including motor and cycle manufacturers and dealers, garage owners, and private road hauliers, the new Council covers independent and municipal bus and coach operators and, through the membership of the AA and the RAC, over 2 million of the private owners of cars and motor cycles. All told, the council, as its chairman puts it, has between two and three million letter boxes at its disposal. By using these and by organising meetings, films, petitions, and exhibitions the council aims to put votes into roads, believing that this is the only way that any government will be made to listen.

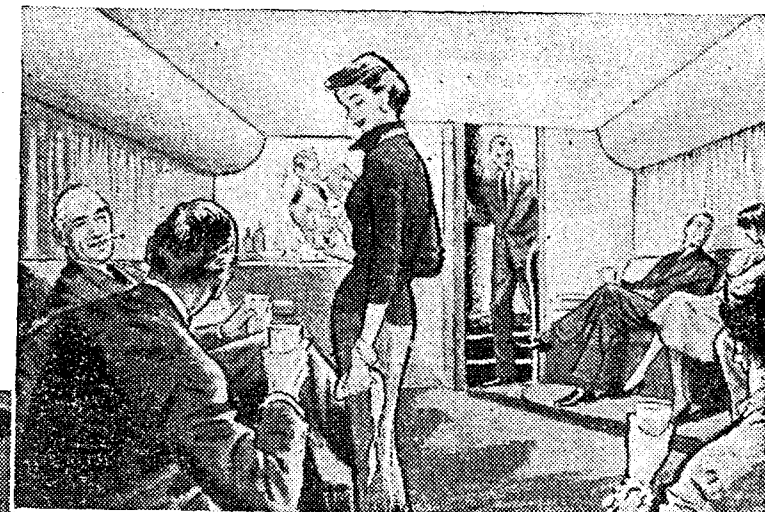
The council's attempts to increase investment in Britain's decrepit road system deserve the strongest of support; but the proposal that the money should be raised and spent by another vast nationalised authority, quasi-independent of Treasury control, remains a very dubious one. Unlike other nationalised bodies, a road authority would earn no revenue with which to service and redeem its loans, unless it were allotted some fixed proportion of road and motor taxation, or adopted, on a vast scale, the toll-system that the council so heartily dislikes. An authority concerned only with new construction by the 1,285 local highway authorities in the country, each with several schemes in its own area, would also duplicate the Ministry's own organisation for making grants for normal maintenance to local authorities. It could



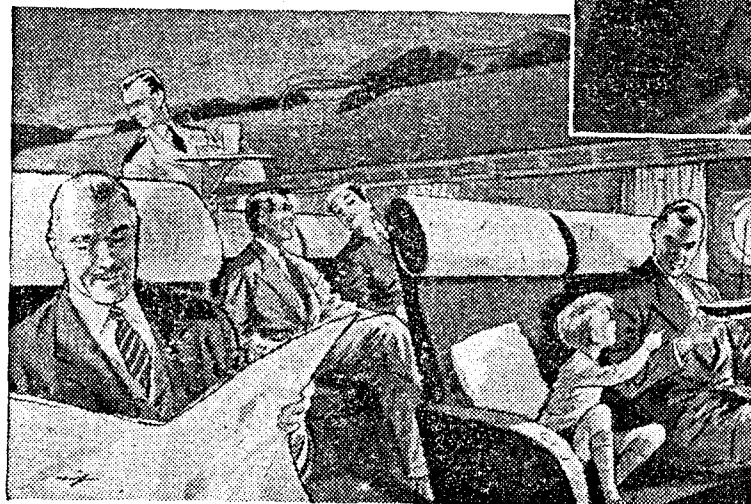
Only B.O.A.C. offers *double-decked* **Stratocruisers** on First and Tourist Class transatlantic services!

FIRST CLASS

Luxury "Monarch" services now from London to New York direct or via Boston; to Montreal direct or via Prestwick; to Bermuda, Nassau and Montego Bay. Soon, from Manchester to New York via Prestwick.



The gay spacious atmosphere of a double-decked "Monarch" Stratocruiser



Relax in "Coronet" comfort all the way across the Atlantic

TOURIST CLASS

"Coronet" Tourist services soon from London to New York or Montreal via Prestwick; to New York via Prestwick and Boston; to Chicago via Prestwick and Montreal.

Spacious Stratocruiser airliners soon will be used exclusively on all B.O.A.C. transatlantic services!

Choose the "Monarch" for extra luxury, incomparable cuisine, impeccable service. Fully-reclining seats . . . delicious meals served from silver trolleys . . . spacious lower deck cocktail lounge. No extra fare, but slight additional charge for private berths.

Or plan to fly "Coronet" and enjoy the finest transatlantic Tourist travel—at much less cost!

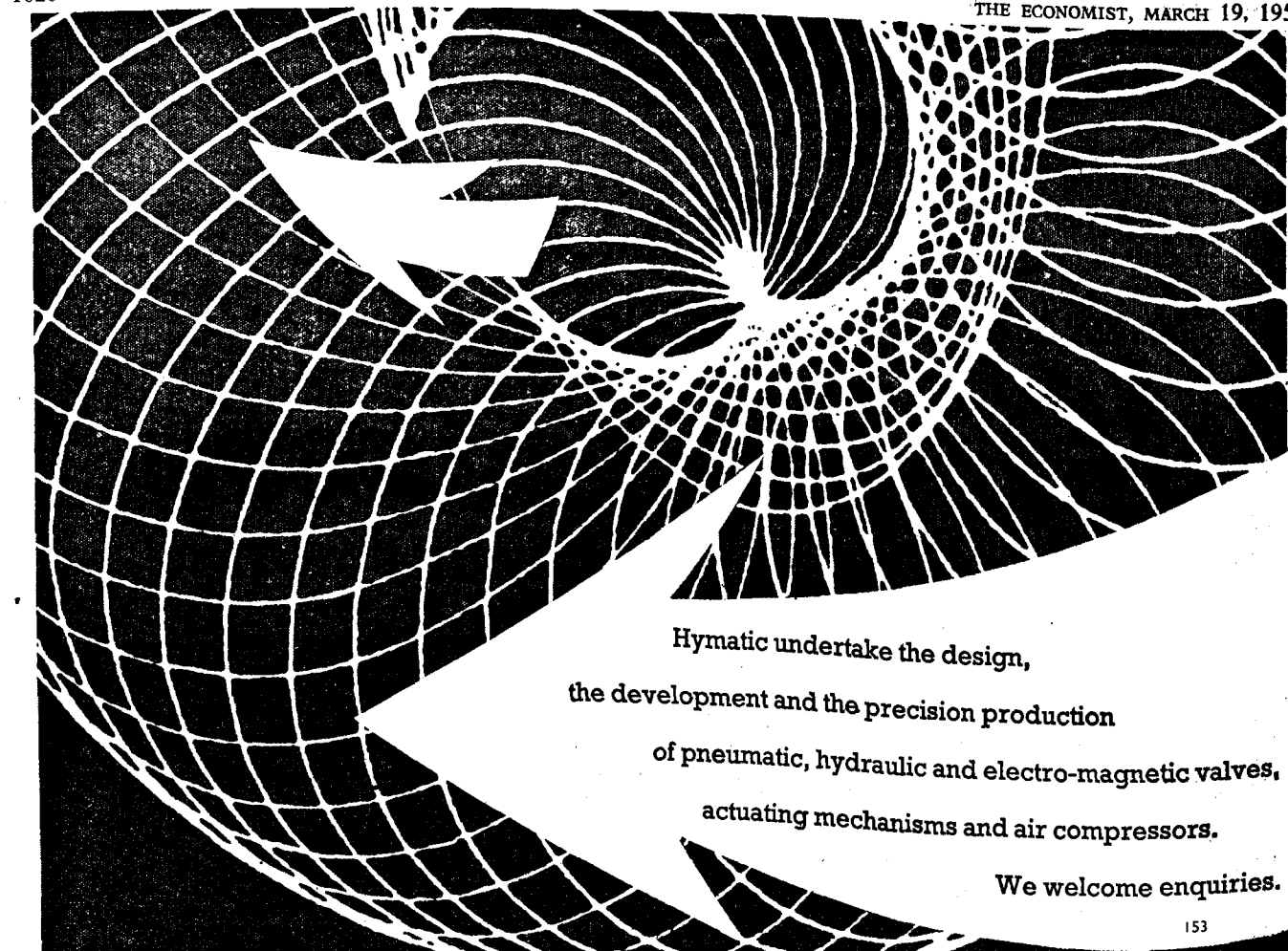
Fly now—pay at leisure! Ask about the B.O.A.C. Ticket Instalment Plan—10% down, the balance by monthly instalments!

Consult your local B.O.A.C. Appointed Agent or B.O.A.C. Airways Terminal, Victoria, S.W.1 (VIC 2323); 75 Regent St., W.1 (MAY 6611); or offices in Glasgow, Manchester, Birmingham and Liverpool (see your Telephone Directory for details).

B.O.A.C. TAKES GOOD CARE OF YOU

FLY  B.O.A.C.

BRITISH OVERSEAS AIRWAYS CORPORATION



THE HYMATIC ENGINEERING COMPANY LTD · REDDITCH · WORCESTERSHIRE

More business
coming ...
he's going by
SABENA

The Expert's choice for World Travel

SABENA, with more than 32 years flying
experience, serves over
90 destinations in
35 countries.

Book
through
your
SABENA
Appointed
TRAVEL
AGENT
or

SABENA BELGIAN WORLD AIRLINES

UNITED KINGDOM: 205 Regent Street, London, W.1. Grosvenor
Gardens, London, S.W.1. Air Terminus, Royal Exchange,
Manchester, 2. 147 Bath Street, Glasgow, C.2. 7a Newhall
Street, Birmingham.

AUSTRIA: Mönchsberg Lift, Gstättengasse, 13, Salzburg

BELGIUM: Air Terminus, 35 r. Cardinal Mercier, Brussels

GERMANY: Maison Belge, Cäcilienstrasse, 46, Cologne

SWITZERLAND: Bahnhofstrasse, 5, Zürich

FRANCE: 19, rue de la Paix, Paris 2e

ITALY: 31, Via Manzoni, Milan

SABENA

For industrial development



LAND The three great Liverpool
trading estates at Speke, Fazakerley
and Kirkby offer manufacturers ideal
conditions for industrial development.

LABOUR A great advantage of
siting plants on a Liverpool industrial
estate is the large labour force available,
particularly of young men keen to train
and skilled technicians. New housing
schemes for workers, with full
community amenities, are related to the
requirements of developing industry.

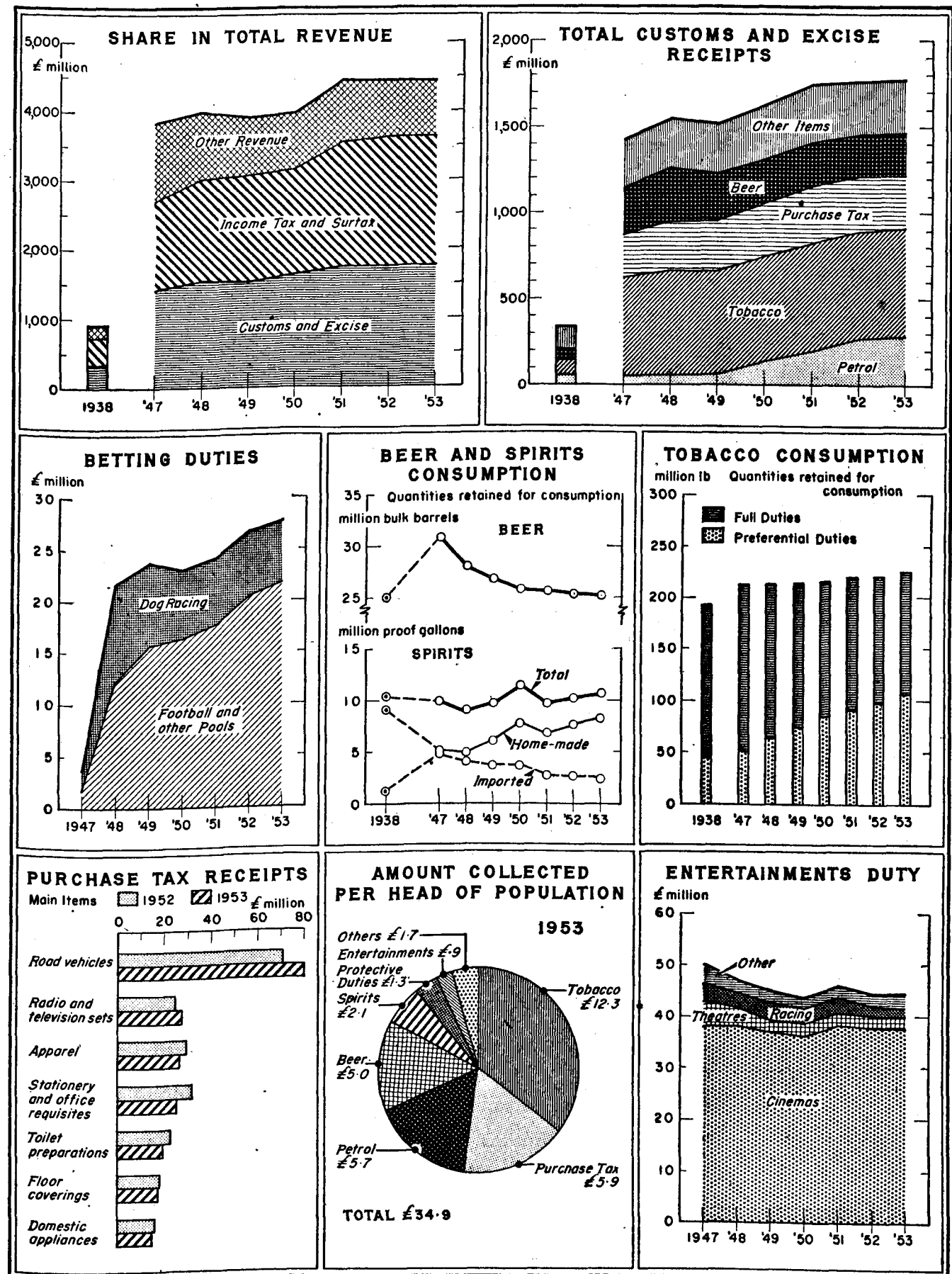
SERVICES The estates are well
equipped with public services and are
adjacent to main roads. Easy access to
docks, airport and railways.

FINANCE Mortgage facilities are
available for the purchase of factory sites
and the building of new factories.

LIVERPOOL INFORMATION
Write for illustrated brochure to
the City Engineer and Surveyor,
Liverpool Corporation, Dale
Street, Liverpool, 2.

Customs and Excise Revenue

Financial Years beginning April 1st



Source: Forty-Fifth Report of the Commissioners of Her Majesty's Customs and Excise. Cmd. 9358.

hardly be "master in its own house," since loans would not divert the financial burden—and hence ultimate control—of road development from the Exchequer, though an authority might have more success than a supine Ministry in screwing firm promises of long-term expenditure out of the Treasury.

Parking Plans Move Forward

WITH the report stage completed this week and its formal third reading next Tuesday, the Road Traffic Bill—a rag bag of reforms and adjustments in road legislation—has almost completed its four months' argument through the House of Lords. The Bill now goes to the Commons. The one major innovation in it to have survived so far in more or less its original form is the section that will allow parking meters to be installed in busy city streets.

Once this legislation has been passed, the Government's plans for clearing congested streets of parked cars can go forward. The busier thoroughfares will be cleared or pruned of stationary vehicles by the wider use of no waiting and unilateral waiting regulations; the short-term parker, who stays less than two hours, will be able to leave his vehicle in minor streets and in places suitable for parking meters that may possibly be less convenient for him but are less burdened with moving traffic; and the long-term parker, who is responsible for two out of three of the cars parked in central London, will be encouraged to use the off-street garages already available and those that will be constructed. The Bill stipulates that the revenue from parking meters must be used exclusively to provide off-street garages either by the local authority or in grants to other bodies, including private firms, building them; and a Government amendment now enjoins the Minister to consider how much garage accommodation is available or is likely to be built out of street parking charges before he authorises a local authority to instal meters. An elaborate procedure has been evolved before a local authority may instal these meters; a public enquiry may be held, the consent of the Minister obtained, and the order laid before both Houses of Parliament.

Parking charges may vary slightly from area to area, but the Government has in mind 6d. for one hour and 1s. for two hours, with a sharply rising scale up to 5s. or more for longer periods that will make garage charges more favourable. In central London garages are only three-fifths full, even in the busiest periods, because motorists have preferred to compete for free kerb-side parking space. The merits of building costly underground garages are still not clear, but restrictions on the use of the highway for parking should encourage local authorities and private firms to build multi-storey garages. This week plans were announced for the first garage to be built in London for 15 years, and the LCC agreed to be responsible for building and operating similar garages in its area provided it received a 75 per cent grant (equivalent to the grant for a Class I road) for any losses incurred. The Government may be disinclined to accept this, but the revenue from parking meters should go some way towards offsetting losses on garages.

World Bank in Sterling Territories

DURING his recent visit to London, Mr Eugene Black, President of the International Bank for Reconstruction and Development, suggested that in the current year the bank might well match last year's total of \$115 million for loans to Commonwealth countries. Australia is known to be seeking \$50 million, and Mr Menzies has been in Washington during the past week. Pakistan is negotiating for \$30 million to be used for power and port development in Karachi, and a paper mill in East Bengal. There is the possibility that the bank will assist a power project in Malaya. And this week has brought the formal completion of the arrangements for a loan of \$24 million to the East Africa High Commission for rail, road and harbour works in Kenya, Uganda and Tanganyika. The bank's loan will cover a quarter of the total development programme, the bulk of which is being financed in London; but most of the imports on which it is expended will come from the United Kingdom, and the proceeds will thus swell the sterling area dollar reserves. The loan (which carries a British guarantee) is for twenty years, and carries interest at 4½ per cent, including the bank's 1 per cent statutory commission.

The World bank has proved itself a model of international public enterprise, and it is now securing an increasing element of private participation in its loan operations; indeed the last nine loans up to the end of February were of this combined type. Mr Black has also revealed that the charter for the new International Finance Corporation is being drawn up, in the hope that it may be able to start work next year. The international IFC is expected to have an initial capital of \$100 million, subscribed *pro rata* by member governments, and it will be able to take equity participations, without government guarantees, in private industrial developments. These participations, it appears, may be in the form of convertible debentures which could be sold to the public after new projects have been nursed into success. Already some interesting tentative proposals have been submitted, and there ought to be useful work for a new institution of this kind, supported by the World Bank's experience.

Revising Coal Wages

ONLY coalminers who are "daywagemen"—they include almost all the industry's surface workers, and a large proportion of the men underground who are not directly employed getting coal at the face—are affected by this week's revision of the wages structure in coal. They number about 400,000 of the industry's 710,000-odd miners; under the new agreement, which establishes thirteen main grades into which all the variously-named jobs they do have been classified and which increases the minimum wage for the lowest grade, about 95 per cent of them will receive extra pay. The amounts vary according to the rates laid down for the new grades, the grading of the miner's particular job, and what he has been earning; some men who were already earning as much as the new rate for their

grade get no increase, and the few lucky ones who were earning more do not have to relinquish their extra pay. Given the labour situation of the industry and the strength of the mining union, it would have been hopeless to expect any revision of anomalous wage scales that brought excessive rates down as much as it raised those that were too low. The only revision the unions would accept meant bringing most miners' wages up to varying levels that the NUM and NCB consider to be better related to the nature of the work. But this increase, which covers little more than half the industry's labour force, and probably much less than half its total wage bill, is a substantial one. It is expected to cost some £13 million a year, or about 1s. 3d. per ton of coal. If the revision of piece rates that is now following agreement on the daily wage rates should arrive at a similar method of revision by paying almost everybody more, that may cost the coal consumer a much larger sum.

The miners' union has always favoured an ironing out of the differences in wages for similar jobs between the country's 20 wages districts, and the "juster and more equitable basis" now agreed does bring about greater though not quite complete uniformity. Certainly the former pattern of wages had little logic to it, and embodied more of the history of local custom and bargaining strength than of modern variations in the supply and productivity of labour; differences between wages for the same job among pits in the same area were sometimes greater than the differences between coalfields. At present the pattern of earnings per manshift bears little relation with the pattern of productivity, if NCB divisional averages are taken. The effect of this week's revision of wage differentials on costs has yet to be seen, and it is of course only a first stage, with revision of piece rates to come. Nevertheless, it may somewhat alter the relative costs—and hence the relative profitability—of different pits and areas. The whole revision, indeed, might affect the financial prospects of capital developments that, in the Coal Board's 15-year plan, were decided partly on the basis of relative costs back in 1949.

British Banks and China Trade

FEW British institutions have been worse hit by the retreat of China behind the Iron Curtain than the Eastern exchange banks, yet they now seem prepared to re-enter Chinese business in the more limited sphere dictated by the People's Government. Last week Mr Vincent Grantham, of the Chartered Bank of India, Australasia and China, stated that the Chinese had intimated that they would welcome the participation of British banks in the finance of external trade. Now Mr C. Blaker, chairman of the Hongkong and Shanghai Banking Corporation, has reported that "the question of Chinese representation has been raised with us and we have expressed our willingness to come to some arrangement after our closure at Shanghai has been effected." Mr Blaker is plainly impressed with China's recent industrial and agricultural development, and he believes that British merchants and manufacturers may benefit even though the strains caused by the United Nations' embargo on many capital goods are growing "more and more serious." "The potentialities," he

claims, "are as great as they have been for over a hundred years."

The Hongkong and Shanghai bank operates in nearly all the major Asian countries, and Mr Blaker's review ranges far and wide. On the general plane, he has doubts about the economic aspects of the Manila treaty, fearing that, owing to the "unrepresentative" nature of Seato, it may "divert attention and finance from the wider sphere of the Colombo plan." But for the individual countries in which the bank is interested Mr Blaker can report good progress. The firmness of certain key primary products made for a prosperous year for most countries of free Asia—and, with them, the Hongkong and Shanghai bank. Its deposits rose only fractionally, to 2,673 million Hongkong dollars, but advances rose by \$184 million to \$829 million, and trade bills by \$168 million to \$495 million. Published profits were \$2 million higher, at \$19.3 million; the dividend for 1954 was maintained at £5 a share (of \$125), but it is hoped to maintain this payment on the capital as recently increased by a one-for-four scrip issue.

Competition in Small Cars

AT the Geneva Motor Show last week Fiat unveiled its new small "600" saloon car, successor to the "500" Topolino, which has had nearly 20 years of life. This new car seems to be an attractive vehicle capable of production at low cost. The engine is an "over-square" water-cooled four cylinder of 633 cc, developing 21½ BHP, mounted behind the rear axle; the body accommodates four passengers, with about as much space as the Austin A.30 or Standard 8, except for slightly less head room. It would be reasonable to expect a performance a little more sluggish than that of the two English competitors, which develop respectively about 5 and 7 more horsepower, but weigh about 2 cwt. more.

The Italian car is thus about 15 per cent lighter than its British competitors; this can be put down partly to the smaller engine size and to some use of aluminium, but chiefly to the rear engine position. The saving in manufacturing cost—under parallel conditions—should be fully 10 per cent, and a similar increase may be achieved in miles per gallon. This saving in weight and cost, and the reduction in overall length due to the mounting of the engine next to the driving axle, is exploited also by the other three leading Continental economy cars, the Volkswagen, the 4 cv Renault, and the 2 cv Citroën. In addition, the passengers are carried in a slightly better position and, when the engine is at the rear, there may be a reduction in the amount of engine noise that reaches the passengers. To offset these advantages, and the saving in costs, there is a reduction in the space available for luggage. No English manufacturer has yet shown any inclination to adopt this Continental practice, and most of Britain's small car designs are so recent as to make such a major reconsideration unlikely—though conceivably Ford might do so in a successor to the Popular. For the present, therefore, no opportunity seems likely of testing the preference of the British customer for the position of the engine in small cars, since import duty does not allow the small Continental car a fair price comparison in this market.

The City Hugs Its Chains

IN these past few years of progress towards a freer economy there have been many pleas for more forthright effort to restore a genuinely free capital market, but none has been more eloquent than the *cri de cœur* that appears in the current issue of the *Three Banks Review*. It comes from Sir Oscar Hobson, that doughty champion of liberal economics whose welcome appearance in the New Year Honours was, above all, a tribute to the fearless candour, sheer commonsense and unquestioned sincerity of his day-by-day writings through the years. On the crucial question of how the distribution of capital resources should be determined, this candour has devastating force:

Personally, I am less impressed by the wisdom of the market than by the conspicuous lack of wisdom which the congregations of experts and officials, of which we have recent experience, have always displayed. Of two evils I hesitatingly choose the less.

The greater evil, Sir Oscar unhappily admits, must persist in the sphere of nationalised industries, but that is no reason why like deficiencies should be tolerated in the private sector.

The price of efficiency there must be a new effort to restore the effectiveness and flexibility of the capital market. The problem of "take-over" bids and the undue reliance of businesses upon plough-backs as the source of new finance are both demonstrations of the grave distortions that exist. In his quest for a solution, Sir Oscar aims a glancing blow at the 2 per cent transfer duty and then delivers a frontal attack upon the distributed profits tax—which "must constitute a strong incentive to the retention and ploughing back by companies of profits, irrespective of whether they would be employed to best advantage there or somewhere else." To provide such incentive was, indeed, the very purpose of the tax, but whatever may have been its justification in the conditions of the early postwar years, this is now a wrong purpose. Moreover, the tax is unjust in its uneven incidence upon companies (varying fortuitously according to the nature of their capital structures), and its

burden wholly falls upon "just that class of risk-bearing investors which in the present circumstances of rapid technical progress needs to be most encouraged." Sir Oscar also objects to the undistributed profits tax, but he puts forward as a practical proposal the suggestion that the two rates should be unified at as low a figure as possible—and that the investment allowance started in the last budget should perhaps be scrapped as the means of enabling the Chancellor to keep it low.

Making Gas at the Refinery

IF a gas undertaking is ready, economically, to use petroleum instead of coal as a raw material year in year out, and if it can, technically, design plant able to gasify a wide variety of petroleum products, there may be obvious advantages in putting the plant at an oil refinery and using whatever the refinery can best supply as feedstock. This is the idea that British Petroleum and the South Eastern Gas Board are examining for BP's refinery on the Isle of Grain. The gas board has developed a catalytic gasification process—christened "Segas," the plant is being built under licence by Power Gas Ltd—that can produce town gas efficiently from products ranging from butane-gas to heavy fuel oil. Operated to handle whatever products the refinery could conveniently let it have, the plant could make a useful contribution to the flexible operation of the refinery and at the same time put gas into the area board's developing gas grid with the regularity of supply that statutory obligations require.

The company and the board have not yet settled the economics of this possible collaboration—who is to own and operate the gasification plant, and at what prices the refinery products or gas will change hands. These questions led to the breakdown of talks some time ago about the supply of gas from Esso's refinery at Fawley to the Southern Gas Board; this week, following the announcement about the BP refinery, it was announced that Esso and the Southern Board were talking the matter over again. The gas industry



THE WORDS ON THE NEWSPAPER he reads are written in characters that are twirled, convoluted, sinuous: like Eastern acrobats mocking the solemn dignity of this, our more sedate alphabet. Yet Asiatic scripts have a grace all their own. And whether they are read from left to right, right to left, or up and down, one important fact emerges: they are spelling the end of illiteracy. Throughout South East Asia representatives and agents of the Bowater Organisation maintain the flow of paper that is the flow of civilisation. For here, more and more people are reading for information, for news . . . increasing their knowledge and understanding of the world about them.

From the mills of the Bowater Organisation in Europe and North America comes newsprint for the newspapers and journals of the world; other printing papers for magazines and reviews; and paper for packages of almost infinite versatility.

Bowaters

THE BOWATER PAPER CORPORATION LIMITED

Great Britain United States of America Canada Australia South Africa Republic of Ireland Norway Sweden

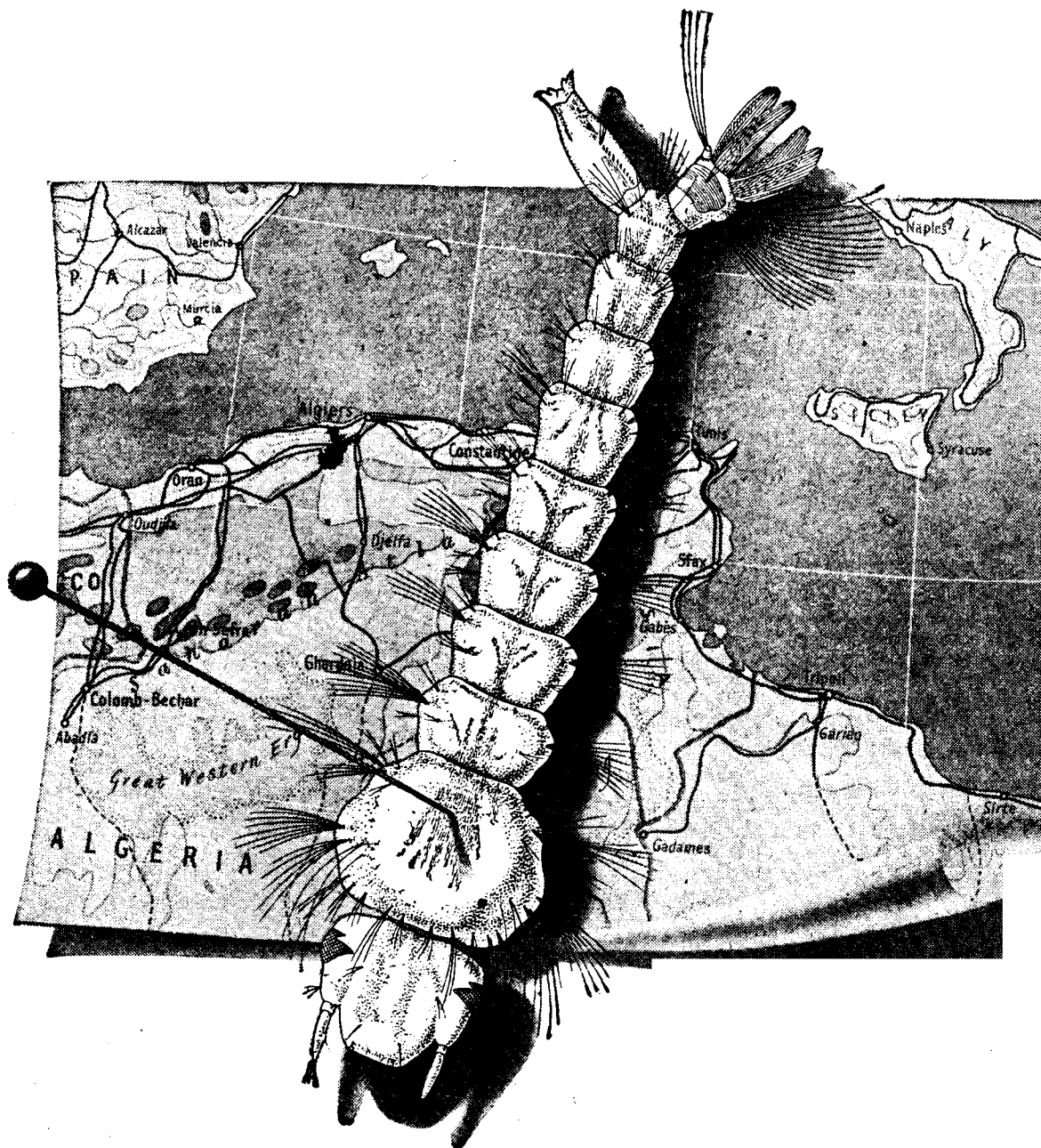
Switzerland is one of the few truly international markets for cars, and the annual Geneva Motor Show that has just ended provides a useful yardstick against which to measure the competitive strength of different models. The cars are shown in order of power; it is impossible to make provision for minor model changes that all manufacturers introduce from year to year, but where a substantial change has been made in the cubic capacity of the engine, this is shown as a separate entry. In all cases the prices of the cheapest models exhibited have been used. All foreign cars are shown in italics.

The evidence suggests that prices are weakening slightly; where there has been an increase on last year's, the model has usually been improved. But price cuts are not so general as they were in 1954.

Car Competition at Geneva

Name	Cubic Capacity	Price 1954	Price 1955	Name	Cubic Capacity	Price 1954	Price 1955
		Sw. frs.	Sw. frs.			Sw. frs.	Sw. frs.
<i>Lloyd L.P. 400</i>	386	4,475	4,395	<i>Mercedes 180</i>	1,697	13,800	12,900
<i>Citroen C.V.</i>	425*	4,490	4,690	<i>Citroen 11</i>	1,911	8,980	8,980
<i>Fiat 500 C</i>	570	5,450	...	<i>Triumph Sports</i>	1,991	11,850	11,850
<i>Fiat 600</i>	633	...	n.a.	<i>Renault Frigate</i>	1,996	10,500	9,900
<i>Renault 4 C.V.</i>	748	5,575	4,995	<i>Vanguard</i>	2,088	11,850	11,000
<i>Austin A. 30</i>	803	5,500	5,650	<i>Wolseley 6/80</i>	2,215	12,950	...
<i>Morris Minor</i>	803	6,560	5,980		2,639	...	13,800
<i>Standard 8</i>	803	6,350	5,950	<i>Ford Zephyr</i>	2,262	9,900	9,900
<i>Standard 10</i>	948	...	7,250	<i>Vauxhall Velox</i>	2,262	10,300	...
<i>Ford Prefect</i>	1,172	6,300	6,700	<i>Vauxhall Cresta</i>	2,262	...	10,500
<i>Volkswagen</i>	1,192*	5,575	5,575	<i>Daimler Conquest</i> ..	2,433	19,500	20,800
<i>Austin A. 40</i>	1,200	7,650	8,600	<i>Opel Kapitän</i>	2,473	11,750	11,750
<i>Simca Aronde</i>	1,221	7,985	7,700	<i>Rover 90</i>	2,638	...	15,950
<i>Wolseley 4/44</i>	1,250	11,300	9,990	<i>Austin A. 90</i>	2,639	...	10,900
<i>Hillman Minx</i>	1,265	7,995	7,900	<i>Nash Rambler</i>	2,830	12,750	...
<i>Peugeot 203</i>	1,290	7,400	7,400		3,205	...	12,750
<i>Fiat 1400</i>	1,395	9,975	9,975	<i>Sapphire</i>	3,435	23,750	23,250
<i>Austin A. 50</i>	1,489	...	8,950	<i>Jaguar Mark VII</i> ...	3,442	20,500	22,000
<i>Vauxhall Wyvern</i> ..	1,508	8,950	8,150	<i>Chevrolet Powerglide</i>	3,859*	15,390	14,850
<i>Ford Consul</i>	1,508	8,575	8,075	<i>Humber Super Snipe</i>	4,138	17,900	17,900
				<i>Bentley</i>	4,556	47,000	...
				<i>Bentley Continental</i>	4,875	...	75,000

* Slightly larger engine.
† 2-door version



The case of the *Culicine larvae*...

In Algeria the still, shallow waters of the rice fields are perfect breeding grounds for mosquitoes; anopheline mosquitoes that transmit malaria and culicine mosquitoes that plague man and beast. Control measures are now being intensified throughout the infested areas, aimed at controlling all mosquitoes in the larval stage. The Shell insecticide dieldrin—in granule form—has been chosen for this important work.

Dieldrin granules have been chosen with good reason. Dieldrin is deadly to all species of mosquitoes, even the difficult-to-control culicines. In the rice fields, conventional dusts and sprays are caught by vegetation above the surface and largely wasted, but the specially prepared dieldrin granules, applied from the air, penetrate the foliage and get right down to the larvae in the water.

15 to 20 lbs. of granules to the acre—only a few ounces of actual dieldrin—are bringing even the heaviest infestations under complete control.

dieldrin

dieldrin and aldrin are  insecticides for world-wide use

For further information apply to your Shell Company

Dieldrin's range of control is unique: all mosquitoes and all other major disease-carrying insects. More powerful, exceptionally persistent, giving surer kill at lower dosages, dieldrin is the outstanding insecticide developed in recent years for the protection of health against insect attack.

Another recent Shell development is aldrin, fast becoming recognised as the most widely effective and most economical of all insecticides for use in the soil.

Have you an urgent pest problem in your area?

Issued by The Shell Petroleum Company Limited, London, E.C.2, Eng.

traditionally drives a hard bargain when it buys gas—mainly coke oven gas—from outside, though its purchases of refinery gases have occasionally been at comparatively high prices where these have made it possible to close down old and high-cost coal gasification plant. If agreement can be reached upon the economics of the operation, the technical details of the plant seem already fairly clear. It would initially handle about 50,000 tons of petroleum products a year—the total output of the Kent oil refinery is about 3½ million tons of products—producing 15 million cubic feet of gas a day, and would be designed for extension to three times that capacity.

Sharp Rise in Silver

THERE has been an unaccustomed and sharp rise in the price of silver in both London and New York during the past week. The London quotation has risen from 74½d. per ounce to 77½d., while in New York the price was last Tuesday raised at one bound from 85½ cents an ounce where it had remained since January, 1953, to 89½ cents. In these moves it is the New York market that has called the tune, even though the more flexible London market had shown a slight hardening of prices a day or two before the bound in New York. That movement in New York has been caused by the withdrawal of Mexican supplies from the market at a time of a fairly active demand. Mexico has recently concluded a large contract to supply silver coinage to Saudi Arabia.

The rise in the New York price has almost reached the point at which silver mined in the United States will be attracted to the market. Under existing legislation the US Treasury guarantees a price of 90.41 cents to domestic producers. If the New York market price reaches 90½ cents a considerable flow of additional silver may well reach that market, not only from producers in the United States, but from the substantial stocks of free silver held by the US Treasury itself.

SHORTER NOTES

Holders of maturing 3 per cent Defence Bonds (4th issue) bought between May 7 and July 31, 1945, which mature between the same dates this year, are offered conversion into the current issue of 3½ per cent Defence Bonds. They may continue the existing bonds until August 1st when six months' interest at 3 per cent per annum will be paid, plus the redemption premium of £1 per cent and they will receive the like amount of bonds in the 3½ per cent issue on which interest will be payable on February 1st and August 1st.

Travellers from the United Kingdom may now take out £10 in sterling notes, against £5 previously—though the Treasury points out that the purpose of this facility is to

cover only expenses on British ships and planes and not for the exchange of the notes abroad. The amount of foreign currency notes that may be taken out of the United Kingdom has also been increased, from £10 to £25, to be deducted as before from the basic travel allowance of £100.

★

The Government has raised the rate on new tax reserve certificates from 1¼ to 1½ per cent, tax free—the highest rate since the certificates were first introduced in 1941. The increase follows closely on that from 1 to 1¼ per cent made in mid-February. The first increase, which was intended to bring the rate more or less into line with the rise in short-term interest rates, was out-dated by the further rise in Bank rate last month.

★

The board of the Legal and General Assurance Society propose to capitalise £750,000 of reserves to discharge the uncalled liability of 15s. on each £1 ordinary share. The steady growth of pensions business, in which this life office has a major interest, is evidently reflected in the proposal to raise the final dividend to 5s. 6d. per £1 share (5s. paid), making a total of 8s. per share or 160 per cent, compared with 6s. 9d. per share or 135 per cent for 1953.

★

Group profits before tax of Swan Hunter and Wigham Richardson, the Tyneside shipbuilders and engineers, rose by £541,000 to £2,725,000 in the year 1954, and the net profit of the parent company rose by £138,000 to £1,166,000. A final dividend of 10 per cent is proposed on the ordinary capital of £3,422,000. The capital was doubled by a free scrip issue last July, and the total dividend for 1954 is effectively 12 per cent, and 2 per cent higher than in 1953.

★

Figures issued by the Radio and Television Retailers Association give the association's estimate of the percentage of sets sold on hire purchase to the end of 1954.

PERCENTAGE SALES ON HIRE PURCHASE

	Radio		Television	
	1953	1954	1953	1954
September	37.28	52.60	51.29	66.65
October	38.99	52.89	51.35	65.99
November	41.93	53.90	49.26	62.85
December	41.61	50.67	47.21	63.73

The figures, though based on a light sample, do not point to any further extension of hire purchase practice in the last two months of the year.

Company Notes

FORD MOTOR CO. All that has happened to the Ford company in the past two years has pointed towards a great surge forward in turnover, in profit, and in the size of the undertaking. The 100 per cent scrip issue in May, 1953, the effective increase in the dividend a year ago, the £65 million expansion plan announced last October and the further 100 per cent scrip issue announced in January of this year all point to a great and growing business, bidding fair to capture a larger share of the British home and export market, particularly in smaller cars. The preliminary figures just announced detract nothing from that estimate.

In 1954 the group sold 291,468 vehicles, compared with 234,379 in 1953. Its turnover—a useful figure that shareholders receive possibly because Ford is a subsidiary of an American parent—rose to £127.3 million, compared with £105.9 million. The directors add that turnover has been maintained at a satisfactory level since the end of 1954. The final dividend

	Years to Dec. 31, 1953	1954
Gross profit.....	18,373,245	23,368,485
Less:—		
Depreciation.....	2,359,464	3,228,266
Deferred maintenance..	nil	413,309
Provisions from previous years.....	188,211	381,265
Taxation.....	10,297,268	9,453,000
Net profit.....	5,527,302	9,892,654
Ordinary dividends.....	1,287,800	1,609,750
Ordinary dividend (per cent)	12	15

of 10 per cent, making 15 per cent, compared with a single payment of 12 per cent, roughly coincides with market expectations. And the comparison is straightforward, since the latest 100 per cent free scrip issue, for which CIC permission has now been obtained, is not yet in operation. The rise in the group net profit from £5,527,302 to £9,892,654 is better than the public's expectation. It owes something—but not everything—to the demise of EPL, which cost the group £2,765,940 in 1953.

Ford Motor Company is carrying to reserve for replacement of fixed assets a slightly reduced sum of £3,420,808, compared with £4 million. But after meeting the reserve appropriation and the preference and ordinary dividends, the amount carried forward on consolidated profit and loss account rises from £4,521,315 to £9,369,345, which is a formidable revenue reserve. It is buttressed by group capital reserves amounting to £21,425,078, compared with £18,013,375. Together these reserves provide a useful start for the £65 million capital programme.

CANADIAN PACIFIC. The quip that "Canpac" is anything but a railway stock is old enough to be a chestnut, but it has lost none of its point. As the 1954 results show, the non-railway interests give what little buoyancy there is to earn-

ings but the ordinary dividend for 1954 is maintained at 6 per cent for the fifth successive year. In 1952 and 1953, the years of the Canadian boom, gross earnings from the railways of the group were going up, but net earnings remained almost unchanged at \$28.9 million. In 1954, when the boom subsided, the company's gross railway receipts fell by about 10 per cent (by \$48 million to \$422½ million) and net earnings declined by \$1.9 million to \$27 million. The grain traffic on the railways fell by about one-third and "while increases were reported in many commodities decreases occurred over a wide range of manufactured and miscellaneous goods." It was only through economies in maintenance and the increased use of diesel power, that working expenses were kept down and the decline in net railway receipts was no greater. But the result of railway operations over the year represented a return on net railway investment of only 2.15 per cent.

The improvement in Canadian Pacific's earnings from other sources—by \$1 million to \$17.8 million—was not sufficient to offset the decline in railway earnings. And following an increase in interest and rentals paid, the net earnings applicable to preference and ordinary stockholders fell by \$1.6 million to \$29.8 million. The dividend of \$1.50 per ordinary stock unit of \$25 absorbs over \$20.7 million. The

	Years to Dec. 31, 1953	1954
Consolidated earnings:—		
Gross earnings.....	470,571,371	422,642,423
Working expenses.....	441,686,799	395,609,497
Net earnings.....	28,884,572	27,032,926
Other income.....	16,802,051	17,835,319
Total income.....	45,686,623	44,868,245
Fixed charges.....	14,236,161	15,041,997
Net income.....	31,450,462	29,826,248
Pref. dividends.....	3,130,586	3,091,101
Ord. dividends.....	20,710,474	20,714,318
Net balance.....	7,609,402	6,020,829

sum to be retained in the business is only about 44 cents on each ordinary stock unit.

Investors, having noted the increase of \$1 million in "other income," must have also noted with some misgiving that as much as \$700,000 of this increase sprang from a saving in income taxes. Another disturbing figure is the loss of \$2,055,000 reported by the company's shipping interests. That loss is four times as large as the deficit of \$512,000 in 1953. Long term possibilities of this varied enterprise must always be intriguing but as yet Canadian Pacific Railway does not appear to earn enough from its outside interests to compensate for its sluggish railway earnings, and those outside interests have shown themselves to be vulnerable.

INTERNATIONAL NICKEL. A dividend of \$2.90 per common share in 1954, compared with \$2.35 in 1953, and an increase in the first quarterly payment in 1955 from 50 to 55 cents could only point in one direction—to further records from International Nickel Company of Canada.

The company's full report discloses these records. They were achieved in nickel deliveries, ore mined, net earnings and dividend payments.

The company mined 14,456,254 short tons of ore, compared with 13,667,095 short tons, yet its proven reserves of ore remained unchanged at over 261 million short tons. By delivering 282 million lb of nickel in all forms the company provided about 70 per cent of the supplies of the free world. Deliveries were as much as 30 million lb up on the 1953 total. Stockpiling absorbed the greater part of this increase and, again drew off some of the nickel intended for industry. Nevertheless, current defence orders for nickel were lower so that the total amount of nickel delivered to civilian industry was actually higher even though it still could not completely satisfy demand.

	Years to Dec. 31, 1953	1954
Consolidated earnings:—		
Net sales.....	338,579,995	352,273,825
Expenses.....	223,480,742	221,050,951
Earnings.....	115,099,253	131,222,874
Total income.....	117,369,902	133,806,519
Taxation.....	43,945,837	43,363,691
Depreciation.....	12,854,560	17,818,514
Net earnings.....	60,569,505	72,624,314
Net earnings per common stock.....	3.54	4.34
Dividends per common stock.....	2.35	2.90
* Excluding a non-recurring capital gain of \$1,865,851 from the sale of Birlec to Associated Electrical Industries.		

From nickel, copper, platinum, gold and silver, the company received \$352 million, \$14 million more than in 1953. Net earnings at \$68½ million, compared with \$63½ million, were also a record, and this figure was the more noteworthy for being computed after charging a provision for depreciation swelled by the introduction in Canada of the equivalent of initial allowances. Net earnings per common share worked out at \$4.34, not merely higher than the 1953 figure of \$3.54, but also above the previous record figure of \$4.17 of 1951.

Last year's achievements are enough to satisfy the most carping of critics, but records then established may be broken yet again this year. Mr John F. Thompson, the chairman, could not be more definite: "We confidently expect that during 1955 industrial demand for nickel will continue at a high level and that we will operate our mines and plants at full capacity. Decreases in defence requirements for nickel will probably be offset by larger civilian demand." And in November the price of nickel was increased, so that the improvement in net earnings already apparent in the last quarter of 1954 can be expected to continue.

UNITED STATES STEEL CORPORATION. United States Steel is among the biggest companies in the world. From its many works it produces more steel than any other group. It makes about one third of all the steel produced in the United States. Its steel making capacity falls little short of the combined steel production of Britain and Germany or of that of Soviet Russia. Hence, even

though it was working at only about three quarters of its rated capacity in 1954, its report for that year is not merely impressive—it is staggering.

In 1954, the year of "readjustment from the high levels of production and shipments that prevailed in 1953," United States Steel produced 28.4 million tons of steel ingots and castings, compared with 35.8 million tons in 1953. Its turnover totalled \$3,250.4 million—15.8 per cent less than the figure of \$3,861.0 million the year before. The income from sales after tax was \$195.4 million representing a return of 6 per cent on turnover; in 1953 an income of \$222.1 million gave a return of 5.8 per cent. Dividends on the preferred and common stocks, amounting to \$110.7 million, took 56.7 per cent of net earnings. The year's dividend on the common stock was stepped up from \$3.00 to \$3.25 per common stock notwithstanding the decline in earnings. That increase, the chairman, Mr Benjamin F. Fairless, states, is a "tangible recognition" of the fact that "a return on invested savings is the most powerful known catalyst for creating more savings, more investments and more jobs." He also heralds the proposed share split as making the stock "more readily available for investment purposes." This frank recognition of the value and purpose of investment should carry a moral for some of the more stuffy boards of directors on this side of the Atlantic.

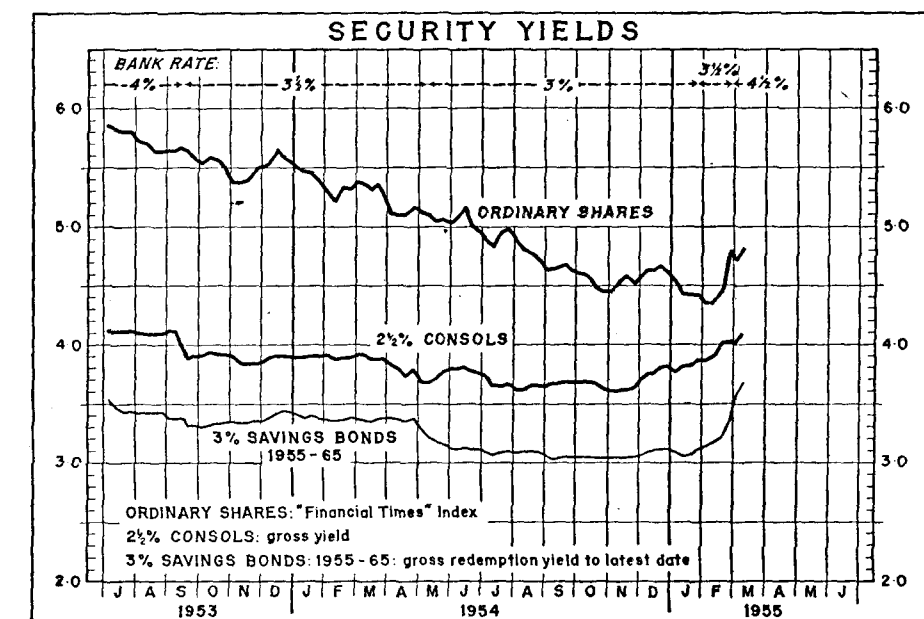
The march of the United States Steel figures does not end with the dividend payment. Last year, having ploughed back \$84.7 million, the corporation spent \$227.4 million on capital account, bringing the gross book value of its fixed assets up to \$4,361.4 million. (Small wonder that the directors are worried about the inadequacy of normal depreciation in an economy of changing money values.) The corporation's working capital at the end of last year amounted to \$752.0 million, compared with \$346.0 million. That increase in net current assets—to use the more familiar British nomenclature—reflects the

proceeds of the sale of \$300 million of debentures last July.

The report, containing all these figures and many more, is sent to 275,833 stockholders. Its presentation of the figures is as impressive as the figures themselves, and for that reason, too, it deserves study on this side of the Atlantic.

DE BEERS. The preliminary statement of De Beers Consolidated Mines for 1954 is a thin document. That is in keeping with the customary reticence of by far the most important company in the diamond trade. The statement presents stockholders with three facts: the deferred ordinary dividend has been left unchanged for the fourth successive year at 10s. per 5s. share (or 200 per cent); earnings before tax are slightly down, from £11,317,801 to £11,010,344; net profits are almost unchanged at £9,210,344, compared with £9,317,801 in 1953.

There is not much sparkle in this report, and the sparkle in the equity itself had disappeared before the report was published. At the turn of the year diamond equities shone brightly, the extra brilliance coming in part from the increase in the price of gem stones made just before Christmas. That was the second increase within a year, the first having been announced in January, 1954. But the announcement that the total value of diamond sales had risen by £1 million to £62.1 million in 1954, thanks to heavier sales of industrial stones in the last quarter of the year also helped the rise. Share values then came down abruptly with the report that synthetic diamonds had been manufactured in the United States. The De Beers deferred bearer 5s. shares are now quoted at 115s., to offer a yield of 8.7 per cent. Perhaps Sir Ernest Oppenheimer may make some comments on them in his next statement to stockholders. It will be interesting to see whether a synthetic stone apparently quite small and costly to produce will cause immediate concern.



LONDON STOCK EXCHANGE

Next Account begins: March 30th
Next Contango Day: March 30th
Next Settlement Day: March 22nd

The closing days of last week saw a sharp fall on the Stock Exchange, in which nearly all sections became involved. The opening days of this week produced a pause in industrials, together with the beginnings of a rally in gilt-edged. By Wednesday a fairly marked rally had developed in all sections. The fall in London had coincided with marked weakness on Wall Street. The subsequent rally in industrials coincided with a firmer market there also. The result has been that in the week running from Wednesday to Wednesday, gilt-edged have on balance gained ground. The *Financial Times* index of government securities having risen from 98.42 to 99.11, while industrials have on balance lost ground, the index having moved from 181.3 to 179.4. Movements on Wednesday were most marked in the long and undated stocks, War Loan 3½ per cent gaining 1½ to 84½.

Buying orders came in for Japanese bonds, the 5 per cents of 1907 rising sharply; at 168½ the unassented bonds show a small net rise in the week. Canadian Pacific Common have also rallied, despite the weakness of Wall Street and the disappointing financial results; at 53½ they show a net fall on the week of only ½.

With the start on Wednesday of the new Stock Exchange account and the new Stock Exchange year a moderate amount of new time buying and of bear closing in industrials developed. Imperial Chemicals rose 1s. 1½d. to 41s. 4½d. Some sharp recoveries took place in the stores group that had been found vulnerable when the market was falling. United Drapery gained 1s. 9d. to 42s., having been down to 40s. last Friday. Even William Whiteley that fell 4s. 4½d. on Tuesday on the chairman's revelation that there would be no ordinary dividend, rallied 1s. 10½d. on Wednesday to 50s.

Copper shares have held their ground well during the fall, and they also rallied with the rest of the market on Wednesday to 50s.

Kaffirs, teas and rubbers all enjoyed a firm market when the general rally began.

FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Mar. 9...	181.3	109.28	4.07	4.80
" 10...	178.9	108.93	4.11	4.86
" 11...	175.9	108.44	4.13	4.95
" 14...	176.0	108.58	4.10	4.95
" 15...	175.7	108.70	4.04	4.96
" 16...	179.4	109.27	3.98	4.85
1955, High.	197.5	115.97	Total bargains 1955	
" Low..	(Feb. 3)	(Jan. 7)	Mar. 9	9,452
" 10...	175.7	107.61	" 10	9,284
" 15...	(Mar. 15)	(Feb. 24)	" 11	10,158
1954, High.	184.0	118.10	" 14	12,324
" Low..	(Dec. 31)	(Nov. 18)	" 15	9,472
" 16...	131.1	111.78	" 16	9,352
	(Jan. 1)	(Jan. 5)		

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1955 Jan. 1 to Mar. 16		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Mar. 9, 1955	Price, Mar. 16, 1955	Net Yield, Mar. 16, 1955 %	Gross Yield, Mar. 16, 1955 %	Prices, 1955 Jan. 1 to Mar. 16		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Mar. 9, 1955	Price, Mar. 16, 1955	Yield, Mar. 16, 1955 %
High	Low							High	Low						
97½	94½	Exchequer 2% 1960	95½	94½	2 3 10	3 2 8	42/9	35/9	15 c	17½	STEEL & ENGINEERING		38/-	38/6	4 10 11½
99½	92½	Exchequer 2½% '63-64	93½	93½	2 5 4	3 9 10½	13/10½	10/-	115 c	3½	B.S.A. £1		12/4½	11/9	6 5 11
104½	98½	Exchequer 3% 1960	99½	98½	1 18 0	3 5 5	28/10½	27/3	...	...	Colvilles £1		28/-	27/-	...
102½	97½	Exchequer 3½% '62-63	98½	97½	2 0 1	3 8 6½	27/1½	23/-	...	...	c Dorman Long £1		26/3	26/3	6 1 11
100½	96½	Serial Funding 2½% 1957	97½	97½	2 2 6	3 5 10	74/3	62/4½	10 b	5 a	c Guest Keen N'fold £1		67/9	63/9	4 14 1
100½	99½	Serial Funding 3% 1955	99½	99½	1 14 3	3 15 3	50/3	42/-	...	12½	c Stewarts & Lloyds £1		47/-	46/3	5 8 1
100½	98½	War Bonds 2½% '54-56	98½	98½	2 5 2	3 9 4	31/7½	27/6	3 a	6½	c Summers (John) £1		30/-	30/-	6 8 4
100½	98½	Funding 2½% '52-57	98½	98½	2 1 1	3 9 0½	32/6	27/6	4 a	6 b	c United Steel £1		31/3	31/7½	6 6 6
100½	97½	War Loan 3% '55-59	98½	98½	2 2 1	3 8 11½	43/10½	35/9	15 c	2½	c Vickers £1		38/9	37/6	4 0 0½
100½	93½	Savings Bonds 3% '55-56	94½	94½	2 5 3	3 13 5½	...	...	...	...	TEXTILES		...	...	...
100½	94½	Funding 2½% '56-61	95½	95½	2 3 5	3 6 3½	30/4½	24/6	4 a	6 b	c Bradford Dyers £1		25/9	25/-	8 0 0
97½	89½	Funding 3% '59-69	90½	91½	2 7 6	3 15 9½	33/4½	27/3	12 b	3 a	c Brit. Celanese £1		29/9	28/3	6 7 5½
98½	90½	Funding 3½% '66-68	92½	92½	2 6 6	3 15 1½	29/6	23/6	10 b	2½	c Coats (J. & P.) £1		25/-	24/6	6 2 5½
95½	88½	Funding 3½% 1999-2004	90½	90½	2 5 2	3 19 5½	43/6	35/-	4½ b	4 a	c Courtaulds £1		37/6	36/6	4 7 8½
103½	98½	Funding 4% '60-90	101½	101½	2 3 6	4 0 0½	32/6	27/9	10 a	7½	c Lancs. Cotton £1		30/6	28/3	8 16 11½
96½	87½	Savings Bonds 3% '60-70	90½	90½	2 8 1	3 16 10½	36/0½	29/-	15 b	2½	c Patons & Baldwins £1		30/-	29/6	6 15 7½
95½	87½	Savings Bonds 2½% '64-67	89½	90½	2 7 7	3 12 6½	...	...	...	...	MOTOR & AIRCRAFT		...	...	...
105½	98½	Victory 4% '20-76	100½	100½	2 2 9	3 18 8½	20/10½	17/4½	6½ b	3½	c Bristol Aeroplane 10/-		19/-	19/6	5 2 7
94½	85½	Savings Bonds 3% '65-75	87½	88½	2 8 0	3 17 4½	12/9	9/10½	4 a	8½	c British Motor 5/-		11/3	10/4½	6 0 6
97½	90½	Consols 4% aft. Feb. '57	92½	93½	2 7 1	4 5 9½	27/3	21/10½	7½ c	7½	c De Havilland £1		24/3	23/6	6 7 8
89½	79½	Conv. 3½% aft. April '61	82½	83½	2 6 1	4 3 8½	90/6	74/-	5 a	10 b	c Ford Motor £1		76/10½	77/6	3 17 5
103½	94½	Conv. 3½% 1969	96½	96½	2 4 6	3 16 10	57/6	43/1½	3 a	7½	c Hawker Siddeley £1		49/3	49/-	4 5 9
99½	95½	Conv. 2% 1958-59	96½	95½	2 3 9	3 3 1½	131/-	100/6	25 c	30 c	c Leyland Motors £1		121/3	120/-	5 0 0
66½	59½	Treas. 2½% aft. April '75	61½	62½	2 4 0	3 19 11½	88/6	71/3	12½ b	5 a	c Rolls Royce £1		79/-	75/7½	3 1 8½
78½	70½	Treas. 3% aft. April '66	72½	73½	2 5 0	4 1 9½	8/-	6/10½	12 c	12 c	c Standard Motor 5/-		7/3	7/3	8 5 6
98½	91½	Treas. 3½% '77-80	92½	92½	2 6 6	4 0 2½	...	...	...	...	SHOPS & STORES		...	...	...
93½	91½	Treas. 3½% '79-81	92½	92½	2 6 5	3 19 9½	32/6	25/-	22½ c	10 a	c Boots Pure Drug 5/-		27/-	25/9	4 7 4
88½	78½	Redemption 3% '86-96	81½	82½	2 6 6	3 17 5½	45/3	36/9	7½ a	20 b	c Debenhams 10/-		40/-	39/6	6 19 3
88½	79½	War L'n. 3½% aft. Dec. '52	83½	84½	2 5 1½	4 4 0½	62/6	43/9	45 b	15 a	c Gt. Universal 5/-		51/6	51/-	3 13 7½
66½	60½	Consols 2½%	61½	63½	2 3 7	3 19 2½	114/-	97/6	17½ b	5 a	c Lyons (J.) 'A' £1		106/3	101/3	4 8 11
94½	86½	Br. Elec. 3% '68-73	88½	88½	2 8 5	3 17 3½	76/-	58/6	45 b	15 a	c Marks & Spen. 'A' 5/-		65/-	64/6	2 18 2½
93½	85½	Br. Elec. 3% '74-77	87½	87½	2 7 8	3 17 0½	71/9	55/3	20 a	36½	c Woolworth 5/-		58/-	58/3	4 5 10½
109½	100½	Br. Elec. 4½% '74-79	102½	102½	2 3 8	4 1 2½	...	...	...	...	OIL		...	...	...
98½	91½	Br. Elec. 3½% '76-79	92½	92½	2 6 10	4 0 9½	88/9	68/6	37½ b	5 a	c British Petroleum £1		72/6	73/9	2 6 1½
88½	79½	Br. Trans. 3% '78-88	82½	83½	2 8 0	3 18 10½	138/-	100/-	17½ c	7½ a	c Burmah £1		111/3	110/-	3 3 8
94½	86½	Br. Trans. 3% '68-73	88½	88½	2 8 5	3 17 3½	58/-	50½	12 b	6 a	c Royal Dutch 100 fl.		55½	57½	2 3 7½
105½	98½	Br. Trans. 4% '72-77	99½	100½	2 4 2	4 0 10½	132/-	109/9	10½ b	5½ a	c Shell Reg. £1		123/1½	127/1½	3 11 6½
88½	79½	Br. Gas 3% '90-95	82½	82½	2 7 10	3 18 4½	35/1½	26/9	5½ a	15½ b	c Trinidad L'holds 5/-		30/3	30/-	6 1 2½
102½	94½	Br. Gas 3½% '69-71	95½	96½	2 4 4	3 16 8½	...	...	...	...	SHIPPING		...	...	...
105½	99½	Br. Gas 4% '69-72	100½	101½	2 2 2	3 18 3½	37/3	30/-	16 c	5 a	c Cunard £1		33/-	32/-	6 0 0½
							57/-	45/6	12 c	12 c	c Furness Withy £1		49/-	46/6	5 3 3-

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

Prices, 1954		Prices, 1955		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Mar. 9, 1955	Price, Mar. 16, 1955	Yield, Mar. 16, 1955																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						</
--------------	--	--------------	--	----------------------------------	--	---------------------	----------------------	----------------------	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	----

Prices, 1955 Jan. 1 to Mar. 16		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Mar. 9, 1955	Price, Mar. 16, 1955	Yield, Mar. 16, 1955 %
High	Low							
58/6	48/9	5 a	7 b	BANKS & DISCOUNT		54/6	53/-	4 10 7
76/7½	64/-	7 a	8 b	Barclays £1		66/-	64/6	4 13 0
89/3	80/6	8 a	10 b	Lloyds 'A' £5, £1 pd.		84/-	81/-	4 8 11
87/-	79/-	8½ a	9½ b	Midland £1, fully pd.		82/6	80/-	4 10 0
96/10½	87/-	8 a	8 b	N. Prov. 'B' £5, £1 pd.		90/6	89/6	4 9 5
69/-	52/6	7½ a	8½ b	Westminster 'B' £4, £1 pd.		54/6	52/6	4 15 3½
58/6	49/6	5 a	7 b	Nat. Disc. 'B' £1		52/6	50/6	4 15 1
60/-	51/3	5 a	7½ b	Union Disc. £1		56/-	52/-	4 16 2
48/10½	39/6	4 a	4 b	Barc. (D.C.O.) £1		42/6	40/6	3 19 0
51/9	43/3	7½ a	7½ b	Chart. Bk. of India £1		47/-	45/6*	6 11 10
				INSURANCE				
17½	14½	50 a	110 b	Leg. & Gen. £1, 5/- pd.		16½	16	2 10 0
23½	20½	40½ b	20½ a	Pearl £1, fully pd.		22½	22	4 19 2
46½	41½	105½ c	112½ c	Prudential 'A' £1		44	43½	4 14 7
				BREWERS, ETC.				
141/-	130/6	10 a	33 b	Bass £1		136/3	131/3	6 11 1
29/0½	22/-	25 c	10 a	Distillers 4/-		24/6	24/3	4 2 6
49/6	40/3	8 a	15 b	Guinness 10/-		45/9	43/9	5 2 2
93/9	81/-	15½ b	7 a	Whitbread 'A' Ord. £1		85/-	85/-	5 6 8

New York Closing Prices

Mar. 9	Mar. 16	Mar. 9	Mar. 16	Mar. 9	Mar. 16
41½	42½	44½	43½	87½	88½
30½	29½	42½	41½	21½	21½
34½	34½	22½	21½	80½	79½
27½	27½	68½	68½	63	61
132½	179½	50½	50	110½	111
12½	12½	94½	93½	77	77
6½	6½	54½	54½	77½	76½
89	89½	62½	63½	49½	49½

* Ex dividend. † Free of tax. Gross yield. (a) Interim dividend. (b) Final dividend. (c) To earliest date. (f) Flat yield. (g) On 14-4%. (h) Also 4% tax free bonus and 50% tax free from capital profits; on 14-8%. (i) On 13½%. (j) On 11½%. (k) On 8%. (l) To latest date. (m) On 10%. (n) On 9½%. (o) On 9%. (p) On 8½%. (q) On 22% gross. (r) On 37½%. (s) On 22-7% gross. (t) On 12-6%. (u) Interim for 15 months. On 12%. (v) On 7½%. (w) On 17½%. (x) On 12½%. (y) On 11%. (z) On 8½%. (s) On 20%.

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	Mar. 5th	Western Europe :	Mar. 5th
Production and Consumption	Mar. 12th	Production and Trade.....	Mar. 12th
Manpower.....	This week	British Commonwealth	Mar. 12th
External Trade.....	Feb. 26th	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits.....	Jan. 15th	United States	Feb. 26th
		World Trade.....	Jan. 15th

Manpower in Great Britain

	Unit	Monthly averages			1953	1954				1955	
		1952	1953	1954	Dec.	Jan.	Feb.	Nov.	Dec.	Jan.	Feb.
TOTAL MANPOWER ⁽¹⁾											
Working population :											
Total	'000s	23,294	23,373	23,667	23,549	23,583	23,565	23,910	23,816	23,841	...
Men	"	15,864	15,883	15,974	15,949	15,980	15,971	16,054	16,049	16,074	...
Women	"	7,430	7,490	7,693	7,600	7,603	7,594	7,856	7,767	7,767	...
Armed Forces.....	"	872	865	839	850	847	844	836	830	830	...
Civil employment :											
Total	"	22,119	22,238	22,604	22,363	22,375	22,375	22,818	22,714	22,724	...
Agriculture, forestry and fishing.....	"	1,112	1,087	1,074	1,043	1,043	1,039	1,029	1,022	1,027	...
Mining and quarrying	"	875	877	867	866	868	867	864	865	868	...
Building and contracting	"	1,435	1,437	1,453	1,419	1,415	1,418	1,449	1,438	1,419	...
Distributive trades	"	2,616	2,664	2,743	2,725	2,712	2,708	2,833	2,802	2,781	...
Public administration.....	"	1,336	1,320	1,326	1,320	1,320	1,321	1,316	1,311	1,311	...
Manufacturing industries.....	"	8,626	8,746	8,976	8,913	8,931	8,933	9,201	9,171	9,206	...
CHANGES IN EMPLOYMENT ⁽¹⁾ —											
Increase or decrease since June, 1950 :											
Employees in engineering ⁽²⁾	"	+ 212	+ 213	+ 338	+ 292	+ 305	+ 309	+ 455	+ 459	...	...
" " consumer goods industries ⁽³⁾	"	— 126	— 8	+ 58	+ 50	+ 53	+ 48	+ 125	+ 98	...	...
UNEMPLOYMENT											
By duration :											
All durations—total	"	414.2	342.0	284.8	321.8	372.8	387.3	263.1	256.3	297.8	281.6
" " —men	"	227.8	218.2	184.4	207.5	244.9	261.7	165.9	163.3	194.7	179.0
" " —women	"	186.4	123.8	100.4	114.3	127.9	125.6	97.2	93.0	103.1	102.7
Temporary or under 2 weeks—men.....	"	87.8	68.8	58.0	62.6	82.5	83.1	52.4	50.1	70.8	54.1
" " —women	"	94.7	44.0	36.5	35.6	49.4	40.4	36.3	32.1	44.5	36.6
Over 8 weeks—men	"	85.9	96.7	81.7	89.4	96.7	103.9	69.3	70.9	74.4	77.0
" " —women	"	50.2	46.3	37.1	42.4	47.9	48.3	31.1	32.2	35.4	36.0
By industry ⁽⁴⁾ :											
Textiles	"	8.6	1.4	0.9	0.8	1.0	1.0	0.9	0.9	1.1	1.1
Clothing	"	2.9	1.3	1.3	1.5	1.7	1.4	1.2	1.2	1.3	1.0
Vehicles	"	0.7	0.8	0.5	0.6	0.7	0.7	0.4	0.4	0.4	0.4
Engineering, etc.	"	1.4	1.4	1.1	1.3	1.3	1.4	1.0	0.9	1.0	0.9
Coal-mining	"	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Distributive trades	"	1.5	1.5	1.3	1.3	1.6	1.7	1.1	1.0	1.3	1.3
By regions ⁽⁴⁾ :											
Great Britain.....	"	2.0	1.6	1.3	1.5	1.8	1.8	1.2	1.2	1.4	1.3
London and South Eastern	"	1.3	1.2	1.0	1.2	1.4	1.5	0.9	0.8	1.0	0.9
Eastern	"	1.3	1.3	1.2	1.2	1.6	1.9	1.0	1.0	1.3	1.3
Southern	"	1.4	1.4	1.1	1.4	1.5	1.8	1.1	1.1	1.2	1.1
South Western	"	1.5	1.6	1.5	1.7	1.9	2.0	1.5	1.6	1.6	1.5
Midland	"	0.9	1.1	0.6	0.7	0.8	0.8	0.5	0.5	0.5	0.5
North Midland.....	"	1.0	0.7	0.6	0.6	0.7	0.9	0.6	0.5	0.7	0.7
East and West Ridings.....	"	1.9	1.2	0.9	1.1	1.3	1.3	0.8	0.8	0.9	0.8
North Western	"	3.6	2.1	1.5	1.7	1.9	1.9	1.3	1.3	1.4	1.4
Northern	"	2.6	2.4	2.2	2.4	2.8	2.8	2.1	2.0	2.5	2.2
Scotland	"	3.3	3.1	2.8	3.0	3.4	3.5	2.6	2.7	3.0	2.9
Wales.....	"	2.9	3.0	2.5	2.7	3.1	3.2	2.3	2.2	2.6	2.3
VACANCIES											
Unfilled vacancies notified to Employment Ex-											
changes :											
Total	'000s	230	270	338	270	261	258	333	338	338	352
Men	"	131	147	191	147	140	136	189	191	189	199
Women	"	99	123	147	123	121	122	144	147	149	153
DISPUTES ⁽⁴⁾											
Workers involved	"	35	114	37	1,098	47	37	39	32	32	...
Working days lost :											
Total	"	149	182	206	1,134	128	130	302	82	91	...
Mining and quarrying	"	55	33	39	24	39	42	47	22	41	...
Engineering, etc.	"	66	127	62	1,068	14	14	223	35	29	...
Other industries and services.....	"	28	22	105	42	75	74	32	25	21	...

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	51	0.4	43	2	36	55	52	21
1953	239	107	134	155	111	173	129	96	134	152	139	107
1954	250	106	134	153	...	194	...	97	...	155	139	118
1954, September	253	105	134	151	110	194	126	97	134	156	138	117
" October	254	105	133	150	110	199	127	97	136	155	138	117
" November	258	106	136	151	110	199	...	98	...	155	139	118
" December	258	106	136	152	...	200	...	98	...	155	140	121
1955, January	261	...	137	152	...	...	...	...	...	155	140	...

COST OF LIVING ⁽¹⁾ (1948 = 100)												
1938	31	27	60	6	64	0.4	55	2	49	63	65	29
1953	210	106	123	144	108	160	126	117	130	135	130	113
1954	215	108	124	143	108	184	126	120	137	142	131	123
1954, September	217	108	...	143	108	186	...	121	137	144	131	121
" October	217	107	125	143	109	185	...	121	138	143	131	122
" November	218	107	...	144	110	187	127	121	137	143	131	123
" December	218	108	...	145	110	188	...	121	137	144	131	125
1955, January	219	108	127	...	...	...	...	...	...	143	...	...

IMPORT PRICES ⁽²⁾ (1948 = 100)												
1938	...	27	40	7	39	...	39	2	24	32	45	21
1953	270	110	118	168	106	...	121	99	117	125	140	89
1954	260	...	...	...	102	...	...	...	...	...	...	...
1954, August	260	105	115	166	103	...	126	98	111	119	138	86
" September	251	104	...	...	104	...	126	97	109	119	...	10
" October	243	101	...	...	101	...	124	97	111	122	...	81
" November	245	...	...	...	103	...	126	...	...	123	...	79
" December	258	...	...	...	102	...	...	...	...	...	...	...

EXPORT PRICES ⁽²⁾ (1948 = 100)												
1938	...	25	40	6	51	...	37	2	25	32	42	24
1953	239	101	110	147	123	...	127	99	104	120	134	110
1954	236	...	...	...	119	...	...	...	...	...	...	...
1954, August	239	88	107	138	118	...	127	101	98	121	133	104
" September	239	91	...	...	117	...	126	100	97	115	...	98
" October	236	91	...	...	117	...	125	...	98	123	...	105
" November	233	94	...	...	117	...	125	...	...	119	...	100
" December	237	...	...	...	118	...	...	...	...	...	...	...

CURRENCY IN CIRCULATION ⁽³⁾												
End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £T.
1938	...	23.6	425	112	...	...	18.2	19	1,048	455	1.04	213
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	11.97	...	...	...	...	3,47	78.2	1,533	...	...	...	1,522
1954, September	11.03	105.2	1,837	2,444	12.37	3.61	71.3	1,405	3,493	2,993	4.67	1,548
" October	11.30	...	1,880	2,471	...	3.58	73.1	1,397	3,553	3,031	4.80	1,603
" November	11.32	...	...	2,457	...	3.45	74.1	1,401	...	3,024	...	1,549
" December	11.97	...	...	...	...	3.47	78.2	1,533	...	...	...	1,522
1955, January	...	...	...	...	...	...	77.5	...	...	...	...	1,574

GOLD AND FOREIGN EXCHANGE HOLDINGS ⁽⁴⁾ (mn. US Dollars)												
1938	...	780	76.7	2,791	...	26.8	59	201	1,003	128.3	512	34
1953	271.4	1,092	166.8	956	1,984	10.5	234	952	1,161	138.4	425	213
1954	371.9	1,046	143.4	...	...	10.8	260	...	...	122.8	...	205
1954, October	402.1	1,036	136.8	1,189	2,565	10.7	245	1,033	1,240	139.3	383	213
" November	385.2	1,043	134.7	1,240	2,585	10.8	250	...	1,253	130.5	377	208
" December	371.9	1,046	143.4	...	...	10.8	260	...	...	122.8	...	205
1955, January	364.8	1,064	141.5	...	...	11.8	252	...	...	108.9	...	217
" February	363.1	...	...	...	...	...	...	...	...	...	...	...

(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) Beginning May, 1954, a new drachma equal to 1,000 old drachmas was introduced. (⁶) Average for third quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended March 12th there was an "above-line" deficit (after allowing for Sinking Funds) of £14,827,000 compared with a surplus of £21,913,000 in the previous week and a deficit of £5,256,000 in the corresponding period of last year. This brought the cumulative account to a surplus of £495,303,000 (compared with a surplus of £214,176,000 in 1953-54). Net expenditure "below-line" last week reached £11,732,000, bringing the total cumulative surplus to £37,737,000 (compared with a deficit of £181,726,000 in 1953-54).

'000	Esti- mate, 1954-55	April 1, 1953 to Mar. 13, 1954	April 1, 1954 to Mar. 12, 1955	Week ended Mar. 13, 1954	Week ended Mar. 12, 1955
Ord. Revenue	1800,000	1646,018	1755,946	37,356	42,672
Income Tax	132,000	122,700	124,400	4,400	3,900
Sur-tax	164,375	155,200	177,500	3,300	3,500
Death Duties	55,000	53,400	70,570	1,000	1,300
Stamps	172,000	179,400	161,900	3,000	1,500
Profits Tax & E.P.T.	60,000	62,050	73,650	1,400	1,000
Success Profits Levy	1,000	1,220	1,180	...	...
Special Contribution and other Inland Revenue	...	...	...	...	...
Total Inland Rev.	2384,375	2219,988	2365,146	50,546	53,872
Customs	1062,500	999,885	1047,781	19,930	18,543
Excise	719,000	707,415	754,162	3,545	4,470
Total Customs and Excise	1781,500	1707,300	1801,943	23,475	23,013
Motor Duties	77,000	72,805	78,588	401	350
PO (Net Receipt)	21,000	7,900	13,000	1,000	500
Broadcast Licences	24,000	37,418	22,944	...	...
Loans	245,000	108,507	186,330	436	993
Total	4532,875	4168,968	4468,051	75,468	78,728
Ord. Expenditure	570,000	572,913	558,380	3,673	5,526
Debt Interest	51,000	47,496	47,352	...	...
Payments to N. Ire.	10,000	9,010	8,490	...	...
Land Exchequer	3859,739	3290,588	3343,373	76,600	87,200
Other Cons. Fund	...	...	...	...	...
Supply Services	...	...	...	...	...
Total	4490,739	3920,008	3957,595	80,273	92,735
Sinking Funds	36,000	34,786	35,153	450	820
"Above-line" Surplus or Deficit	...	214,176	495,303	5,256	14,827
"Below-line" Net Expenditure	...	395,902	457,566	12,259	11,732
Total Surplus or Deficit	...	181,726	37,737	17,515	26,559
Net Receipts from:	...	...	...	...	...
Tax Reserve Certificates	43,332	11,723	432	2,395	...
Savings Certificates	18,700	42,450	900	1,000	...
Defence Bonds	36,803	20,277	833	892	...

* Since end September the capital expenditure of the Post Office has been charged directly on the Exchequer (instead of being financed from the Savings Funds) and is consequently included in "below-line" expenditure and the total deficit. As at March 12th this item stood at £40,000,000.

FLOATING DEBT

(£ million)					
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1954					
Mar. 13	3,080.0	1,345.5	301.7	0.3	4,727.4
Dec. 4	3,470.0	1,613.4	254.6	...	5,382.0
" 11	3,450.0	1,672.7	256.4	3.8	5,382.8
" 18	3,440.0	1,727.1	262.2	...	5,429.3
" 31	3,420.0	1,823.5	263.4	...	5,505.9
1955					
Jan. 8	3,400.0	1,771.4	264.7	...	5,436.0
" 15	3,350.0	1,719.2	260.4	...	5,330.0
" 22	3,310.0	1,662.7	262.3	...	5,235.0
" 29	3,270.0	1,642.2	243.2	...	5,155.4
Feb. 5	3,240.0	1,575.9	236.8	...	5,052.7
" 12	3,190.0	1,557.1	251.8	...	4,998.9
" 19	3,160.0	1,674.1	286.4	...	5,120.4
" 26	3,150.0	1,691.5	268.0	...	5,109.5
Mar. 5	3,160.0	1,709.4	286.2	...	5,155.4
" 12	3,170.0	1,710.8	274.6	...	5,155.4

THE MONEY MARKET

The stringency of credit conditions in Lombard Street shows little sign of abatement. On Thursday and Friday last week a few houses were again forced into the Bank; in the remainder of the week covered by the Bank return the market succeeded in repaying the previous week's loans without further borrowing at the penal rate, but only with the help of official purchases (which on Monday reached moderate proportions). On Wednesday, when no repayments were due, official disbursements made conditions more comfortable, and there was a good demand for May and June maturities at 3½ per cent.

At last week's Treasury bill tender, the market maintained its bid unchanged for the £270 million of bills on offer. As outside tenderers lowered their bids the market's allotment jumped from 50 to 61 per cent, and the average rate of discount rose by nearly ¼d. to £3 16s. 0.65d. per cent—despite the fact that applications rose by a further £3.2 million to £393.9 million.

Business in the gold market declined early this week. The price at the fixing fell from 251s. 3d. a fine ounce on Thursday last to 251s. on Wednesday in sympathy with the rise in sterling.

The Bank return shows a fall in discounts and advances of £8.4 million to £18.5 million, reflecting the market's net repayments of seven-day loans. The active note circulation rose further by £2.3 million.

LONDON MONEY RATES

Bank rate (from 3½% 24/2/55)	%	Discount rates	%
Bank bills: 60 days	3½	Bank bills: 60 days	3½
Deposit rates (max)	2½	3 months	3½
Banks	2½	4 months	3½-3¾
Discount houses	2½	6 months	3¾-4
Money Day-to-day	2½-3	Fine trade bills:	
Short periods	2½-3	3 months	4½-4¾
Treas. bills 2 months	3½	4 months	4½-4¾
3 months	3½	6 months	4½-4¾

* Call money

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates : Spot						
	March 16	March 10	March 11	March 12	March 14	March 15	March 16	
United States \$...	2.78-2.82	2.79-2.79½	2.79½-2.79½	2.79½-2.79½	2.79½-2.79½	2.79½-2.79½	2.79½-2.79½	
Canadian \$		2.74½-2.74½	2.74½-2.74½	2.74½-2.74½	2.74½-2.74½	2.74½-2.74½	2.74½-2.74½	
French Fr.	972-985-987.35	976½-977½	976½-977½	976½-977½	976½-977½	976½-977½	976½-977½	
Swiss Fr.	12.15½-12.33½	12.26½-12.26½	12.26½-12.26½	12.26½-12.26½	12.26½-12.27	12.26½-12.27½	12.27½-12.27½	
Belgian Fr.	138-95-	139-40-	139-47½-	139-50-	139-50-	139-60-	139-67½-	
	141.05	139.45	139.52½	139.55	139.55	139.65	139.72½	
Dutch Gld.	10.56-10.72	10.60½-10.61	10.60½-10.61	10.60½-10.61	10.61-10.61½	10.61½-10.62	10.62½-10.62½	
W. Ger. D-Mk.	11.67½-11.84½	11.78½-11.79	11.78½-11.78½	11.78½-11.79½	11.78½-11.79	11.78½-11.79	11.79-11.79½	
Portuguese Esc.	79.90-81.10	79.90-80.10	79.90-80.10	79.90-80.10	79.90-80.10	80.00-80.20	80.00-80.20	
Swedish Kr.	14.37½-14.39½	14.53½-14.53½	14.53½-14.53½	14.53½-14.54	14.54-14.54½	14.54½-14.54½	14.54½-14.55½	
Danish Kr.	19.19½-19.48½	19.37½-19.38	19.38½-19.38½	19.38½-19.38½	19.38½-19.39	19.39½-19.39½	19.39½-19.39½	
Norwegian Kr.	19.85-20.15	20.01½-20.01½	20.01½-20.01½	20.01½-20.01½	20.01½-20.01½	20.01½-20.01½	20.01½-20.01½	
One Month Forward Rates								
United States \$	½-¾ c. pm	½-¾ c. pm	½-¾ c. pm	½-¾ c. pm	½-¾ c. pm	½-¾ c. pm	½-¾ c. pm	
Canadian \$	¾-¾ c. pm	¾-¾ c. pm	¾-¾ c. pm	¾-¾ c. pm	¾-¾ c. pm	¾-¾ c. pm	¾-¾ c. pm	
French Fr.	Par-1 dis	Par-1 dis	Par-1 dis	Par-1 dis	Par-1 dis	Par-1 dis	Par-1 dis	
Belgian Fr.	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	
Dutch Gld.	1½-¾ pm	1½ pm	1½ pm	1½ pm	1½ pm	1½ pm	1½ pm	
W. Ger. D-Mk.	12-1½c. pm	12-1½c. pm	12-1½c. pm	12-1½c. pm	12-1½c. pm	12-1½c. pm	12-1½c. pm	
Swedish Kr.	14-1½p. pm	14-1½p. pm	14-1½p. pm	14-1½p. pm	14-1½p. pm	14-1½p. pm	14-1½p. pm	
Danish Kr.	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	
Norwegian Kr.	Par-20 dis	Par-20 dis	Par-20 dis	Par-20 dis	Par-20 dis	Par-30 dis	Par-30 dis	
	Par-10 dis	Par-10 dis	Par-10 dis	Par-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	
Gold Price at Fixing								
Price (s. d. per fine oz.)	251/3	251/2	...	251/0½	251/0	251/0	251/0	

60/-
WHOLE LIFE ASSURANCES
42/6 TO 57/6
ENDOWMENT ASSURANCES
 (According to age at maturity)

TRIENNium 1952-1954

These Annual Rates of Bonus per £100
 Sum Assured are now declared

For **MUTUAL** satisfaction consult
NATIONAL PROVIDENT
INSTITUTION
FOR MUTUAL LIFE ASSURANCE
 — Established 1835 —
48, GRACECHURCH STREET, LONDON, E.C.3.
 Telephone: MANSion House 1481

*Westward the
 horizon is bright*

Keep in touch with Canadian trade prospects. The Bank of
 Montreal, prominent in Canada's commercial life since 1817,
 will be glad to introduce business men to this modern, thriving
 country and to provide them with appropriate banking facilities.



BANK OF MONTREAL

47 THREADNEEDLE STREET, LONDON, E.C.2.
 Head Office: MONTREAL.
 626 Branches across Canada Assets exceed \$2,500,000,000
 Incorporated in Canada in 1817 with Limited Liability



The George Inn, Southwark (Property of the National Trust)
 Among the many ancient and famous buildings which the Capital possesses
 the George Inn, Southwark, beloved by Dickens, is often overlooked by the
 visitor. As one of the last of the great coaching inns of the Borough, it remains
 a link with the distant past.

Martins Bank Limited, too, has cherished traditions and at
 68, Lombard Street, the principal London Office of the Bank, a
 banking business is reputed to have been carried on since 1563.

MARTINS BANK LIMITED

London District Office: 68, Lombard Street, E.C.3

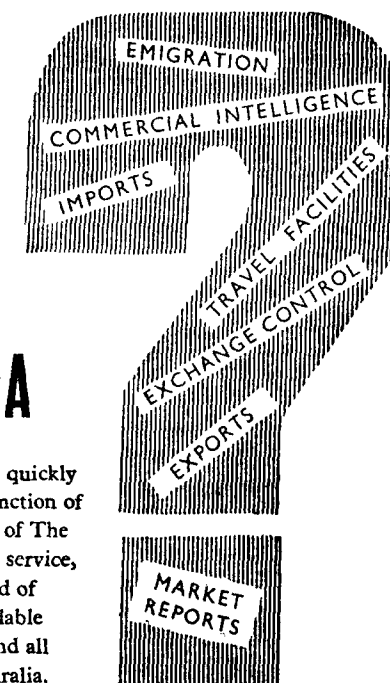
HEAD OFFICE: WATER STREET, LIVERPOOL, 2

Total Assets (as at 31st December, 1954) £363,655,940



Any
 Questions
 about
AUSTRALIA

Furnishing the answers quickly
 and concisely, is the function of
 the information service of The
 Bank of Adelaide. This service,
 together with every kind of
 banking facility, is available
 at our London Office and all
 offices throughout Australia.



The Bank of Adelaide

Incorporated in Australia in 1865 with limited liability

London Office: 11 LEADENHALL STREET EC3
 (Telephone: MANSion House 2993)

PRINCIPAL OFFICES IN AUSTRALIA: ADELAIDE (HEAD OFFICE)
 BRISBANE, MELBOURNE, PERTH, FREMANTLE AND SYDNEY

THE BANK THAT CONDUCTS THE
 LARGEST BANKING BUSINESS
 IN NEW ZEALAND

Since its establishment nearly 100 years ago, the
 Bank of New Zealand has kept pace with the
 country's development. Information supplied by
 over 340 Branches and Agencies provides current
 data on all aspects of commerce and industry,
 which is freely available to all with present or
 projected interests in the Dominion.

You are invited to contact the London Office
 or the Head Office

**BANK OF
 NEW ZEALAND**

(Incorporated with limited liability in New Zealand)

London Office: Head Office:
 1, Queen Victoria Street, Wellington,
 E.C.4. New Zealand.
 Manager A. R. Frethey General Manager:
 Asst. Manager: A. E. Abel R. D. Moore.

Branches also in
 Melbourne and Sydney (Australia) Suva, Lautoka
 Labasa, Ba and Nadi (Fiji) Apia (Samoa).

**HALIFAX
 BUILDING
 SOCIETY**

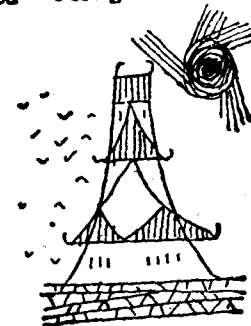
ASSETS £237,000,000
 RESERVES £12,000,000

The Society's Homebuying and Investing Services
 are described in booklets "A Home of Your
 Own" and "Savings and Investments" available
 at all the Society's branches and agencies.

HEAD OFFICE HALIFAX YOKS.
 LONDON 51-55 STRAND W.C.2

Branches and Agencies throughout
 the United Kingdom

If It's About
 Japan-----
SANWA BANK
 (Authorized Foreign Exchange Bank)



Chairman of the Board:
 & President: TADAÔ WATANABE
 Capital: ¥2,500,000,000
 Head Office: IMABASHI, OSAKA
 Tokyo Office: MARUNOUCHI, TOKYO
 SAN FRANCISCO BRANCH:
 465 CALIFORNIA STREET, SAN FRANCISCO

A complete network of 186 nationwide
 branches and worldwide correspondents

ALLIANCE
ASSURANCE COMPANY LIMITED

Head Office:
 BARTHOLOMEW LANE, LONDON, E.C.2
 Established 1824

The Finest Service
 for
All Classes of Insurance

REPRESENTATION THROUGHOUT
 THE UNITED KINGDOM
 THE BRITISH COMMONWEALTH AND
 ELSEWHERE ABROAD

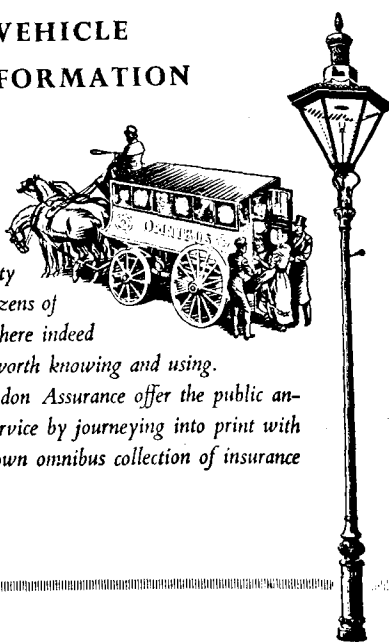
*The Company undertakes the duties of
 Executor and Trustee*

THE LONDON OMNIBUS

A VEHICLE
OF INFORMATION

WHEN Shillibeer's omnibus first clattered its way through the city streets in 1829 the citizens of London realized that here indeed was a public service worth knowing and using.

Likewise, the London Assurance offer the public another kind of useful service by journeying into print with selections from their own omnibus collection of insurance policies.



Better Terms

When school fees come in, some fathers find themselves wrestling with sums. Others have discovered, however, that the right answer to this particular problem is to take out an Education Policy with us well before schooling begins. It's just a matter of good arithmetic.

"How to be Well Assured"

The many different kinds of Life Assurance we provide deserve a volume to themselves—and they have one. Our booklet "How to be Well Assured" has helped many people to find the Life Policy that suits them exactly. Would it help you?

Valuable Advice

"Rings on her fingers and bells on her toes, she shall have cover wherever she goes" if her jewellery, furs and other valuables are safeguarded by our All-Risks Policy.

There's more to be said . . .

If you would know more about any of the policies outlined here, if we can provide any information about any other particular policies or about insurance problems generally—pray make what use of us you wish. Our address is 1 King William Street, Department X6, London, E.C.4.



THE LONDON ASSURANCE

"Very good people to deal with"

THE UNITED COMMERCIAL BANK LIMITED

(Incorporated in India. Liability of Members is limited.)

Head Office:

2 ROYAL EXCHANGE PLACE,
CALCUTTA

London Office:

15, THROGMORTON AVENUE, LONDON, E.C.2.

G. D. BIRLA, Esq., Chairman.

AUTHORISED CAPITAL - Rs. 80,000,000
SUBSCRIBED CAPITAL - Rs. 40,000,000
PAID-UP CAPITAL - Rs. 20,000,000
RESERVE FUND - Rs. 8,000,000

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

B. T. THAKUR, General Manager.

HUDDERSFIELD BUILDING SOCIETY

BALANCE SHEET (abridged)

As at 31st December, 1954

Liabilities		Assets	
	£		£
Shareholders	21,460,073	Mortgages	20,548,815
Depositors	3,323,952	Trustee Investments	4,674,204
Taxation, etc.	238,913	Cash	955,206
Reserves	1,374,023	Premises etc.	218,736
	£26,396,961		£26,396,961

Write for Investment Booklet to:

BRITANNIA BUILDINGS, HUDDERSFIELD
LONDON OFFICE
BRITANNIA HOUSE, 203, STRAND, W.C.2

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)

REPORT OF THE DIRECTORS

SUBMITTED to the Members at the Ordinary Yearly General Meeting held at the Head Office, Hong Kong, on Friday, 11th March, 1955

The Directors have pleasure in submitting the Balance Sheet at 31st December, 1954, together with the Profit and Loss Account for the year ended at that date. The Profit for the year, after providing for taxation on profits earned to date and after making transfers to the credit of Reserves for Contingencies, out of which Reserves provision has been made for any diminution in value of current assets amounts to ... HK\$19,290,451 9,859,542

To this must be added the undistributed profit brought forward from the previous year ... 20,149,993

An Interim Dividend of £2 per share, free of Hong Kong Corporation Profits Tax was paid on the 9th August, 1954, amounting to £320,000 at 1/2-27/32 ... 5,173,895

leaving a balance available for distribution of ... 23,076,098

This balance the Directors recommend be appropriated as follows:—

Amount to be written off Bank Premises ... HK\$6,000,000 7,760,842

A Final Dividend of £3 per share, free of Hong Kong Corporation Profits Tax, £480,000 at 1/2-27/32 ... 13,760,842

leaving a balance to be carried forward to next year of ... HK\$10,215,256

The above appropriations have been incorporated in the Accounts. Before closing the books for the year, an amount of HK\$32,000,000 (£2,000,000) was transferred from Inner Reserves to the published Reserve Fund, thus raising the latter to HK\$128,000,000 (£8,000,000). An Extraordinary General Meeting of Shareholders will be held immediately following the Annual General Meeting on 11th March, 1955, to consider and, if approved, to authorise the capitalisation of HK\$5,000,000 of the Reserve Fund and the distribution of the additional shares thus created to Shareholders in proportion to their holdings on that date. The consent of His Excellency the Governor of Hong Kong to the increase in capital, as required by the Bank's Ordinance, has been obtained. DIRECTORS.—During the year Mr. A. V. Farmer resigned his seat and Mr. C. B. Cook joined the Board in his place. Mr. B. T. Flanagan, Mr. R. Gordon and Mr. J. H. Hamm, retire by rotation but, being eligible, offer themselves for re-election. AUDITORS.—The Accounts have been audited by Messrs. Peat, Marwick, Mitchell & Co. and Messrs. Lowe, Bingham & Matthews, who are eligible for re-appointment. By Order of the Board, C. BLAKER, Chairman.

BALANCE SHEET AT 31st DECEMBER, 1954			
Share Capital—			
Authorised and Issued			
160,000 Shares of HK\$125 each, fully paid	HK\$20,000,000		
Reserve Liability of Members—			
HK\$125 per share on			
160,000 Shares	HK\$20,000,000		
Reserve Fund	128,000,000	8,000,000	
Profit and Loss Account	10,215,256	638,458	
	158,215,256	9,888,458	
Hong Kong Currency Notes in Circulation			
Authorised Note Issue	HK\$30,000,000		
Excess Note Issue	645,742,000	675,742,000	42,233,875
Current, Deposit and Other Accounts, including Reserves and Provisions for Contingencies and Taxation (of this total \$171,174 is secured)	HK\$2,672,640,560		
Amounts Due to Subsidiary Companies	315,043		
Acceptances on behalf of Customers	56,521,108		
Proposed Final Dividend in respect of the year ended 31st December, 1954	7,760,842		
		2,737,237,562	172,077,348
NOTES:			
1. There are contingent liabilities on bills re-discounted amounting to HK\$3,443,428 and commitments in respect of Confirmed Credits, Guarantees and Forward Exchange Contracts.			
2. Foreign Currency Balances have been converted into Hong Kong Dollars at approximately the rates ruling at 31st December, 1954. The Sterling equivalents of the figures shown in the above Balance Sheet have been converted at the rate of HK\$1 = 1/3d.			
	HK\$3,571,194,818	£223,199,676	
Cash in Hand and in Transit and Balances with Other Banks	HK\$330,985,725	£20,686,608	
Money at Call and Short Notice	576,659,313	36,041,207	
Bills Receivable:			
British and other Government Treasury Bills	208,216,190	13,013,508	
Trade Bills	494,655,277	30,915,955	
Hong Kong Government Certificates of Indebtedness issued in respect of funds deposited as security for the Excess Note Issue			
Investments, at under market values:	645,883,047	40,367,690	
British, Colonial and other Government Securities (including \$43,378,400 deposited as security for the Authorised Note Issue):			
Quoted in Great Britain	279,064,012	17,497,751	
Quoted outside Great Britain	96,847,487	6,021,718	
Other Investments:			
Quoted in Great Britain	15,702,816	981,426	
Quoted outside Great Britain	14,745,993	921,625	
Advances to Customers and Other Accounts, less provision for Bad and Doubtful Debts	829,455,105	51,840,944	
Liabilities of Customers for Acceptances, per contra	56,521,108	3,592,569	
	8,549,136,013	221,821,001	
Fixed Assets—			
Investments in Subsidiary Trustee and Nominee Companies, at cost	HK\$2,135,843		
Bank Premises at cost, less amounts written off	19,922,962		
		22,058,805	1,378,675
	HK\$3,571,194,818	£223,199,676	
MICHAEL W. TURNER, Chief Manager.			
G. O. W. STEWART, Chief Accountant.			
C. BLAKER, E. GORDON, J. H. HAMM			

REPORT OF THE AUDITORS TO THE MEMBERS OF THE HONGKONG AND SHANGHAI BANKING CORPORATION

We have examined the above Balance Sheet with the books of the Corporation kept in Hong Kong with the audited accounts of the London Office and with the returns received from the other Offices which have been signed by the Branch Managers. We have obtained all the information and explanations we have required and in our opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Corporation's affairs at 31st December, 1954, according to the best of our information and the explanations given to us and as shown by the books kept in Hong Kong and by the returns received from the other Offices.

Hong Kong, 14th February, 1955.

PEAT, MARWICK, MITCHELL & CO. Chartered Accountants.

LOWE, BINGHAM & MATTHEWS Auditors.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1954			
Interim Dividend of £2 per Share, free of Hong Kong Corporation Profits Tax, paid 9th August, 1954, £320,000 at 1/2-27/32	HK\$5,173,895		
Appropriations recommended by the Directors:			
Amount to be written off Bank Premises	HK\$6,000,000		
Final Dividend of £3 per Share, free of Hong Kong Corporation Profits Tax, £480,000 at 1/2-27/32	7,760,842		
		13,760,842	
Balance carried forward to next year		10,215,256	
		HK\$20,149,993	
Special Administrative Expenses, including Chief Manager's emoluments, Directors' Fees and London Committee Fees amounted to HK\$889,568.			
			HK\$20,149,993

STATEMENT IN CONNECTION WITH SUBSIDIARY COMPANIES

(1) The Investments in Subsidiary Companies appearing in the annexed Balance Sheet represent the issued Share Capital of three Trustee Companies and three Nominee Companies wholly owned by the Bank. No Group Accounts have been submitted as the Directors are of the opinion that such Accounts would be of no real value to the members of the Bank.

(2) No part of the Profits earned by the Subsidiary Companies has been dealt with in the Accounts of the Bank. The net aggregate amounts of the Subsidiaries' profits after deducting the Subsidiaries' losses are as follows:—

(i) For the year ended 31st December, 1954 ... HK\$36,043

(ii) For previous financial years ... 197,365

HK\$233,410

COMPANY MEETINGS

THE HONGKONG AND SHANGHAI
BANKING CORPORATION

SATISFACTORY RESULTS IN A DIFFICULT YEAR

MAIN PROBLEM IN CHINA STILL UNRESOLVED

BRITISH BANKERS' IMPORTANT ROLE IN ASIA

MOBILISATION OF CAPITAL TO ASSIST INDUSTRIAL DEVELOPMENT

MR C. BLAKER ON CHINA'S CLAIM FOR "PEACEFUL CO-EXISTENCE"

The ordinary yearly general meeting of The Hongkong and Shanghai Banking Corporation was held on March 11th at the Head Office, 1 Queen's Road, Central, Hong Kong.

Mr C. Blaker, MC, ED, the chairman, who presided, said:

Ladies and gentlemen,—The hour for which this meeting was called having now passed, I will call upon the chief manager to read the notice convening the meeting.

Mr Michael W. Turner having read the notice convening the meeting, and a representative of the auditors having read their report, the chairman continued:

Ladies and gentlemen, before I proceed to comment on the accounts I want to draw your attention to two anniversaries connected with this bank which may not have come to your notice. The first was on August 6th last year. It was the 90th anniversary of the meeting held in Hong Kong on August 6, 1864, to form a provisional committee to undertake the establishment of this bank.

The second anniversary was on March 3rd last week. That was the 90th birthday of the bank, which opened for business for the first time on March 3, 1865.

The bank's centenary still lies ten years ahead but ninety years is a long time to all of us and it happens to be a suitable occasion for bringing about a small change in the capital structure of the bank and so to benefit shareholders as has not been done since 1921. I shall be referring to this matter again in a few moments.

I am particularly happy at being able personally to call attention to these anniversary dates, as a predecessor of mine, Mr H. B. Lemann, of Gilman and Company, was one of the original directors of the bank. Moreover, Gilman and Company, together with David Sassoon and Company, are the only firms which were represented on the original board and are still represented on the board as constituted today, ninety years later.

Incidentally the first London manager of the bank was Mr W. H. Vachell previously a partner of Gilman and Company, and of Ashton and Company, the London branch of Gilmans. For a short time the bank appears to have had its office in Gresham House, Old Broad Street, where Ashton and Company were established.

THE ACCOUNTS

I will now turn to the accounts. The net profit for the year amounts to HK\$19,290,451 which is some HK\$2 million in excess of last

year's figure. As in previous years the published profit has been arrived at after transferring to our inner reserves such amounts as your directors have deemed appropriate, out of which reserves full provision has as usual been made for all known bad and doubtful debts and contingencies. The balance of profit brought forward from last year amounts to HK\$9,859,542, and the total available for appropriation is accordingly HK\$29,149,993. In view of the heavy expenditure which it has been necessary to incur in recent years on new bank premises, it is proposed that a sum of HK\$6 million should this year be written off bank premises account and, after allowing for this transfer and the interim dividend of £2 per share, it is recommended that the final dividend should again be £3 per share, leaving a balance to be carried forward to next year of HK\$10,215,256.

As shareholders will be aware, it is proposed to increase our share capital by the issue of one new share for every four shares now held, and an extraordinary general meeting is being held after this meeting to pass two resolutions for this purpose. In this connection it is hoped, provided, of course, the profits of the bank are maintained, to pay the same annual dividend of £5 per share for the current year on the increased capital.

BALANCE SHEET FEATURES

From the balance sheet, it will be observed that our published reserve fund now stands at HK\$128 million (£8 million), the increase of HK\$32 million (£2 million) representing a transfer from contingencies account of funds which are no longer required for the purposes for which they were originally put aside. With regard to the other items in the balance sheet, it will be noted that the excess note issue has been decreased during the year by some HK\$80 million, which is reflected in a corresponding reduction in the total of certificates of indebtedness. Current and other accounts and acceptances on behalf of customers have increased by HK\$36 million and HK\$46 million respectively.

On the assets side of the balance sheet, cash, call money and Treasury bills have decreased by approximately HK\$300 million, and the funds thus made available, together with the increase in our total funds during the year, have been mainly re-employed in trade bills and advances to customers which have increased by HK\$168 million and HK\$184 million respectively. It is a source of some satisfaction that we have been able to employ these larger funds during the year in their rightful sphere of financing

international trade and commerce. As a result of the reduction in cash, call money and Treasury bills, the ratio of the bank's readily realisable assets to its total liabilities to customers has decreased from last year's figure of 65 per cent to 58 per cent, which, however, still represents a satisfactory degree of liquidity.

As shareholders will be aware, trading conditions in the territories in which we operate have, in general, continued to be difficult, although the increase in the prices of certain primary commodities in the latter part of the year rather changed the picture in some areas. In all the circumstances your directors feel that the results of the year must be regarded as satisfactory.

The printed statement which is in your hands today deals with the political and economic situation in the Eastern countries where we have offices. It also refers to the position in China, and to our negotiations regarding final closure of our Shanghai office. I will now only say that while the bank's main problem in China is still unresolved, our offices at Swatow and Tientsin have been wound up during the past year and Peking is likely to be closed soon.

In Vietnam we have shut our office at Haiphong, but to counter-balance this, as you will see from the statement, we have now completed arrangements for opening an independent branch at Phnom-Penh, the capital of Cambodia.

CHIEF MANAGER'S EXTENSIVE TOUR

Most of you know that our chief manager, Mr Michael Turner, has had a busy time this year. I do not refer so much to all the varied matters with which he has to deal in his office here in Hong Kong, as to the extensive tour he has made of our offices throughout the East and in America. He has visited every one of our offices in Japan, Malaya, the Philippines, and Borneo including Brunei, and Indonesia. He has been to Bangkok and Saigon, and in addition to spending some days at San Francisco and New York he has also paid a visit to Washington to make contacts with our Embassy and with the US Treasury. Wherever he went he interviewed government officials and our banking friends. He now proposes to take a few weeks' leave in England but at the same time he hopes to complete the circle by visiting those offices he has not yet seen. I am sure that the personal contacts made and the personal knowledge gained by the chief manager will prove to be of great value to the bank in the future.

I am glad to say that Mr Turner reports favourably on our staff of all nationalities.

He has been able to take steps to ensure that their welfare is properly assured. We are most grateful to them for their loyalty and efficient service to the bank.

During Mr Turner's absence, Mr G. H. Stacey, who holds the appointment of deputy chief manager, has very efficiently taken charge of the head office.

There is no need for me to say anything about the changes in the board of directors, but I much regret that I have to record the death last September of Major General Sir Frederick Sykes, GCSI, GCIE, GBE, KCB, CMG. Sir Frederick joined the board on October 8, 1943, while it was established in London as a result of the war, and after the board moved back to Hong Kong he sat on the London committee up to his death. He had a very distinguished and varied career and will be greatly missed by his many friends.

Ladies and gentlemen, the report and statement of accounts having been in your hands for the required period I will now formally propose their adoption as presented.

After the proposal has been seconded I shall be pleased to answer to the best of my ability any questions which shareholders may wish to ask.

The resolution having been seconded the report and accounts were adopted.

CHAIRMAN'S STATEMENT

The following is the statement referred to by the chairman:

Last year we noted that the world-wide cold war continued without abatement, but that in Asia there had been progress in economic development programmes in spite of a continued deterioration in foreign trade. We also referred to the great need for capital investment in the under-developed countries and to the difficulties lying in the way of this.

The year 1954 brought about some improvement in the cold war. It became less cold, though I fear that already in 1955 there has been some reaction. It is clear that the Geneva Conference which lasted from the end of April to July 21st effected a change of atmosphere in the relations between the West European powers and China. This was not due so much to the agreements then concluded nor to the cease-fire in Indo-China, although these were important and cheering, but rather to the intangible consequences and advantages of the presence at Geneva of important political leaders of the Asian administrations and particularly to the presence of Mr Chou En-lai, the Chinese Prime Minister. The opportunities of direct contacts and discussions between leading eastern and western diplomats which the Geneva Conference brought about for the first time since Communist governments were set up in East Asia unquestionably effected a clearing of the air.

I am afraid that the subsequent Seato Conference in the Philippines dampened down some of the cheerfulness created by Geneva and the more recent developments in the sea areas between the mainland of China and Formosa have brought downright gloom. Yet Article III of the Manila treaty was promising, in that it bound the signatories to co-operate with one another in the further development of economic measures, including technical assistance, designed both to promote economic progress and social well-being.

Unfortunately the unrepresentative nature of the Seato Conference gave rise to fears lest the economic steps there visualised would divert attention and finance from the wider sphere of the Colombo Plan. However, in the debate in Parliament on November 8th

when the House approved the policy of HM Government in regard to the Geneva Agreements and the Manila Treaty, an official assurance was given that the Colombo Plan would not in fact be impaired by any commitments arising under Article III of the Manila Treaty. But doubts prevail. Economic assistance is greatly needed in South East Asia and the available capital is limited. The Colombo Plan was first in the field and has proved generally acceptable throughout Asia because it has not been suspect on account of any national or political tinge. It remains to be seen if there is any way in which the Manila proposal can be consolidated with the Colombo Plan arrangements.

AID FOR UNDER-DEVELOPED COUNTRIES

The question of economic aid for the under-developed countries in Asia has been dealt with from this chair on many occasions. Not long ago in a Parliamentary debate Sir Anthony Eden said, "Economic development is the key to all that may follow in South East Asia," and this is a fact of which all Asian governments are fully aware. It is one of their most pressing preoccupations, for they need more capital investment and on more generous terms than hitherto offered.

Some South East Asian countries are already financing part of their development programmes by budget deficits and caution is therefore needed as has been pointed out by a recent Ecafe working party. There have been so many instances during the last two decades of inflation getting out of hand in eastern countries that the risks must be clearly in the minds of the financial authorities responsible for any inflationary action and the responsibility is a serious one.

If internal finance cannot be raised for development needs, the safest way out of the difficulty is to seek external finance, either private or governmental. But foreign private investment has not hitherto received much encouragement towards venturing capital in the less developed areas. Political uncertainties, nationalistic suspicions and rigid restrictions have antagonised and frightened potential investors, but I am glad to say that recently some signs of a change of policy in this respect have been noted in some countries. On the other hand, even foreign governmental aid, if coming from one exclusive source, has been looked at with some suspicion in recent years and Asian countries mostly prefer joint international action such as the Economic and Social Council of the United Nations has for some years been trying to get adopted.

INTERNATIONAL FINANCE CORPORATION

Now at last a new phase seems to have been reached after about four years of discussions in the United Nations and by the authorities of the International Bank, and it looks as if a step is being made in the right direction. This is the establishment of an International Finance Corporation as an affiliate of the International Bank and with an initial capitalisation of US\$100 million. The corporation is designed to increase private investment in less developed countries. This project was dealt with in some detail, and on the same lines as now formally proposed, in the report of the International Bank for 1951/52. The care expended on the project has thus a good chance of bearing fruit. Similarly, the establishment of the Industrial Credit and Investment Corporation of India is another step forward. Here we see a promising international-cum-private investment concern, which, if successful, may well prove to be a model for similar ventures

in other eastern countries. The Government of India, the International Bank, the Commonwealth Development Finance Company, certain Indian banks and insurance companies and a group of British exchange banks, insurance companies and industrial firms, are participating together with a strong American group. I am glad to say that we are one of the British banks which have taken up shares in this corporation.

CHINA

From the vantage point of Hong Kong we have seen or heard much about the considerable number of British delegations of one kind or another which have visited China. Their members, as compared with those of earlier visits, represented more varied points of view and interests covering political, cultural, professional and commercial affairs. They had opportunities to see a fair amount of the areas they visited in the short time at their disposal, and they were thus able to bring back a broader picture of People's China than has hitherto been generally available. What these travellers reported was fresh to many persons interested in China and in the Chinese impact on world affairs. They have not revealed much that was new to those of us in Hong Kong who have had our eyes open in the past few years. However, even fleeting visits such as these are worthwhile and most of the travellers who took part were careful not to claim omniscience in regard to China and its recent developments. Some of them may have put rather undue emphasis on "peaceful co-existence," a phrase which has become so wellworn in pronouncements from the other side of the curtain. But this phrase has recently received wider recognition through its adoption as point 5 in the principles which were agreed last year between China and India, as a guide to relations between these countries. In its literal English sense peaceful co-existence is a good phrase which expresses the desires of many millions of people to live in peace free from fear of war. But we are on unsubstantial ground when we come to ask whether this phrase "peaceful co-existence" means the same to all people. It is doubtful whether even Mr Clement Attlee and his colleagues got clear and satisfactory explanations on this particular point. Their visit received considerable publicity in China as well as in the west and we all hope that that particular visit, joined with the many other visits to China by British parties, may have brought us forward a little way towards bridging the east-west gap which is still a wide one. Mr Nehru has consistently been working towards this aim and the Burmese Prime Minister has added his support. We now look hopefully to China for a move from that side.

SETTLEMENT NEGOTIATIONS—EXTREMELY SLOW PROGRESS

Our own particular hopes about China are that the negotiations for the settlement of our problems in closing our offices, which have been carried on now for nearly four years, should be satisfactorily concluded. Progress has been extremely slow. One stumbling block is that of US dollars held by us on Chinese account, which the US Government froze in December, 1950, and which it is totally out of our power to release, as is demanded by the Chinese. This matter rests in the hands of the US Government and all the representations we have made, even with the help of our own government, have so far been unavailing. Nevertheless we hope that before long we shall be able to come to a settlement with the Chinese about all outstanding matters, including the repatriation of our manager at Shanghai. Meantime the question of future representation in China

has been raised with us and we have expressed our willingness to come to some arrangement after our closure at Shanghai has been effected.

POSSIBILITIES OF FUTURE TRADE

We sent a representative with the British Trade Mission which visited Peking last November under the auspices of the Sino-British Trade Committee, in order that he might investigate the possibilities of future trade. We hoped that at the same time he might get an opportunity to clear up some of our difficulties. His journey was worth while for many reasons, and especially because he was able to see our manager in Shanghai and discuss his problems on the spot.

Another trade mission will be going to Peking this month, and still more visits, whether by individuals or by organised parties, will probably follow. In terms of the volume of trade concluded such visits may not effect a great deal considering the total trade of the United Kingdom, but it is to the possibilities of expansion that merchants and manufacturers look and from which they hope for real benefit in the future. The potentialities are as great as they have been for over a hundred years. As in the past century, so now they would in actuality be greater if political and ideological difficulties and suspicions could be swept out of the way.

You are aware that China's trade with the Soviet bloc now probably covers four-fifths of her total trade. When the blockade is removed the switch of trade to other countries is bound to be slow and it is hardly likely that China's trade will ever go back fully to the prewar channels. No doubt Japan will get a fair share, so the slice left for Europe and America may not be large. Much of course depends on the extent to which China is able to proceed with her development plans and in this connection what will count is the way in which China's export trade develops and whether greater quantities of minerals and agricultural products will be available for shipment overseas. Only thus will it be possible to obtain sufficient foreign exchange for use in the purchase of the capital goods required for industrialisation purposes.

REMARKABLE DEVELOPMENTS IN AGRICULTURE AND INDUSTRY

It is not possible under existing circumstances to give shareholders a reliable analysis of what agricultural and industrial progress has been made in China throughout the past year. If one were to confine attention to the speeches made by officials in Peking, all would seem to be well and the progress astonishing. If one were only to read the controlled Chinese press emanating from the mainland, one would note certain frank criticisms indicating that there were serious difficulties, that planned targets were not always being reached and that in some cases they had been reduced. If one were to rely upon anti-Communist publications it would seem that all official reports from China were nonsense. Yet without giving chapter and verse, but basing opinion on evidence collected from many sources, I think we are justified in deciding that very remarkable developments in agriculture and industry have taken place since the People's Government came into power: there may have been some slackening of progress or even some deterioration in agricultural output in 1954, but the industrial progress during the year has continued at a rapid pace in spite of the United Nations Embargo on shipments to China of many categories of capital goods. It is clear that the strains on the country caused by the embargo are getting more and

more serious, but strict regimentation and careful economy in materials is enabling the country to overcome a great many difficulties. Nevertheless China must surely attach very great importance to obtaining easier conditions and wider opportunities for importing the wide range of materials required for industrial expansion. The 156 industrial units for which large scale Russian help is being received have no doubt progressed rapidly, but the significance of this number of plants, and of the whole Five Year Plan should be put in the proper perspective of the tremendous size of the country, and its vast population of nearly 600 million people. One wonders if Russia and the Soviet bloc can do much more than they are now doing in the direction of loans and technical assistance to China. So far China has followed the Soviet road because there has been no other road to follow: that is why many of us think it would be wise policy for the democratic countries to open an alternative route. But still wiser would it be for China, upon whom the onus rests, to come to terms with the United Nations, and so to provide an opening for that "peaceful co-existence" she claims to desire so much. We had hoped that the Secretary General of the United Nations, when he was in Peking in January, would have been able to clear the way for diplomatic negotiations leading to a solution of many of these problems, but tempers have flared up about the Formosan question, so we shall have to wait for a more propitious occasion.

HONG KONG

From China we must now turn to Hong Kong which does not attempt to conceal the fact that what happens in China, how she prospers, how her trade fares, whence it comes and whither it goes, all are matters of great concern to the colony. This is natural and inevitable. In the political field Hong Kong is dependent externally on HM Government to ensure that the peace and security of the colony is upheld by all the means at its disposal and Hong Kong's omission from the scope of the Manila Treaty does not therefore cause us any perturbation. Internally Hong Kong is dependent on the police and defence services together with the help of all dutiful citizens, to maintain law, order and stability. We are thankful to say that in this respect all has gone well with Hong Kong in the past year.

In the commercial field Hong Kong has of course since the war and particularly in the last few years, done a lot to adapt her trade to the new conditions. In this there has been help from external capital which, especially since 1949, has found its way to the colony from surrounding areas and has added to and improved upon many of the existing industrial activities. It is estimated that in 1947 about 10 per cent or HK\$120 million of Hong Kong's annual exports, represented goods manufactured in the colony. In 1954 locally manufactured goods, including some items not recorded separately, are believed to have amounted to one-third of the export trade. In 1954 328 new factories were registered bringing the total of registered factories up to nearly 2,500 and the total labour employed in such factories up to over 115,000. Nearly two-thirds of Hong Kong manufactured exports are cotton goods the majority of which were sent to Indonesia last year. The United Kingdom took HK\$75 (or £4½) million of Hong Kong's products of which about a half were cotton goods. This is a drop in the ocean when compared with the total annual imports of the United Kingdom, which are in the region of £3,500 million. Questions in Parliament or in the press about alleged small irregularities over a few minor shipments of Hong Kong goods surely ought to be looked

at in the proper perspective. Attacks on Hong Kong from other sources in regard to alleged infringements of the embargo on trade with China have, I am glad to say, died down. Hong Kong is, of course, still suffering seriously from the continuation of the embargo, and it is indeed only too aggravating to know that others are benefiting from the relaxation of restrictions on trade with the Soviet bloc.

SCOPE FOR GREATER INDUSTRIALISATION

There is still scope for greater industrialisation in Hong Kong, as was confirmed by the report of a recent interdepartmental committee, which recommended the reclamation of land suitable for new sites for factories at Kun Tong on the eastern shores of Kowloon Bay. This recommendation having been approved, preliminary work has already started on the area, but a decision is awaited as regards the price and method of disposal of the sites. It is to be hoped that the procedure of preparing sites and developing common user services adopted in Singapore by the Colonial Development Corporation will be copied in Hong Kong so as to provide strong inducement to industrialists to move their existing factories or to start up new ones on the Kun Tong reclamation area.

The future of Hong Kong may well depend on the encouragement at the present time, when capital is available, both of additions to the present scale of industrialisation and also of the removal of existing factories which are in many cases situated in crowded and unsuitable areas and in most hazardous buildings. It is also a matter for serious consideration whether Hong Kong should not go even further and provide, as is done in other underdeveloped countries, more specific inducements to encourage the establishment of factories of a larger and more up-to-date type to take the place of small units operating inefficiently on a hand-to-mouth basis. Ample unskilled labour is, of course, available in Hong Kong, and some of this must be trainable for skilled work. This gives special point to the remarks made only a few weeks ago by Mr Edward Hambro, when, in reporting to the United Nations on the refugee situation in the colony, he stated that there were 667,000 refugees here and that he thought that these would have to be settled and integrated into Hong Kong.

TRADE TENDENCY

Hong Kong's trade in 1954 fell off about 11 per cent in value, although cargo tonnage changed little as compared with 1953. But it was satisfactory to observe that there was a slowly rising tendency in the figures recorded month by month throughout the year, even if the average monthly figures remained lower than we would like them to be. Trade with East Asian countries dropped in almost all cases except S. Korea, and in the case of China the reduction was HK\$315 million (£20 million)—from HK\$1,397 million in 1953 to HK\$1,082 million in 1954. There were local reasons for the drop in trade with some countries, such as Indonesia and Thailand, and a reversal of this situation may well appear before another year passes. Shipping statistics show a drop in the number of entrances and clearances, but this is counterbalanced by slightly improved quantities of cargo carried.

Business on the Hong Kong Stock Exchange was exceedingly buoyant and reached its peak in December. Moreover, land prices in the central districts reached record figures and remain high everywhere. It seems probable that a partial explanation for what might be called a boom in these activities was an inflow of capital from neighbour-

ing countries, to which we may add increased confidence in the stability of Hong Kong.

ECONOMIC COMMISSION

We had the pleasure, some two months ago, of welcoming to Hong Kong a representative gathering of members of the Economic Commission for Asia and the Far East which met here to discuss certain trade problems. The conference, I am glad to say, came out strongly in favour of multilateralism in international trade as being a desirable target. One interesting fact it publicised was that the region covered by the Ecafe organisation which contains almost half of the world's population and also immense raw material resources, only accounted for 10 per cent to 12 per cent of the world's trade. When one considers how backward in development most of the countries in this region are, this small percentage figure is not altogether surprising. But it only underlines the remarks recorded in the beginning of this statement about the need for international efforts to remedy this state of affairs.

COLONY'S FINANCIAL POSITION

Before passing on from the subject of Hong Kong I must refer to the financial position of the colony which was dealt with so lucidly and comprehensively by the Financial Secretary, Mr A. G. Clarke, last week. It was very satisfactory to hear that a surplus of HK\$21 million was expected for the current year and that the figure might prove to be even higher. This did much to temper the disappointment that the estimates for the financial year 1955/56 showed a record deficit for the colony of HK\$32 million. Revenue was expected to amount to HK\$413.7 million and expenditure to HK\$445.7 million.

However, Mr Clarke was able to point out that the colony had satisfactory reserves in the general reserve balance and revenue equalisation fund which would shortly be over HK\$400 million—that is to say more than the current year's total expenditure. Under the circumstances it was not proposed to increase direct taxation or duties. It was proposed, however, to look into the possibility of increasing various forms of licence fees such as for motor vehicles and of stamp duty on assignments.

The expenditure on education, public health and public works non-recurrent is estimated to cost no less than HK\$193 million in the forthcoming year. While the colony wants all these things including the larger airport and more reservoirs, the people of the colony must not forget that they will have to pay for them out of their own pockets.

It was interesting to see that both the Governor and the Financial Secretary dealt with the importance of encouraging sound local industries by such methods as the provision of land at reasonable prices in cases where a definite contribution to the well-being of the colony would be made.

I cannot complete my remarks about Hong Kong without saying how pleased we are that Sir Alexander Grantham is still with us and will be remaining until towards the end of the year.

JAPAN

Japan has not yet fully re-established her position in the political arena in the east, partly because she has failed to reach agreement about reparations with the Philippines and Indonesia and partly because of her undefined relations with China, Russia and South Korea. However, the Reparations

Agreement, which Japan and Burma signed in November may well be the precursor to further developments and recent overtures to and from Russia and China indicate a desire for negotiations on trade if not on other outstanding questions. Trade between Japan and China did indeed increase a good deal in 1954 but from the very low levels of 1953. Whether formal negotiations with Russia and China take place or not depends on the policy of the Government emerging from the elections which have just been held. The government in power will have to take account of the west as well as of the east and trade, while very important for Japan, is only one of many matters to be taken into consideration. Hong Kong, like Japan, considers trade with China of great importance but both Hong Kong and Tokyo are probably agreed that there are potent reasons why neither should be short-sighted in regard to this matter.

Meantime it is to be noted that discussions are proceeding between Japan and the United States as to the way in which some US\$85 million worth of farm surplus products are to be made available to the Japanese Government. Japan has also taken over responsibility from the United States authorities for the defence of Hokkaido where some big development projects are now being rapidly pushed forward.

A REMARKABLE TRANSFORMATION

Internally, 1954 witnessed a remarkable transformation in the economic situation from one of inflationary dangers at the beginning of the year to an economy brought back to a reasonably sound basis at the end of 1954 by a successful deflationary policy. A few figures will help to illustrate the change that has taken place. Japan's foreign trade returns show that whereas there was an adverse balance of US\$1,135 million in 1953, it was down to US\$770 million in 1954. Imports were about the same in the two years but exports were 27.8 per cent higher in the past year. The balance of payments indicated a surplus of about US\$100 million in favour of Japan over the calendar year 1954 as compared with an adverse balance of US\$194 million in 1953. There were surpluses of £44 million and US\$68 million respectively with the Sterling and Open Account areas and a deficit of US\$92 million with the other currency areas. In this connection the falling off of special procurements by the United States authorities destroyed hopes of a still higher favourable balance last year. Japan's foreign currency balances were also higher at the end of 1954 at approximately US\$1,060 million. Furthermore the Note issue at the end of the year broke a twenty year record by falling below the figure at the end of the previous year instead of rising. The deflationary measures have also been successful in bringing down wholesale prices: this in turn is causing a fall in export prices which is expected to be as much as 10 per cent by March 31st, the end of the fiscal year. It is thought that if this reduction is accomplished it will go a long way to putting many of Japan's export quotations more on a level with international prices.

INCREASE IN UNEMPLOYMENT

One unfortunate result of the past year's deflationary policy has been a considerable increase in unemployment which is likely to get worse so long as there is no relaxation in this policy. A number of industrial concerns have had to close down for the same reason but the number has not been as high as was at one time expected. The Economic Council board nevertheless considers that the present policy will, within five years, bring about full employment. Amalgamations and other steps to put industry on to a

more efficient basis have increased notably and there are clear indications of a return to the prewar pattern of Zaibatsu combines although at present on a much smaller scale.

The long drawn out negotiations regarding Japan's full membership of Gatt seem likely to be renewed when present tariff discussions now proceeding at Geneva have been concluded. The need for safeguards is underlined by the 61 per cent increase in Japan's exports in 1954 to the sterling area. Nearly 60 per cent of those exports were textile goods although such shipments to the United Kingdom itself appear to have been lower than in the previous year.

The Anglo-Japanese sterling payments agreement is due to expire at the end of this month and in principle, but subject to certain discussions, an extension for three months is reported to have been agreed. It appears that the figure of £209 million for the trade each way is not likely to be reached in the period of the agreement.

INDONESIA

Indonesia has not been much in the limelight of the world in the past year because, fortunately for her, she has not been seriously affected by any of the current international polemics. Her Government has maintained its position notwithstanding a near crisis in December and in spite of Communist support which antagonises Moslem groups within the country. Yet the internal economy is far from healthy and a few weeks ago a famous economic journal did some straight talking in regard to the barriers obstructing foreign trade and restricting the operation of foreign concerns resident in that country.

It would not help matters to reiterate the complaints regarding regulations which make normal trading impossible, which upset established procedure and which discriminate against non-Indonesians. Such factors naturally give rise to a feeling of frustration and make it useless to expect the investment of foreign capital which is badly needed in order to turn to good account the potential wealth of the country. The Indonesian Government issued a statement a year ago with a view to encouraging foreign investments but almost at once afterwards a levy of 40 per cent on overseas remittances was imposed. We agree with the governor of the Bank Indonesia when he expressed the hope, in his report for the year 1953/54, that the promised elaboration of that statement "would be formulated in such a way that at least as far as official conditions are concerned, Indonesia may become an attractive field of investment for foreign investors." He added the hope that there would also be a "positive improvement in the investment climate in Indonesia." Another remark of his was:

"Only as and when many of the obstructionist factors—which I shall not go into here because they may be assumed to be well known—will have been swept away, is it to be expected that the Government's efforts to attract foreign investments will be crowned with success."

Official trade returns for the full year 1954 are not yet available but it is reported that the unorthodox system under which import licences continue to be issued did at any rate limit imports, which were therefore expected to be some Rps. 800 million less than in 1953. On the other hand exports increased Rps. 70 million in value. If the oil companies' returns are omitted (as they are on a special basis), there should be a small favourable balance of trade in 1954.

The restrictive system applied to imports has resulted in a considerable reduction in

1042
the availability of consumer goods and a consequent rise in prices. Rice production has been steadily improving and imports during the past year have again been reduced considerably. Exports of both rubber and tin from Indonesia increased as compared with 1953. In the case of rubber the increase was as much as 24,000 tons and the fortuitous rise in price in the latter part of 1954 accounted for some of the increased value of exports and also helped to maintain the ratio of gold and foreign currency holdings to the local issue.

The returns of the Bank Indonesia show that gold and convertible foreign exchange figures rose steadily in the latter part of the year from about Rps. 1,535 million in June to Rps. 2,127 million in the middle of January, 1955, while the note issue increased in the same period from about Rps. 5,790 million to Rps. 7,395 million.

In April last year the Minister of Finance announced that his draft budget showed a deficit of Rps. 1,200 million. In September he stated that the deficit was then estimated at Rps. 2,600 million. Later on this figure appears to have been once more revised upwards to Rps. 3,500 million or over. It was not therefore surprising that as long ago as last June the governor of the Bank Indonesia should have shown some alarm at the Budgetary situation.

THE PHILIPPINES

The Philippine Islands have had a prosperous year but the government has not had an easy time owing to internal political antagonisms. President Magsaysay's reputation for probity, sincerity and hard work has been enhanced and he deserves much credit for his vigorous efforts to push through a programme of rural development, striving to make the country self-sufficient and to reduce unemployment. Administrative difficulties have, however, slowed down many of the best intentions of the government.

In the President's "State of the Nation" message to the joint session of the House and Senate on January 24th, after dealing with rural development and labour legislation, he referred to encouraging results in manufacturing and processing, but confessed that industrial developments did not measure up to their needs. He then gave a word of welcome to foreign capital. He said that to encourage and facilitate its entry into the Philippines the essential conditions governing such entry should be specified.

Perhaps one of the most important events of the year was the conclusion of negotiations or the revision of the Bell Trade Act. Ratification has not yet taken place so detailed comment would be premature, but the Philippines appear to have gained considerable concessions from the United States. In the meantime the free trade period of the Act is being extended for 18 months to January 1, 1956.

In the financial sphere few significant changes took place in the year, but the international reserves dropped moderately from \$5296 millions to \$5273 million while the general fund at November 30th last owed a surplus of Ps10.7 million as compared with a deficit of Ps48.7 million in the period of 1953. The re-appointment of Mr Miguel Cuaderno as governor of the central Bank for a further term of six years is much welcomed by all bankers.

Much legislation has been in the hands of Congress during its sessions in the past year. Many important bills have been adopted, out of some 45 so-called "nationalisation" bills introduced only one passed into law. This was the very controversial Act to regulate the Retail Trade, which aimed at restricting such business to Philippine nationals. After many protests, particularly

by Chinese traders, at length an amending law has been submitted to the House. In the explanatory note attached to this amending bill it was stated that the original Act had been found to have had a far-reaching effect on the national economy by causing the withdrawal of foreign capital and by heightening the problem of unemployment. It added that by "nationalisation" they were not only driving away foreign capital which intended to enter, but were also dislodging capital already established and contributing to the progress of the nation.

How widely the above views are held in the Philippine Congress is not known, but they indicate that there is a growing realisation that ultra nationalistic measures, if applied to business concerns operated by foreign private enterprise, may likewise deter new capital and even cause long-established undertakings to withdraw from the country.

MALAYA

Important constitutional changes came under consideration during the past year both in the Federation of Malaya and in Singapore. There was first the report of the committee appointed to examine the question of elections to the Federal Legislative Council and shortly afterwards the report of the Rendel Constitutional Commission in Singapore.

The Federation Report included a surprisingly large number of unanimous recommendations: the main disagreement being on the question of the composition of the new Legislative Council. In due course General Templer recommended a compromise providing for 52 elected members out of a total of 98, excluding the Speaker. This was approved by the Secretary of State and the Bill, which put the new proposals into effect, was passed on August 18th. The Bill covered not only the Legislative Council but also election procedures and many other matters of detail. When one bears in mind the complicated structure of the Federation of Malaya, with nine separate states and two settlements and a community of a particularly varied nature, it was a remarkable feat to bring about agreement on such a unique constitutional arrangement within a period of about a year.

We were glad to see that in moving the third reading of the Bill the Attorney General of the Federation made it clear that Britain had not, and is not going to relinquish its responsibilities for the protection of the people in that country until the present threat of communist force is removed. At the same time he added that the policy of self-government had not been forced on Malaya by Great Britain, but was entirely in accord with her record elsewhere. The Attorney General reminded the Council that self-government would not produce any miraculous changes: the hard facts and problems would still remain and hard work would have to be faced and accomplished.

We are firmly of opinion that HM Government has taken the right line in regard to these constitutional changes and there seems no reason to fear any untoward consequences. Adequate powers have for the present been reserved to the High Commissioner in the Federation and to the Governor in the colony. Moreover there is a very widespread feeling in responsible circles in Malaya that the strong link which binds the territory with HM Government and the Commonwealth must be firmly maintained without any time limit.

The elections to the Legislative Council take place next July and will give great responsibilities to the leaders of the political parties. Considering how serious the so-

called "emergency" still remains and how many difficult problems in regard to financial, economic, social and administrative affairs still face the government, the elected party will have a heavy burden to carry.

FEDERATION'S FINANCES

The finances of the Federation were dealt with very clearly by the Financial Secretary, Mr E. Himsworth, in his budget speech to the Legislative Council on November 17th which, in spite of the state of figures, was well worth reading for the pertinent comments, not only on the budget, but also on taxation, on the basic conditions necessary for the encouragement of investors, and on the need for extensive capital investment with which to expand the production of agricultural products, to set up new industries and so to strengthen the national economy.

Put shortly, the accounts of the Federation of Malaya show an expected deficit of M\$173.6 million in 1954 which will be covered by the reserve balance which was M\$355.5 million on January 1, 1954. After deducting this deficit for 1954 and adding grants-in-aid from HM Government, the M\$30 million loan from Singapore and other items, the reserve balance comes to about M\$289 million. Against this there is an estimated deficit for 1955 of about M\$148 million, but the Financial Secretary warned councillors that expenditure was rising more rapidly than revenue and that one day the gap would have to be closed by the efforts of the country without outside aid. He emphasised that no country could be financially stronger than its basic industries, which in Malaya, meant rubber and tin, for the prosperity of which everything possible should be done, even at the expense of other desirable projects.

There was a significant sentence in the speech of the High Commissioner of the Federation, Sir Donald MacGillivray, when he opened the budget meeting of the Legislative Council on November 17th last. He said that a very approximate computation of the cost to the British Treasury of the forces engaged in duties connected with the emergency in Malaya was M\$550 million per annum; that is more than the total annual income of the Federation. Few Malaysians realise this fact.

RENDEL COMMISSION'S REPORT

We referred above to the report of the Rendel Commission which recommended a big step forward towards self-government, a step regarded by some as dangerous and by others as not far enough. Much depends on the leaders of opinion in Singapore as to whether the electorate accept their new responsibilities in going to the polls and electing as members of the Legislative Council, persons who will discharge their duties for the real benefit of all sections of the community. The large increase in the number of elected members who will sit in the new Legislative Council gives them responsibilities greater than those put upon similar assemblies in other territories. Singapore is a city which has developed a pride in its important status in the east and, indeed, in the world. These constitutional changes will give it an even greater position of importance. Its future will depend much on its elected representatives. We all hope that the leaders of the commercial community as a whole will stand together to ensure that no rash experiments will be attempted, but that safe, sound and orthodox policies will be adopted.

The new Legislative Councils in the Federation and in Singapore will have many

complicated problems to face. One of the most important concerns the organic differences existing between the Federation and the colony. Nevertheless the two territories are so interdependent that necessarily each government has to ensure that whatever legislation is introduced in the one will not be prejudicial to the other. For this reason veto powers are held by the High Commissioner and the Governor, which of course limit the authority of the legislatures and will impede progress towards self-government until a federal or other solution is evolved. A joint co-ordination committee has had this matter under consideration for some time but no information as to its progress has been made public.

INDUSTRIAL DEVELOPMENT

The Governor, Sir John Nicoll, recently urged the expansion of industrial development and the attraction of capital investment. A comparison with Hong Kong's industrial progress has been made and special inducements to encourage secondary industries have been suggested. This is a subject which is no doubt receiving the attention of the government departments concerned. Our Singapore branch has been playing its part in the encouragement of new factory developments. As a step in line with this policy our manager, Mr J. A. D. Morrison, has recently provided finance for and become chairman of the Federal and Colonial Building Society, an organisation sponsored by the Colonial Development Corporation and by the Federation Government to encourage the building of houses which are so much needed in these territories. There are many other developments in Malaya which could be mentioned if there were more space. In particular Singapore's magnificent harbour with its easy berthing facilities and docks has not in recent years received its due meed of praise. The tonnage of vessels berthed and docked and of cargo dealt with has been increasing rapidly in the postwar years and the improvements now under way will make the port in many respects the best equipped in the East.

A number of development projects and other plans are being held in suspense awaiting the report of the International Bank Mission which visited Malaya early in 1954. I understand the delay is due to the sickness of one of the members of the mission.

RUBBER AND TIN

There is no need to comment in detail on the subject of rubber and tin as reports on these commodities are published in profusion by those closely connected with the two industries. The natural rubber industry is so important to the Malayan economy that the improved statistical outlook and the rapid rise in price from under 1s. 5d. a lb in January, 1954, to nearly 2s. 4d. at the end of the year naturally brought considerable optimism and benefit to Malaya. Although the average prices for the full years 1953 and 1954 showed little change, exports from Malaya increased by 67,900 tons in 1954 compared with 1953. There is, however, a fairly general feeling that the rise in price since last August has been overdone for reasons not entirely connected with the market position. Let us hope that the recent setback will be no more than a healthy jolt to speculators.

The Mudie Report on the Malayan rubber industry which was published in September met with a mixed reception. Government and producers are now trying to work out a compromise in regard to differences on the controversial parts of the report. The synthetic industry remains an uncertain and

potentially dangerous factor overhanging the natural rubber industry.

Tin prices per ton in 1954 fluctuated between £620—the lowest point—and £785—the highest, but the average for the year was £708 compared with £731 in 1953. The International Tin Agreement has not had a smooth passage since it was signed in June, 1954, and ratification by the necessary number of countries is still awaited before the agreement can be put into effect. If this proves abortive the industry will no doubt be able to adjust itself, although some sections will undoubtedly suffer. Malayan exports were 70,333 tons in 1954 as compared with 61,734 tons in 1953.

The Malayan trade returns for the year 1954 show a moderate reduction of about 3 per cent in imports to M\$3,140 million and a rise of 6 per cent in export values to M\$3,109 million.

Before I pass on to other countries I must refer to the retirement of the Governor of Singapore, Sir John Nicoll, which is to take place this spring. Sir John's departure will be much regretted by the commercial community in that colony where he has worked wholeheartedly for the good of all classes and races. It is regrettable that he should not see the constitutional changes and the many local projects commenced under his influence and guidance steered through their critical stages. However, Mr R. B. Black, whose sterling qualities we in Hong Kong know so well, will worthily don the mantle and we wish him well in the important post which he will shortly be taking up.

NORTH BORNEO

We are glad to be able to record that on May 22nd last, the Governor of North Borneo, Mr R. E. Turnbull, was kind enough to open our new bank premises at Jesselton and that during the year our new buildings at Kuala Belait and Tawau were also opened for business.

The budget debate of the colony's Legislative Council in November brought the good news that at last agreement in principle had been reached with the Government of the Philippines, which will, it is hoped, make possible the introduction of Filipino labour to work and settle in Borneo. At any rate a partial solution of the labour shortage there seems likely in the course of this year. It was not so welcome to hear that income tax on companies was to be increased from 30 per cent to 40 per cent. But still more unfortunate does it seem that HM Government are to make no further direct grants to the colony after this year as distinct from grants under the Colonial and Development Welfare Fund. Borneo suffered greater devastation than any other area as a result of the war and has, I believe, only received about £1 million for direct war reconstruction. Various changes in town planning arrangements have retarded rebuilding in some towns, but we are glad to note that a definite scheme for the rebuilding of shops has recently been put into effect and we are assisting the work by providing building loans on easy terms under government guarantee. Rubber replanting legislation has recently been adopted and we have co-operated in the establishment of a fund for financing this project. A rubber cess will be imposed which will be refundable to producers after replanting is carried out.

We were glad to see satisfactory increases of about 50 per cent in the case of timber and copra exports in 1954 as compared with 1953. The happy position of Brunei State is shown in the budget estimates for the current year of M\$100 million for revenue and M\$43 million for expenditure.

THAILAND

A recent article on Thailand in a prominent British newspaper was headed "cautious pessimism." Such also seems to be the general feeling of the mercantile community in Bangkok, who fear that widespread corruption will bring about an upset such as took place in China not so many years ago. Others consider that this is not a fair comparison, that Thailand's leaders realise the dangers and have laid their plans to cope with any internal or external dangers. These speculations indicate that the political outlook is by no means stable. Naturally many eyes are turned to the Laos frontier about which much nervousness exists.

The economic situation is also rather a difficult one. Currency controls are strict and constantly changing: the official rate of exchange has remained unchanged, but an active open market is permitted by the exchange control authorities. A rice surplus of 400,000 tons was accumulated from last season owing to the Government's refusal to sell at the reduced world prices, but the new crop is smaller owing to unfavourable weather, so the total available for export in 1955 is estimated to be about 14 million tons. As from January 1st of this year trading in rice once again reverted to private hands and inter-governmental contracts have ceased. Rubber exports increased some 17,000 tons over 1953 and totalled about 114,000 tons, but tin and teak exports were reduced.

BURMA

The British have a spontaneous liking for the Burmese which is, I think, reciprocated. So it was not surprising to read in the report of the United Kingdom Industrial Delegation to Burma how much they appreciated their warm reception in Rangoon. The Delegation paid tribute to the "enthusiasm and deep sincerity which lie behind the Government's development policy and their desire to improve the economy of the country and the conditions under which the people live and work." They felt bound to add a mild word of warning against the Burmese attempting too much in too short a space of time. We ourselves hinted at this danger in our remarks about Burma this time last year. However, it is common to all Asian countries whose development is somewhat retarded to feel they must hasten to make up lost ground; and some of them are indeed succeeding in their efforts. There are signs that the Burmese Government are aware of the dangers of their ambitious plans and the newly appointed Minister of Trade Development appears to be proceeding with some caution.

The 1955 rice crop is estimated to provide an exportable surplus of 1½ million tons, of which 900,000 tons has been sold on a government-to-government basis: the remainder has been put at the disposal of merchants for private sale under certain conditions. So far as figures are available it appears that exports of the leading products of the country were lower in 1954 than in 1953 and that imports were higher. As a result external assets fell some kyats 400 million in the year ended October, 1954. The Finance Minister proposes to make a determined drive to increase internal savings this year and he has said that if there is then still need of capital he hopes to obtain a loan from the International Bank.

During the year other important matters which took place in the country, but with which we cannot here deal in detail, were the establishment of the State Commercial Bank on August 11th, which I fear is deliberately being favoured to the detriment of private commercial banks; the first steps in the implementation of the Land Nationalisa-

tion Act; the assumption of its formal duties by the Karen State Government in districts where law and order have been restored; and the initiation of a local administrative system in villages, towns and districts.

Finally, there was the signature on November 5th of the Burma-Japan Reparations Agreement, by which Japan is to give to Burma as reparations "the services of the Japanese people and the products of Japan" equivalent in value to US\$200 million in ten equal annual instalments. Some fear has been expressed lest the effect of this and other clauses of the agreement might mean the Nipponification of Burma, but the Prime Minister has ridiculed the suggestion.

INDIA

Thanks to the personal prestige of Prime Minister Nehru, India has, in recent years, been steadily increasing her influence and standing in international affairs. There has even been talk of the germination of a future Monroe doctrine for Asia led by Mr Nehru and the Asian powers which attended the Colombo-Kandy conference last April. A possible step towards the integration of Asian countries was seen when, as a consequence of Mr Chou En-Lai's visit to Delhi in June, a declaration of five principles was proclaimed to govern relations between India and China. These principles re-stated some fundamental conditions upon which international relations are based, but they did not indicate any special change in policy.

As regards economic policy, Mr Nehru is reported to have said that he wants a "peaceful social and industrial revolution." It is clear that the Prime Minister dislikes Communism even more than he dislikes capitalism. On the other hand he has claimed that there is plenty of room for private enterprise which must be given "scope, freedom and encouragement to develop." Mr Nehru's right hand man is Sir Chintaman Deshmukh, the able Finance Minister, whose policy gives ample evidence of the practical financial mind which has maintained firm control of India's financial economy in the last few years.

The problem of keeping a grip on economic development and planning in a country like India is immense. The unemployed and under-employed run into millions and the annual income is barely £20 per head. But the facts are being faced with realism. The Finance Minister has claimed with justice that the increase in food production is substantial, that industrial production is steadily rising, that inflation has been wiped out and that the balance of payments has improved. Moreover private capital has been encouraged to go ahead without hindrance in certain fields of operation. We saw last year the establishment of an industrial development corporation (a government concern) and of the Industrial Credit and Investment Corporation to which reference has already been made above. Now an extensive steel industry seems to be well on the way to establishment with new units which will probably be set up with the help of British, German and Russian capital.

There are of course fears and uncertainties which are widely held by merchants of many nationalities. Maybe these apply not so much to the present as to the future. Indianisation is not being pressed unduly but it remains a threat of uncertain cogency. The revision of Article 31 of the Constitution may not be harmful at the present time, but there are fears as to what may happen when new people come into power. Similarly the managing agency firms have been told that they are unduly apprehensive, yet their fears for the future are not assuaged. Finally, the nationalisation of the Imperial Bank of India was done with worthy motives but

it caused a bad impression as it was not thought to be necessary nor desirable.

It is difficult to sum up the pros and cons but we are inclined to regard the solid achievements of the past few years as giving grounds for hope that the clouds ahead of India will disperse before they are reached.

CEYLON

The outstanding event of the year in Ceylon was the visit of HM The Queen in April. It was an unqualified success and the enthusiasm of the crowds was unmistakable. By her grace and charm Her Majesty endeared herself to all who met or saw her.

On July 17th the inauguration of the first Ceylonese Governor General, Sir Oliver Goonetilleke, took place and a further event of importance during the year was the conference of five Asian prime ministers.

Ceylon has indeed experienced a remarkable year, not least in that she staged a notable economic recovery. Whereas at the end of 1953 there was an adverse trade balance of Rs40 million, at the end of 1954 the picture was completely reversed, the preliminary figures being exports about Rs1,800 million and imports Rs1,400 million, giving a record favourable balance of about Rs400 million. The main contributions to this recovery were first the high tea prices which averaged Rs2.56 per lb in 1954 compared with Rs1.92 in 1953 and secondly the favourable rubber contract made with China under which some 56,000 tons were shipped to China in the year out of the total exports of about 90,200 tons. The rice part of the contract with China has not proved so successful owing to the fall in rice prices and Ceylon appears to be trying to dispose of some of the Chinese rice to other markets. The government has meantime been pressing forward with attempts to improve and expand local rice production and a joint United Kingdom and Australian rice mission has recently visited Ceylon and issued a report dealing with this matter.

The financial position of the government has also improved in line with trade, and external assets are reported to have risen from Rs607 million in December, 1953, to Rs863 million at the end of last October. The Minister of Finance announced last July a small deficit in the budget which he proposed to meet by new taxation or borrowing. He stated that the government did not propose to adopt any form of deficit financing. The crying need for capital for development purposes is to be met by raising loans authorised by the Ceylon Development Loans Act which was enacted early last year. This provided authority for raising loans internally, in the United Kingdom, or from the International Bank. Soon afterwards a loan of £5 million was successfully floated on the London market and the International Bank granted a loan equivalent to about US\$19 million to finance a second stage of the Laxapana hydro-electric scheme. When moving the second reading of the above Act Sir Oliver Goonetilleke, then Minister of Finance, reiterated that the Government's policy was to welcome foreign capital, that there would be no nationalisation or expropriation of any enterprises and that no special fields of development would be reserved for nationals of Ceylon. This was a very encouraging statement coming from so authoritative an official.

INDO-CHINA

Our office in Saigon is now situated in the independent state of Vietnam, more generally known as South Vietnam, which is, of course, distinct from the Democratic

THE ECONOMIST, MARCH 19, 1955

Republic of Vietnam (Vietminh), which controls the area called North Vietnam. The name "Indo-China" appears to have become an anachronism, though it is still useful in referring to the combined area of the four governments at present holding authority there.

The agreements signed at the Geneva Conference in June and July last year have been criticised from many angles according to the particular bias of each individual. They brought the cessation of hostilities, yet they postponed many decisions until the proposed elections in 1956. Much may happen before then but it would be foolish to speculate about the future. It is difficult enough to follow the present events and policies of those in positions of authority. The three states of Vietnam, Laos and Cambodia have recently been granted complete independence by the signature of "quadrupartite agreement" in Paris on December 29, 1954. The Pau Convention has thus been abrogated. Each country now has full control over its own currency and there are three autonomous exchange controls. An agreement has been reached regarding shipping on the Mekong and the use of the port of Saigon by the three states, but Cambodia is contemplating the establishment of her own port on the Gulf of Siam.

PHNOM-PENH BRANCH

Although the French are anxious to come to an agreement with the Vietminh authorities about French industrial interests in Tonkin, the prospects of a satisfactory arrangement are obscure. Owing to the precarious outlook we decided to close down our Haiphong office, but we have obtained the Cambodian Government's permission to open a branch in Phnom-Penh and our arrangements there are well under way. Cambodia, like the whole area of South Indo-China, produces large quantities of rice and a considerable amount of rubber. Phnom-Penh, its capital, is a pivot point through which much of the trade of Laos must pass, as well as that of Cambodia itself. When the latter gets its own port it will no longer be dependent on Vietnam for an outlet for its foreign trade.

BRITISH BANKERS' IMPORTANT ROLE

The above notes on the various countries in which we operate have taken shareholders rapidly round the eastern seas. We might have been more comprehensive, but we would then have risked being tedious. We have tried to state our viewpoint categorically and yet to see the picture from the other side. Without blinding our eyes to the trend of events in the east, we feel confident that British bankers still have an important part to play in Asia as elsewhere. New measures are being adopted for the mobilisation of capital to assist industrial development in the free countries of the east and particularly in the area of the "Colombo Plan" countries. In these areas the expansion of trade is growing rapidly and will continue as the countries increase their development and raise their standards of living. We are well aware that we must continually adapt ourselves, as we have done in good times and in bad throughout the past ninety years of the bank's existence and you may be confident that we will do so.

At a subsequent extraordinary general meeting the two resolutions referred to, increasing the capital of the corporation from HK\$20 million to HK\$25 million and capitalising the sum of HK\$5 million by the issue of one new share for every four shares now held, were carried.

THE ECONOMIST, MARCH 19, 1955

THE NATIONAL BANK OF INDIA, LIMITED

Registered in London under the Companies Act of 1862 on the 23rd March, 1866

ESTABLISHED IN CALCUTTA, 29th SEPTEMBER, 1863

Subscribed Capital ... £4,562,500

Paid-up Capital ... £2,851,563

Reserve Funds ... £3,104,687

Number of Shareholders ... 3,071

HEAD OFFICE: 26, BISHOPSGATE, LONDON, E.C.2.

BALANCE SHEET, 31st DECEMBER, 1954

	£	£	1953	£	£	1953
CAPITAL—						
Authorised and Subscribed:						
4,562,500 Shares of £1 each	4,562,500		4,562,500			
Paid-up 12/6d. per Share...		2,851,563		2,281,250		
RESERVE FUNDS—						
Including Share Premium						
Account £1,128,750		3,104,687		3,675,000		
(1953—£1,128,750)						
PROFIT AND LOSS ACCOUNT—						
Profit unappropriated ...		273,404		275,496		
		6,229,654		6,231,746		
CURRENT LIABILITIES, PROVISIONS AND OTHER ACCOUNTS—						
Current and other Accounts, including provision for diminution in value of assets, taxation on profits to date and reserves for contingencies ...		97,214,299		80,633,364		
Fixed and Short Deposits...		31,109,964		22,930,054		
Amounts due to Subsidiary Companies ...		2,410,751		2,950,553		
Loans Payable ...		—		370,875		
Bills Payable ...		1,722,068		1,985,116		
Acceptances for Customers		1,032,549		938,205		
Second Interim Dividend less Income Tax for the year ended 31st December, 1954 ...		125,469		100,375		
		133,615,100		100,375		
		£139,844,754		£116,140,288		
CURRENT ASSETS—						
Cash on Hand, at Call and Short Notice, and at Bankers ...		15,756,003		16,778,011		
Investments at under Market Value:—						
British Government and other Securities quoted on the London Stock Exchange ...		11,586,979		11,319,563		
Indian, Pakistan, Ceylon and East African Government and other Securities quoted on Overseas Stock Exchanges ...		13,546,717		10,989,062		
Unquoted Investments...		208,926		1,070,824		
		25,342,622				
Bills of Exchange, including Treasury Bills ...		30,077,476		25,865,761		
Advances, Loans Receivable and other sums due to the Bank ...		63,625,933		45,864,249		
Customers for Acceptances per Contra ...		1,032,549		938,205		
Total Current Assets ...		135,834,583		112,825,675		
SUBSIDIARY COMPANIES—						
Shares at cost less amounts written off ...		1,700,000		1,450,000		
Amounts due ...		178,835		159,770		
		1,878,835				
FIXED ASSETS—						
Bank Premises, Property and Furniture at cost, less amounts written off		2,131,336		1,704,843		
		£139,844,754		£116,140,288		

N. W. CHISHOLM, General Manager.

D. A. DEELEY, Accountant.

J. K. MICHIE }
A. N. STUART } Directors.
H. G. COOPER }

REPORT OF THE AUDITORS TO THE MEMBERS

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Bank so far as appears from our examination of those books and proper Returns adequate for the purposes of our audit have been received from Branches not visited by us. We have examined the above Balance Sheet which is in agreement with the books of account and Returns, in our opinion and to the best of our information and according to the explanations given to us the said Balance Sheet gives the information required by the Companies Act, 1948, in the manner thereby authorised for Banking Companies and on such basis the Balance Sheet gives a true and fair view of the state of the Bank's affairs as at 31st December, 1954.

We have also examined the annexed Consolidated Balance Sheet and Consolidated Profit and Loss Account of the Bank and its Subsidiaries dealt with thereby with the audited accounts of those Companies. In our opinion such Consolidated Balance Sheet and Consolidated Profit and Loss Account have been properly prepared from such accounts in accordance with the provisions of the Companies Act, 1948, in the manner thereby authorised for Banking Companies and on this basis, give a true and fair view of the state of affairs and of the profit ascertained in the manner therein indicated of the Bank and its Subsidiaries so far as concerns members of the National Bank of India, Limited.

LONDON, 8th March, 1955.

COOPER BROTHERS & CO. }
W. A. BROWNE & CO. } Auditors.
Chartered Accountants.

THE NATIONAL BANK OF INDIA, LIMITED

BALANCE SHEET REFLECTS CONTINUED GROWTH

MR J. K. MICHIE ON STERLING CONVERTIBILITY

The annual general meeting of the National Bank of India, Limited will be held on April 5th, at 24 Bishopsgate, London, E.C.

The following are extracts from the circulated statement by the chairman, Mr J. K. Michie, on the year 1954:

While at home 1954 was a year of steady economic progress the pattern of events in our various fields of operations was distinctly more chequered. Nevertheless the figures in our balance sheet reflect continued growth and we are satisfied with the results achieved in circumstances of some difficulty.

GROWTH OF DEPOSITS

Our deposits have risen very substantially and the total of our consolidated balance sheet at £162,031,432 not only tops last year by £25,578,458 but considerably exceeds the highest previous figure of £147,283,674 shown at December 31, 1951. This expansion, I am glad to say, is spread over the whole area of our operations. The figure for the National Bank of India, Limited alone shows an increase of £23,704,466.

We propose again to allot £75,000 to premises account and as I have previously told you this account will continue to grow until our major building and rebuilding operations are overtaken. The two large offices still under way are at Darassalaam and Aden but as we expand it must be accepted that further investment in bricks and mortar is inevitable.

After full provisions for taxation, bad and doubtful debts and other necessary reservations our consolidated net profits are £385,923 against £387,644 for the previous year.

As you are aware, a second interim dividend of 8 per cent has been declared, making 15 per cent for the year on the increased capital. I think this return is a liberal interpretation of the implied promise I made last year and a standard we have every hope of maintaining.

The resultant balance enables us to transfer £70,000 to contingencies and to carry forward the slightly increased figure of £326,266.

INDIA

For the second year in succession, helped by a good monsoon but also a result of long-term agricultural planning, India has succeeded in increasing considerably her production of foodstuffs—she is even exporting a little—an achievement which is saving a large expenditure of foreign currency, and I trust will also be reflected in a rise in the standard of living.

The economic policy of the Government is balanced somewhat precariously between reassurances to the "Private Sector" based no doubt on the need for the development of industry with the help of foreign loans and investment and a trend towards socialist thinking in the form of industrial development and ownership by the State. One hope for private industry lies in the formation of the Industrial Credit and Finance Corporation of India, Limited, shares in which are now being offered to the Indian public. Along with other exchange banks we have made a substantial subscription to the capital of the Corporation, and I am quite certain

it can and will be of great help in the provision of financial aid which might otherwise not be readily obtainable for really sound projects or the further development of existing industries and companies.

Mr P. S. Beale, until recently chief cashier of the Bank of England, has arrived in India to assume the general managership of the Corporation.

SECOND FIVE-YEAR PLAN

An ambitious "second five-year plan" is being launched by Government, a primary object of which is to create twenty-four million additional jobs in industry by 1967, thereby absorbing the existing unemployment and the inevitable increase in population. Simultaneously it is hoped to raise the general standard of living.

Other features of official thinking are reflected in projected legislation, which includes amendments to Article 3 of the Constitution and the Indian Companies' Act. The former will remove the right of individuals whose property is compulsorily acquired by the State to recourse to the Courts over questions of compensation. The second proposes the progressive elimination of the managing agency system—which goes far beyond any previous suggestion.

Both proposals are a cause of anxiety to business men in general but particularly to foreign capital which is mainly British, so I hope sincerely the protagonists of these measures will think again.

PAKISTAN

Pakistan had an uneasy year politically and economically. The food situation is at present satisfactory and there is even a considerable quantity of rice available for export, while the programme of industrialisation has made steady progress. One result of this is a large reduction in the export of cotton from Karachi, a crop which previously almost wholly went abroad but 50 per cent of which is now to be consumed locally.

In East Pakistan the jute mill industry continues to expand.

The jute export trade of East Pakistan which is a vital part of its economy was recently somewhat disturbed by the cancellation of the licences of 13 important shippers, on the grounds that they had contravened Government regulations. The situation is slowly being clarified, but temporarily Pakistan suffered a loss of foreign currency through the delay in getting shipments effected.

CEYLON: TEA POSITION

Ceylon has been the fortunate isle for prices of tea and rubber have been buoyant while the cost of her rice imports of over 400,000 tons per annum has fallen materially during the year—so her revenues and her balance of trade both have benefited. Altogether the picture is a complete change from that of two years ago, and in consequence prospects for 1955 are favourable.

Two years ago the tea growing industry in India and Ceylon had just emerged from a crisis caused by prices falling so low that in some cases they hardly met the cost of shipping and marketing—a situation which naturally was of no concern to consumers. Today, owing to an all-round increase in

consumption, the position is radically different and over the past year prices have risen considerably, particularly in overseas markets which have to bear the oncost of export duties.

Recently a great deal has been said and written in this country about tea and tea prices, much of it ill-informed.

At the moment of writing prices have had a sharp fall and time will show whether this is or is not temporary, but I am quite sure that nothing would better please producers, shippers, merchants and retailers alike than to see a more stable market at a less high level of price than we recently saw. But the simple fact is that particularly with Indonesia exporting 80 million pounds less than in prewar days production just cannot keep pace with the steadily increasing consumption induced by larger world populations and by increased purchasing power. In the United Kingdom alone consumption has risen by 20 per cent since derationing, while it is estimated that in India it has expanded by around 70 per cent compared with prewar, and it must be expected that this trend will continue.

The suggestion that in this country a re-imposition of rationing combined with a regression to bulk purchase would be a satisfactory or acceptable answer to the present level of prices is purely political wishful thinking, and takes account neither of the statistical position nor of the fact that prices in this and other importing countries bear export taxes of 1s. 11½d. per lb. in Ceylon and 11d. per lb. in India. I trust these taxes will not be perpetuated at the present levels, for I continue to believe that export duties almost invariably in the last event have a boomerang effect on the countries imposing them and are therefore an unsound fiscal weapon.

OTHER COUNTRIES

Burma.—The economic position of Burma continues to be governed largely by the trends and policies I remarked on last year. Falling rice prices, quite apart from the very low rates she has been forced to accept for large stocks carried over from 1952-53 and a continuance of large capital expenditure on harbours, railways, inland water transport and many major projects of an industrial nature, necessarily mean a drain on balances previously built up when rice prices were high.

The Colombo Plan continues to develop its financial and technical assistance to the great benefit of the countries concerned.

East Africa.—In the early summer of 1954 after an interval of five years I revisited East Africa and was able to see a large number of our branches, many of which were non-existent in 1949. It was an encouraging experience and one noticeable feature was the steadily increasing awareness of the African population of the advantages of banking facilities.

Kenya.—Mau Mau, I regret, is still with us, and although real progress has been and is being made, no sign is yet evident of an early cessation of its activities.

During 1954 Kenya was remarkably prosperous in the circumstances, helped by reasonable rains and high coffee prices. Local industries continue to expand, and, given political peace and adequate transport facilities,

ties, there is little doubt but that Kenya would have a steadily expanding economy.

Uganda.—The difficult political situation in Buganda of a year ago was followed by a buying boycott which affected trade considerably for some months.

Fortunately, the settlement proposed by the Hancock Commission seems to be generally acceptable, and in due course the Kabaka will return to Kampala.

Uganda had a good cotton crop, and as coffee is her other main product, her agriculture had a profitable year. Cultivators benefited by the higher guaranteed prices fixed by Government for both commodities.

Tanganyika.—Although sharing with her two neighbours a certain prosperity from coffee and cotton—in fact her cotton crop was a record one—her large interests in sisal had a less fortunate experience and prices fell as low as £70 from £103 in January, 1954. At the moment values have revived to about £80 and the prospects of at least holding this level seem to be reasonably good.

A few months ago we opened a branch at Bukoba, one of the main coffee growing centres in the territory.

SUBSIDIARIES

The profit shown by Grindlays Bank, Limited is again lower but branching out into new territories is inevitably initially expensive, and it will take some time before operations in the Rhodesias show favourable returns. Prospects, however, are encouraging.

The operations of the Finance and Development Corporation continue to grow and to be profitable.

STERLING CONVERTIBILITY

Until it is brought about and possibly even after that event, convertibility of the pound Sterling, by which I mean free or absolute convertibility, will be a much debated question but I am glad to see Mr Butler recently made a pronouncement that "the conditions for convertibility have not yet been fulfilled" and this view he has since reinforced by the recent drastic increases in the Bank Rate from 3 per cent to 4½ per cent. Indeed one has to look no further than the discount at which "convertible" Sterling stood until the Chancellor took remedial measures, or the slow tempo of our accumulation of gold and dollar reserves to see the justification for Mr Butler's statement.

Sterling has to show a much stronger front before it can safely be declared convertible and that means an all-round strengthening of the economy and currencies of the whole Sterling area. We know that last year production in this country increased by around 5 per cent but much of that increase seems to have been consumed internally which reflects an inflationary trend and does not improve our all-important external budget. In fact, to plagiarise Lewis Carroll, "it takes all the running we can do to keep in the same place." A great deal has been accomplished but until our balance of trade has been considerably bettered it will be difficult to justify more than mild satisfaction, especially when we remember that never before in times of peace has such full employment been enjoyed.

In these circumstances while there are good general grounds for optimism I fear the Chancellor of the Exchequer will still find it necessary to skim off the froth of inflation in our economy by taxation of one kind or another. Money is now dearer in the United Kingdom than it is in India, Pakistan, Burma or Ceylon.

Barring major imponderables I can see no reason why the business of the bank should not prosper in 1955.

JUTE INDUSTRIES

RESTRICTION OF CROP BY PAKISTAN

INCREASING DEMAND FOR COMPANY'S PRODUCTS

CONSTRUCTION OF NEW SPINNING MILL

HIGHER LEVEL OF EXPORTS

MR W. G. N. WALKER'S STATEMENT

The thirty-fourth annual general meeting of Jute Industries, Ltd., was held on Thursday, March 10, 1955, at Meadow Place Buildings, Dundee, Mr W. G. N. Walker (chairman and joint managing director) presiding.

The secretary (Mr W. A. Jeffray, CA) read the notice convening the meeting and the report of the auditors.

Addressing the meeting, the chairman said: With your permission I will take the accounts and the report of the directors as read. (Agreed.)

DECONTROL OF RAW JUTE

Last year I told you that the Government had decided to hand over the purchase of raw jute to private buying. In July, 1954, the Jute Control made final allocations to spinners of its raw jute supplies, at the same time authorising them to commence purchasing on their own account. Your company took full advantage of this opportunity of entering the raw jute market and has been able to contract for supplies of all qualities which, together with the Jute Control allocations—the last of which were taken up in February, 1955—should enable maximum production to be maintained until imports of next season's raw jute crop are freely available.

CROP RESTRICTION AND ITS EFFECTS

In my last address, when referring to Pakistan's crop restriction policy, I hoped that she had taken into consideration her good fortune in having had favourable weather for her last three crops, as by the law of averages unfavourable weather during the current crop was possible. Unfortunately my fears were only too well founded, and as a result of the abnormal floods in the jute growing areas from the end of July until the middle of October, considerable damage to the crop, both as regards quantity and quality, took place causing a rise in prices of about 30 per cent since the middle of last year. It was fortunate that there was a carry-over of one million bales from previous crops, but even with this surplus it appears that supplies may only be just sufficient for world requirements during the present jute season.

The Pakistan Government's recent announcement that the 1955/56 crop is again to be restricted appears to indicate an unwillingness to learn from last year's experience and to ensure the safety of supplies of raw jute, or to allow prices to fall to a more economic level in world markets.

Stability of prices at a reasonable level is not only in the interests of spinners, manufacturers, merchants and their customers, but also of the growers. Rapidly rising prices usually result in sizeable stock profits, but these seldom compensate for the subsequent losses and dislocation of business when prices fall. It is recognised that price fluctuations cannot always be avoided, but when high prices are the direct result of attempts by the Pakistan Government—regardless of the

vagaries of the weather—to control the output of a major agricultural crop, it is a serious matter.

Pakistan's action, although perhaps helping her balance of payments position in the short term, can, by encouraging bulk handling and the use of substitute materials, do great harm to the jute manufacturing industry throughout the world and also to her own long-term economy.

In view of this it is hoped that wiser counsels will prevail and that sowings will be permitted in excess of the area already prescribed, thus allowing for a margin of stocks to be carried over into the next season.

DOUGLASFIELD WORKS

Although those of our establishments which have been equipped with sliver spinning machinery since 1937 are running two and in some parts three shifts per day, we are still unable to meet the demand for jute yarn of the quality produced by your company. It is necessary, therefore, to add another spinning installation to those already in operation. We have been fortunate in owning a number of large establishments which with little structural alteration could house economic units of the most modern spinning machinery, but the stage has now been reached when we have no unused floor space of sufficient area available for further spinning expansion. Not only is extra floor space required, but that floor space must be suitable for producing at the lowest cost, thus taking advantage of the latest developments.

Your directors have decided, therefore, to construct a new spinning mill to be called Douglasfield Works, and to erect it on ground earmarked by the Dundee Corporation for industrial development on the north eastern perimeter of the city. The acquisition of this ground was referred to in my statement to you two years ago. It is situated in the centre of large new housing estates and is therefore strategically sited for labour recruitment. In conjunction with a well-known firm of consulting engineers the new building has been specifically designed for the purpose. While the cost will be considerable, in your directors' opinion it is thoroughly justifiable capital expenditure. It will operate as an integral part of our spinning organisation and not as a separate entity, thus ensuring maximum productivity combined with quality and flexibility. Douglasfield Works will be in production before the autumn of 1956 and will facilitate developments and expansion not only on the yarn but also on the weaving side of our business. Capital commitments in respect of this project had not been entered into before September 30, 1954, but since that date firm contracts amounting to £300,000 have been placed; others will be negotiated in the near future.

EXPORTS

The present level of company taxation in the United Kingdom, coupled with a relatively high standard of living, is pricing us

out of world markets for standard goods even if these goods are produced on the most modern machinery working on a multi-shift basis. It is only in quality goods that we can hope to compete, and it is on these that we have concentrated in recent years. I am glad to be able to report that the level of jute cloth exports of our own manufacture has again shown an appreciable increase over the previous year. It is on quality that this volume has been built up, and it is on quality that our future performance in world markets will depend.

DEMAND

The demand for your company's products is on the whole well maintained, and order books are in general better filled than they were this time last year. The spread which we have within our industry, coupled with flexibility of manufacture, should—unless there be a sudden and unexpected reduction in activity amongst consuming industries—ensure that next year's accounts will again be satisfactory.

SUBSIDIARY COMPANIES

Our subsidiary companies have all contributed to the favourable results of the past year. Within the last few weeks we have acquired a controlling interest in JOHN LOWSON, JUNR. & CO. LTD., Forfar—an old established weaving firm whose products are complementary to our own. This acquisition will further diversify the spread which we already have in the textile industry.

MANAGEMENT

Your directors and senior executives are constantly on the move both within and without the British Isles: it is only in this way that we have been able to take full advantage of modern developments and to assess new markets.

We are very conscious that the future of your company depends as much as anything else on first-class management, and that the necessity of training for management is more than ever important. This matter is being given high priority, and the results so far achieved are encouraging.

The successful results achieved by your company over the past few years are due to the loyal and conscientious service rendered by all concerned. To all executives, management, staff and employees at home and overseas I would like to convey my most sincere thanks.

The report and accounts were adopted.

THE STERLING TRUST

The thirty-eighth annual general meeting of The Sterling Trust, Limited, was held on March 8th in London, Mr Michael F. Berry (the chairman) presiding.

The following is an extract from his circulated statement:

The past year has again shown an increase in income, the total for 1954 being £370,270 against £334,052 a year ago. Most industrial companies have enjoyed a remarkably prosperous year, and we hope that this prosperity will again be reflected in our own results for 1955.

The board have placed £40,000 to reserve, compared with £40,000 last year, and recommend a final dividend of 11 per cent, making 15 per cent for the year, against a dividend of 12½ per cent for 1953.

The board have decided on another important recommendation. As a result of the very substantial appreciation in the market value

of our securities and the large increase in income since the Second Great War, the issued capital of the company now falls far short of the value of the funds employed in our business. In order to bring the balance sheet closer to reality, therefore, the directors recommend that the sum of £437,500 be taken from the revenue reserves and applied in paying up in full a like number of ordinary shares of £1 each, for distribution, credited as fully paid, to the ordinary stockholders in the proportion of one such share for every £2 of ordinary stock held.

The report was adopted and at the subsequent extraordinary general meeting the board's capitalisation and scrip issue proposals were sanctioned.

ALDERS (TAMWORTH), LIMITED

EXCELLENT TRADING RESULTS

INCREASED DIVIDEND

SCRIP ISSUE APPROVED

The nineteenth annual general meeting of Alders (Tamworth), Limited, was held in London on Monday, March 14, 1955, and the chairman, Mr James H. Black, JP, CA, stated *inter alia* that during the year under review trading had been consistently good and represented the normal results of a full order book, which satisfactory state of affairs had continued to date.

Whilst inflation tended to increase, supplies of woodpulp and other raw materials had been easier, though currency regulations were still in force, resulting in certain restrictions in buying from abroad, but any deficiency, as hitherto, was made good by having plant capable of dealing with home-produced raw materials, including straw.

The further issue of ordinary shares, fully paid up, was of special interest in that two-thirds of the amount required for this purpose was provided by premiums paid by shareholders in connection with a previous issue.

The statement continued:

Considerable alterations and extensions have been made to plant and machinery, the effects of which will only be fully realised during the current year, and the company can look forward to the future with every confidence.

The Burnley Paper Works reconstruction is resulting in steadily increasing profits, which the board feel are best retained in the business at present as additional working capital. The trading results are proving this to be a first-class investment and will greatly extend the scope of the group's activities.

The figures show a very substantial increase on last year's profits, and a final distribution of 18½ per cent, less tax, on the ordinary share capital of the company is, therefore, recommended, making 27½ per cent for the year.

Mr S. C. Green seconded the adoption of the report and accounts, which was carried unanimously, and Mr William Howard Tripp was duly re-elected a director of the company.

At a subsequent extraordinary general meeting resolutions were passed approving the increase in the capital of the company to £1 million by the creation of 5 million new ordinary shares of 2s. each and the capitalisation of £150,000 and its distribution as ordinary shares to the ordinary shareholders in the proportion of one new ordinary share for every two ordinary shares held.

BRITISH HOME STORES

INCREASED PROFIT

MR HORACE MOORE'S STATEMENT

The twenty-seventh annual general meeting of British Home Stores, Limited was held on March 16th in London, Mr Horace Moore (the chairman) presiding.

The following is an extract from his circulated statement for the period of fifty-two weeks to January 1, 1955:

The profit for the period is £1,310,496, an increase of £107,090 over the previous year. Profit after taxation is £560,496, as against £428,406.

Your directors have transferred £325,000 to general reserve, and recommend a final dividend on the ordinary stock units of 6d. per unit, making a total of 7d. for the year against 5d. for 1953.

It has been decided to recommend by capitalisation of reserves, the issue to existing ordinary stockholders of one fully paid "A" ordinary share of 1s. for each existing ordinary stock unit held.

TRADING

Nineteen hundred and fifty-four was a year in which wages and practically all other expenses of operation again increased. A fully competitive market prevailed, there were many changes in consumer demand but we were able to ensure flexibility of production for the large range of goods we carry. Our experience in the Christmas season was satisfactory. Cash turnover, the highest in our history, showed a good increase over 1953. We are very appreciative of the confidence that so many customers have shown in us, as these facts indicate, and we shall do our best to justify it by providing an ever-improving range of goods in variety, quality and value.

DEVELOPMENT

In July, 1954, we opened the first phase of our new store at Sheffield. Construction work is now proceeding apace upon our new store in Coventry, which will be opened in a few months' time. Work is also well ahead at our store in Cardiff, a town in which we have not been represented, and we have commenced to build at Plymouth. These stores should be in operation by the end of the year. Extension works are proceeding at a number of other stores which will give, in some cases, substantial additions to existing selling space.

There have been delays with rebuilding at Swansea and Bournemouth, and they will not be open until 1956. We anticipate that work will commence during 1955 on one or two additional new stores, but these will not be completed this year.

The new stores which we are opening are much larger than those built prior to the war. We require considerably more counter footage in order to display our ranges of goods to the best advantage and additional space for modern catering facilities.

I would mention that the majority of our properties are held on long leases with an average of approximately 80 years to run at prewar rentals. These leaseholds constitute a very valuable asset to your company.

I would not propose to forecast the results which we shall be able to achieve in the current year. We are again faced with increased wages and other costs of operation, and I can only say that we shall continue to strive for higher targets and the further improvement of our goodwill with the public.

The report was adopted.

THE SCOTTISH MUTUAL ASSURANCE SOCIETY

RECORD NEW BUSINESS

The seventy-second annual general meeting of The Scottish Mutual Assurance Society was held on March 16th in Glasgow. Mr Wm. Bannatyne, FFA, who occupied the chair, said:

The year 1954 has been a good year for life offices generally and we have again to report a record amount of new business. In the ordinary classes the increase over the previous year was 30 per cent, but in group business the sums assured showed a fall, so that the increase overall was reduced to 19 per cent.

Life Assurance Revenue Account: The premium income again shows a satisfactory increase. Consideration for annuities is a small item which fluctuates quite widely and the 1954 figure is double that of 1953. Our rates for this class of business are especially good and no doubt this has affected the figure.

The interest income shows an increase as is to be expected with an increasing fund. The gross rate of interest earned on the fund has risen from £5 4s. 11d. per cent to £5 8s. 11d. per cent, an increase of 4s. per cent following an increase of 3s. 7d. per cent in the previous year. The increase is again accounted for mainly by increased dividends on our holdings of ordinary shares and the more advantageous terms on which the substantial amounts of our new money over the last two years could be invested. The net rate earned has risen from £4 2s. 10d. per cent to £4 7s. 10d. per cent, an increase of 5s. per cent following a fall of 4d. per cent in the previous year.

On the outgo side, claims by death are up by over £120,000. In 1953 the claims by death were exceptionally light and although they are substantially higher this year they are still well within the amount expected by the mortality tables used in our valuation. Claims by maturity were almost exactly the same as in 1953 but this is mere coincidence as the amounts which mature in any one year are determined by the new business transacted over a period of many years.

Surrenders, which were especially high in 1953 for a reason which I explained at the time, are back to a more normal figure.

SAVINGS AND LIFE ASSURANCE PREMIUMS

It is difficult to say what the effect of the higher Bank rate will be over the next few weeks, but clearly one of the objects is to reduce inflationary pressure and in this direction an increase in our business will help. Inflation is commonly described as too much money chasing too few goods, and it is clear therefore that every life assurance premium paid helps to reduce inflation. Life assurance is in fact one of the best, if not the best, method of saving both from the point of view of the individual and of the nation.

Last year about this time the Millard Tucker Committee published its report and made recommendations regarding the tax treatment of retirement benefits, but we still await the Government's decision. It is hoped that this year the Chancellor will take the opportunity to put right some long-standing anomalies. The Chancellor can in this way grant a long overdue tax concession without increasing inflationary pressure. When the proposals are adopted they will entail much work for the life assurance offices.

The report was adopted.

ARISTON GOLD MINES (1929), LIMITED

MAJ.-GEN. W. W. RICHARDS ON YEAR'S OPERATIONS

The twenty-fifth annual general meeting of Ariston Gold Mines (1929), Limited, was held on March 10th in London.

Major General W. W. Richards, CB, CBE, MC, chairman, presided, and the following are extracts from his statement circulated with the report and accounts for the year ended September 30, 1954:

The net profit for the year after taxation is £170,251 against £145,901 for last year.

The gold produced realised an average price of 249s. 7d. per ounce, a reduction of 12s. 11d. per ounce against the average price for the previous year.

The reduction in the average price of gold was offset by the management increasing the tonnage milled to 398,850 tons for the year, and, further, by a reduction in total costs of 6s. 4d. per ton, against 1953. The record gold recovery of 130,923 ounces realised a bullion revenue of £1,636,684.

THE NEW WINDER

The new winder at the Central Shaft of a capacity of not less than 40,000 tons per month, has been satisfactorily commissioned and is now in operation. A running-in period is to be expected, and we are looking forward to an increase in the near future in monthly crushing up to the full capacity of the winder. The ability of the mine to supply tonnage not far short of that figure even under the previous winding arrangements has been shown during recent months—one of the essential features of the installation of the new winder, however, is the capacity which would otherwise not have been possible, to carry out development of the mine at depth. The major capital construction programme (including the new Central Shaft winder) has now been completed.

The board has recommended the payment of a final dividend for the year of 6d. per unit (20 per cent), making a total for the year of 9d. per unit (30 per cent), the same as for 1953.

ORE RESERVES AND UNDERGROUND DEVELOPMENT

At a crushing rate of 40,000 tons per month the ore reserves of 2,684,342 tons are nevertheless equal to over 5½ years' supply of ore. On the recommendation of the general manager, supported by the technical advisers, a programme of an increased rate of development has been started to open up fully the North Orebody as so far disclosed, and to explore the deeper sections of the mine under the north and main orebodies.

You will have noted from the general manager's and technical advisers' reports that it is expected large additions will be made to the ore reserves during the current year, and, to use the technical advisers' words "the ore reserve position is, in fact, most satisfactory."

Since the date of those reports, confirmation has been received from the mine that the first exposures of the main reef have been made on the horizon of the 25th and 26th Levels (the lowest so far reached in the mine) in the vicinity of the No. 2 winze, which is situated about 1,000 feet north of the Central Shaft, and the manager reports that the exposures indicate the great strength and persistence of the reef fissure at depth. Under the present programme, No. 2 winze will be sunk to the horizon of the 30th Level.

The report and accounts were adopted.

THE SCOTTISH PROVIDENT INSTITUTION

MUTUAL LIFE ASSURANCE

ANOTHER YEAR OF SUSTAINED PROGRESS

In presenting the report and accounts for 1954 to the one hundred and seventeenth annual general meeting held in Edinburgh on March 15, 1955, the chairman, Sir Hugh Rose, Bt, TD, referred to 1954 as "another year of sustained progress, a year of record new business, a year in which the Institution's funds increased by a record amount." The new ordinary sums assured at over £8½ million were more than 12½ per cent greater than the 1953 figure, which was itself an all-time record for the Institution. The total premium revenue was almost £3½ million and the funds had increased during 1954 by over £2½ million, the rate of interest being substantially higher than in the previous year. In a year of keen competition these splendid results were evidence of the sound value of the policies offered by the Institution.

MUTUAL ASSISTANCE IN HOUSE PURCHASE

On the assets side of the balance sheet the salient points were increases in the figures for mortgages and for debenture stocks and preference and ordinary stocks and shares. The increase in mortgages was accounted for almost entirely by advances to members to assist in the purchase of houses. This was one of the ways in which a mutual institution could be of help to its members and was itself a source of new business inasmuch as these loans were all covered by policies of life assurance. The increases in the other items mentioned showed that the directors were conscious of their obligations to the country as well as to the policyholders, in that they were ready to take advantage of any suitable opportunities to make part of the funds available for the expansion of commerce and industry where this could be done with safety and a reasonable return. The total market value of the assets substantially exceeded the sum of £36 million shown in the balance sheet, and the impressive strength of the Institution was unquestionable. The lower prices in Stock Exchange securities which have followed the recent increase in the Bank rate were not unwelcome. It was of prime importance to any life assurance company to be able to invest the excess of income over outgo at a satisfactory rate of interest, and the lower prices meant that higher yields could be obtained.

LIFE ASSURANCE—THE IDEAL METHOD OF SAVING

The attractions of life assurance were many. It was in practice the only method of saving possible today, since the premiums for it enjoy special income tax rebates. It provided a magnificent service to industry, to employers and employees alike, in facilitating the setting up of pension and similar schemes. It was also of major importance in enabling individuals so to arrange their affairs as to mitigate the burden of estate duty, and the staff of the Institution was specially qualified to give advice on all these matters.

In concluding his remarks Sir Hugh Rose referred to the remarkable expansion in recent years in industry and commerce generally, and to the burdens which this had placed on the staff of the Institution as of other similar concerns. The problems have been energetically dealt with, and thanks were

due to the officials and staff for the part they had played in achieving the very successful results which he was privileged to report.

The report was adopted.

EASTBOURNE MUTUAL BUILDING SOCIETY

INCREASED NUMBERS OF ADVANCES

The seventy-eighth annual general meeting of the Eastbourne Mutual Building Society was held on March 16th at Eastbourne.

Mr Laurence A. Caffyn (the chairman), in the course of his speech, said: The year has been one of great activity in the whole of the building society movement, and this society has played its part in the general expansion.

During the year 1,240 advances were made by the society, being an increase of 319 in number over 1953. The total amount advanced was £1,276,000. This has been sound business. The average advance for the year excluding further advances was £1,209 as opposed to £1,474 in 1953. The policy being pursued by your board of making smaller advances on more and widely spread securities must offer even greater security than ever.

The facilities offered by the society for investment and means of saving have again proved attractive to our members. Investments received during the year on share account show an increase of £100,000 as compared with 1953. The net increase of

balances on share account at the end of the year was £438,000.

It is equally part of our thrift movement that we encourage home ownership. The demand for new houses will not be satisfied for some time to come, and there is still great and important work to be done in this sphere. It is our ambition to see this country a democracy of home owners. Good borrowers in good houses are the real strength of the society. Your directors will continue to encourage members in their desire to buy their houses and make them real homes. There still remains great work for the building societies to do.

The report and accounts were adopted.

VOSPER LIMITED

(Shipbuilders and Engineers)

FACILITIES FULLY EMPLOYED

The eighteenth annual general meeting of Vosper Limited was held on March 17th in London, Mr Owen R. Guard (the chairman) presiding. The following is an extract from his circulated statement:

During the year under review we have earned a net profit of £101,135. After writing down the value of the two trawlers by a further £40,000 there remains a net profit of £61,135. Your directors recommend a dividend of 12½ per cent.

Our facilities for the design and construction of high-speed and other small craft for the Royal Navy and Ministry of Supply have

been very fully occupied during the year under review. This position will certainly hold throughout the coming financial year, but as can be gathered from the daily papers, the Royal Navy, at any rate for the time being, have slowed up on the inshore mine-sweeper programme in which we were heavily engaged.

There is still a considerable amount of interesting work being undertaken by us of a prototype or development nature, including running trials of HMS 'Grey Goose' for the Royal Navy, in which two Rolls-Royce RM 60 gas turbines are installed. We are also at this moment running trials of an all-welded aluminium high-speed launch for the Ministry of Supply, which incorporates two Rolls-Royce 'Griffon' marine engines. Performance of hull and machinery as so far assessed indicate most favourable and interesting results.

TRAWLER ACTIVITIES

The trading of the trawler 'Maythorn' has shown a great improvement during the last year. She is now fishing from Hull under new management and proving to be one of the most successful trawlers working on the distant fishing grounds. The second of the trawlers, which have been referred to previously, has now been completed and is also fishing successfully from Hull in distant waters.

Nevertheless, efforts are continuing to disperse of these vessels.

I am glad to report that the output of our workpeople has been very satisfactory.

The report and accounts were adopted.

UNIVERSITY OF LONDON

The Senate invites applications for the appointment of STAFF TUTOR under the Tutorial Classes Committee. Applicants should have high academic qualifications in relevant fields to assist in the development of adult education, particularly among trade unionists. The appointment may be either as Staff Tutor, salary scale £700-£50-£1,400 per annum with a bar at £1,000, or Staff Tutor (Junior), salary £600-£50-£700, according to experience, the initial salary in both instances being determined in accordance with the qualifications and experience of the successful candidate. Family allowances are paid and the post carries membership of F.S.S.U. Particulars and application forms from the Director of the Department of Extra-Mural Studies, Senate House, W.C.1. Application forms to be submitted before April 30.

DO YOU KNOW EXPORT?

If you do and are in your early forties; if you know how to assess market requirements and can co-operate with Engineering departments and factory to get the right goods to sell, then you may be interested to join a leading Radio and Electrical Manufacturer. It is an important job carrying a good salary and prospects. Write, in confidence, giving full details of experience, age and salary level, to Box 868.

THE COUNCIL OF INDUSTRIAL DESIGN requires a Promotion Officer to plan and execute all forms of promotion and publicity, except press. Successful experience in promotion essential and knowledge of broadcasting and television useful. Starting salary £1,260-£1,410, according to experience and qualifications, rising to £1,510 (men). Applications by April 13.—Write for further particulars and an application form to the Establishment Officer, Tilbury House, Petty France, S.W.1.

RETAIL DISTRIBUTORS' ASSOCIATION requires Assistant Secretary, man or woman, aged 25-35, for office and committee, together with statistical work. Experience of department store advantageous. Salary £750.

Apply in writing to Secretary, R.D.A., 23 St. George Street, Hanover Square, W.1.

SALES EXECUTIVE required in a medium-sized company manufacturing accessories for the vehicle trade. The company has Sales and Service Branches throughout the country, and the successful applicant would be required to control the activities of Salesmen and Representatives calling on manufacturers and operators. The position offers an excellent opportunity for progress in a virile and expanding organisation, and the successful candidate should preferably have experience in the industry.—Please send full particulars of age, qualifications and experience, with salaries earned, to Box 869.

WORKS MANAGER required for a light/medium Engineering Factory in the Home Counties employing 1,500. The successful candidate will be a trained Engineer, with previous executive responsibility and knowledge of negotiating procedure as applying to a industrial establishment, and he will also be able to lead a mixed team of Production and Administrative personnel with energy and enthusiasm. The post is a senior one and offers considerable future prospects in a virile and expanding organisation.—Please send full particulars of age, qualifications and experience, with salaries earned, to Box 870.

FOR SALE: Economic Journal, June, 1930-April, 1941; Economic History 1936-1940; Manchester School 1938-1940; Economica 1948-52; L. & C. Economic Survey, Sept., 1935-Feb., 1941, and 1948-51.—Box 865.

THE NATIONAL BANK OF INDIA, LIMITED

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders will be held in the Bank's premises at 24 Bishopsgate, London, E.C.2, on Tuesday, April 5th, at twelve o'clock noon precisely, to receive the Accounts to December 31st last with the relative reports by the Directors and the Auditors; to elect Directors; to fix the remuneration of the Auditors; and to transact all such other business as can be transacted at an Annual General Meeting of the Company.

By Order of the Board, G. T. GILLESPIE, London Manager, 26 Bishopsgate, London, E.C.2. March 10, 1955.

NEW ZEALAND MARKET

A well-established, keen and experienced importing firm with first-class trade credentials and offices in Auckland, Wellington and Christchurch desires to expand its activities. We seek exclusive agencies from manufacturers. Can we discuss the sale of your product in New Zealand? References Bank of New South Wales, London. Write direct to Mair and Co. (Importers) Ltd., P.O. Box 1477, Christchurch, N.Z.

HER MAJESTY'S OVERSEA CIVIL SERVICE

Applications are invited for the following post:

STATISTICIAN, EAST AFRICA HIGH COMMISSION

Candidates should be not more than 40 years old and should possess a good Honours Degree in Mathematics, Economics or other appropriate main subject combined with Statistics. Experience in practical statistical work an advantage. The appointment is pensionable, subject to two years' probation. The salary is in the scale £816 to £1,620 per annum (including a pensionable allowance) plus a non-pensionable cost-of-living allowance which is at present 10 per cent of salary with a maximum of £162 per annum. Income tax is at local rates. Free passages are provided on appointment and leave for the officer, his wife and children up to the cost of three adult passages. Liberal home leave is allowed on full salary.

Apply in writing to the Director of Recruitment, Colonial Office, Great Smith Street, London, S.W.1, giving briefly age, qualifications and experience. Mention the reference number BCD 59/88/02.

SOUTH PACIFIC COMMISSION

Applications are invited for appointment as Technical Assistant to the Deputy Chairman of the Research Council with the South Pacific Commission, Noumea, New Caledonia. Commencing salary according to qualifications and experience, but will not be less than £Stg.950 plus a Post Allowance of £Stg.439 (single) or £Stg.732 (married).

Applicants must have good academic qualifications in economics and be experienced in statistical enquiries relating to agriculture, industry, commodities or national accounting. Fluency in English and French very desirable.

The successful applicant, who would be appointed for a period of from two to three years with a view to permanency, will be required to assist with technical documentation and statistics relating to the Commission's work programme which includes projects in economic, social and health fields.

Further information on conditions of employment may be obtained from The Under-Secretary of State, the Colonial Office, Church House, Great Smith Street, London, S.W.1. (Ref.: PAC 16/01.)

Applications, with full particulars of qualifications and experience, should be forwarded by airmail to The Secretary-General, South Pacific Commission, Noumea, New Caledonia, and should reach him before April 16, 1955.

HARLOW DEVELOPMENT CORPORATION

Applications are invited from graduates in statistics and demography with research experience for appointment as temporary Statistical Assistant at £580 per annum in Grade V(a).

Appointment for approximately one year. Applications, supported by two testimonials, by April 1, 1955, to the General Manager, Terlings, Harlow, Essex.

ENGINEERS for Management and Industrial Consulting. Applications are invited from qualified engineers, preferably with a University Degree, who have served an apprenticeship followed by good practical experience and a senior executive position in industry. There are exceptional openings for first-class men with initiative requiring permanent posts in this type of work. There is a generous starting salary, first-class training at the firm's expense, good prospects and exceptionally good Superannuation schemes. Age should be between 27 and 40. Write, giving age and full details of education, qualifications and experience, to BS, Box 864.

"THE BIRMINGHAM POST" will shortly have a vacancy for an assistant to the City Editor in its office at 88 Fleet Street, E.C.4. Experience of financial journalism desirable. The successful candidate will become a member of staff pension scheme.—Applications, in writing, giving a full statement of qualifications, experience and age should be addressed to the Editor, "The Birmingham Post," 38 New Street, Birmingham.

PERSONNEL OFFICER required by the makers of Johnson's Wax Products, to help establish and eventually administer personnel policies covering the fields of recruitment, remuneration, training, communication, and employees' services. The successful candidate must have had a thorough training in the principles of personnel management plus at least two years' practical experience. He will probably be between the ages of 25 and 30. Excellent prospects in a rapidly expanding company for someone who can be original, thorough, and convincing.—Apply, with full details of education, experience and present salary, to the Managing Director, S. C. Johnson & Son Ltd., West Drayton, Middlesex.

JUST PUBLISHED: INDUSTRIAL DEVELOPMENT IN INDONESIA, by A. M. de Neuman. Available from Students' Bookshops Limited, Cambridge. Price 4s. 6d.

YOUNG LADY required as Personal Assistant to Chief Accountant of London Group for investigation and research work of a non-routine nature. B.Sc.Econ. or Accounting qualification would be an advantage, but previous experience not essential. Permanent position. Commencing salary £400 to £500 p.a.—Box 863.

The Economist: Annual Air Subscription Rates

Anglo-Egyptian Sudan: £5.10s.	Europe (except Poland): £4.15s.	Israel: £6	Pakistan: £6
Australia: £8.5s. (sterling)	Gibraltar, Malta: £3.15s.	Japan: £9	Rhodesia (N. & S.): £5.10s.
Canada: \$21.50 or £7.14s.	Hongkong: £7	Malaya: £6.15s.	S. America and W. Indies: £7.15s.
East Africa: £5.5s.	India & Ceylon: £6	New Zealand: £9 (sterling)	Union of S. Africa: £5.10s.
Egypt: £5.5s.	Iran: £6	Nigeria, Gold Coast: £5.5s.	U.S.A.: \$21.50 or £7.14s.
	Iraq: £6		

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland 2d.; Overseas 2½d.—Saturday, March 19, 1955.

NUFFIELD COLLEGE OXFORD

RESEARCH FELLOWSHIP IN AFRICAN STUDIES

The College proposes, providing a suitable candidate is available, to elect a Research Fellow for two years to engage in research in either the economic or the political aspects of Africa. Preference will be given to candidates willing to concentrate on the study either of capital investment or of elections.—Further particulars may be obtained from the Warden. Applications should reach him not later than May 9th.

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 June 1, 1955, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

UNIVERSITY COLLEGE OF SWANSEA

TEMPORARY RESEARCH ASSISTANT IN ECONOMICS

Applications are invited for the post of Temporary Research Assistant in the Department of Economics to assist with research on the structure of property and property ownership in postwar Great Britain. The appointment will be for one year in the first instance and may be renewed for a second year. Salary between £400 and £500 per annum, according to qualifications and experience. Applications should be sent by March 31, 1955, to the Registrar, University College, Singleton Park, Swansea, from whom further particulars may be obtained.

UNIVERSITY COLLEGE OF THE WEST INDIES

Applications are invited for post of Senior Lecturer in Economics who will be required to institute a Department of Economics to teach for the B.A. General degree of University of London and will be expected to undertake research.

Present salary scale, £1,000 x £50 — £1,500 p.a., point of entry determined by qualifications and experience. Child allowance £80 p.a. per child (maximum £240 p.a.). F.S.S.U. Unfurnished accommodation at 5 per cent basic salary. Passages paid for appointee and family on appointment, normal termination and study leave (once every three years). Duties to be assumed as soon as possible.

Applications (six copies), detailing qualifications and experience, and naming three referees, to be received by April 14th by Secretary, Inter-University Council for Higher Education Overseas, 1 Gordon Square, London, W.C.1, from whom further particulars may be obtained.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability).—NOTICE TO SHAREHOLDERS.

The Seventy-fourth Annual General Meeting of the Shareholders of this Company, for the election of Directors to take the places of the retiring Directors and for the transaction of business generally, will be held on Wednesday, the fourth day of May next, at the principal office of the Company, at Montreal, at twelve o'clock noon (daylight saving time, if operative). The Ordinary Stock Transfer Books will be closed in Montreal, Toronto, New York and London at 3.30 p.m. on Tuesday, the twelfth day of April, 1955. The Preference Stock Books will be closed in London at the same time. All books will be reopened on Thursday, the fifth day of May, 1955. By order of the Board, F. BRAMLEY, Secretary. Montreal, March 14, 1955.

THE B.Sc.ECON. DEGREE of London University is open to all without University residence. It is a valuable qualification for ambitious men and women engaged in accountancy, secretarialship, banking, finance, commerce, public services. Wolsey Hall (est. 1894) provides postal tuition of a high order for the three (in some cases two) examinations, at reasonable fees. More than 1,000 Wolsey Hall students have passed London B.Sc.Econ. (Final) exams, since 1925.—Prospectus from C. D. Parker, M.A., LL.D., Director of Studies Dept. P17 WOLSEY HALL, OXFORD.

A PROGRESSIVE MINING COMPANY with widening overseas interests requires an Assistant Secretary who, in addition to secretarial experience, has legal qualifications. Commencing salary £1,300 to £1,500, according to qualifications, but could be greater. Pension scheme. Age 30 to 35.—Please write, giving details of training and experience, to Box S.336, c/o Streets, 110 Old Broad Street, E.C.2.

A MEMO TO THE MANAGING DIRECTOR. More business and a better business awaits your executives if they have the use of a 1954 self-drive car. Lowest possible rates. Contract hire by arrangement. Free third party, fire and theft insurance. No maintenance costs. You can also take advantage of our guaranteed re-purchase scheme. Ask your secretary to write for our new brochure, which gives full details.—Autohall, Dept. 2-A, 302-306 King Street, London, W.6. RIV. 2881. Telegrams: Autohall, Wesphone, London. Cables: Autohall, London.

EXPORTERS require executive to handle on own initiative general merchandise, especially textiles, hosiery, underwear.—Box 862. 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).

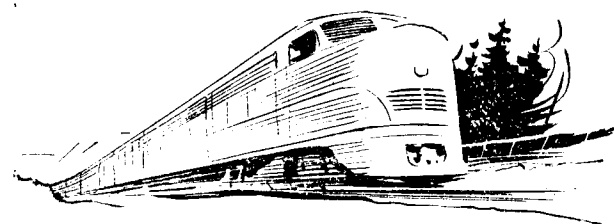
EXPERT POSTAL TUITION

For Examinations.—B.Sc.Econ., LL.B. and other external London University Degrees; Law Society; Bar; Accountancy; Banking; Secretarial; Civil Service; Commercial; General Certificate of Education, etc. Also many non-examination courses in business subjects.—Write today for free prospectus and/or advice, mentioning examination (if any) or subjects in which interested, to the Secretary (G 9/2).

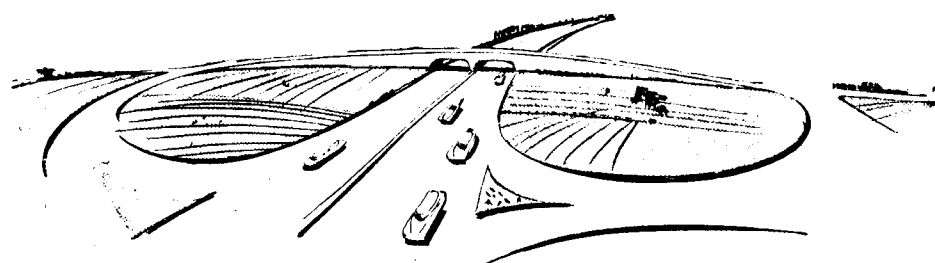
METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4.

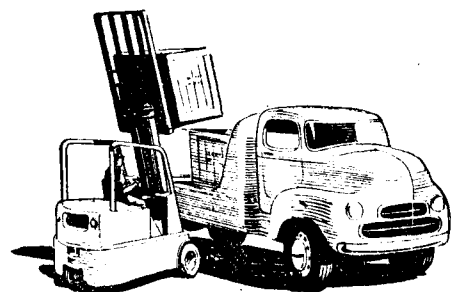
Britain's Prescription for Prosperity



£1,400,000,000
on roads and railways!



... with fork trucks everywhere
to speed the loading ...?

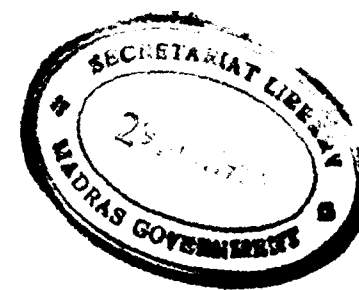


The tools of success

... **Coventry Climax**

- **fork**
- **lift**
- **trucks**

Coventry Climax Engines Ltd., (Dept. E), Coventry, England.



The Economist

FOUNDED 1843

MARCH 26, 1955

ONE SHILLING

Fasten Seat Belts

Design for Disarmament

Local Elections for What?

M. Poujade Goes to Town

Towards Competitive Railways

Selling Cars in Africa

AMERICAN SURVEY: The Big Leak
THE WORLD OVERSEAS: The Rule of Law in Pakistan
BOOKS: Lands of Spices

Annual Postal Subscriptions: by ordinary mail £3; by air see page 1139
THE ECONOMIST · 22 RYDER STREET · ST. JAMES'S · LONDON · S.W.1
VOLUME CLXXIV · NUMBER 5822

On taking din with your dinner

MANY PEOPLE will admit to a preference for the soft lights/sweet music type of atmosphere for their own meals. But consider what goes on in the works canteen. There, the scrape of the chairs, the clatter of cutlery, the tinnabulation of trays make their own noisy contribution to the lunch-time chatter. A lot of factory canteens are—let's face it—just a bit makeshift, so far as construction goes. A partition here, a little hardboard there and a corner is labelled "Works Canteen". Well, space is limited and such things must be, but the noise takes its toll in tempers and digestion, and edgy nerves affect productive efficiency. Ask the Works Doctor.

There are, however, answers, and simple ones at that. It's fairly easy to absorb much of the surplus noise by the application of

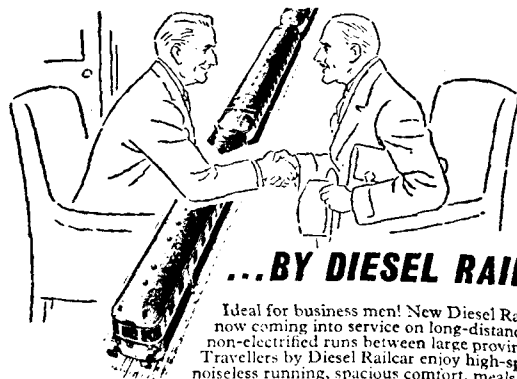
acoustic insulating materials to walls and ceilings, thereby preventing the reflection of unwanted sound. Newalls (Reg'd Brand) Paxtiles for instance, are one of the most widely used acoustic tiles available for this purpose and, what's more, they are decorative and easily fixed—normally without any interruption of the daily use of the area concerned. For irregular surfaces Newalls Sprayed 'Limpet' (Reg'd) Asbestos, which is applied by spray gun, adheres on impact and is, therefore, free to follow the shape of any surface to be treated.

Listen to the din in your canteen today and get in touch with us about making your works a less noisy place. You can expect economy-conscious suggestions to put matters right. Consultation is gladly offered and will cost you nothing.

NEWALLS INSULATION CO. LTD • Washington • Co. Durham
A member of the TURNER & NEWALL ORGANISATION

Offices and Depots at LONDON, GLASGOW, MANCHESTER, NEWCASTLE UPON TYNE, BIRMINGHAM, BELFAST, BRISTOL AND CARDIFF.
AGENTS AND VENDORS IN MOST MARKETS ABROAD.

S-P-E-E-D YOUR BUSINESS—



...BY DIESEL RAILCAR!

Ideal for business men! New Diesel Railcars are now coming into service on long-distance non-electrified runs between large provincial centres. Travellers by Diesel Railcar enjoy high-speed with noiseless running, spacious comfort, meals served directly to compartments and all the latest methods of lighting, heating and ventilation.

DAY TRIPS. You can leave in the morning, travel from 350 to 500 Km., have several hours in which to conduct your business and return the same evening, in comfort. Examples: Day return trips from PARIS include La Rochelle, Lyon, Antwerp or Sarrebruck.

HALF-FARE CARDS which entitle the holder to unlimited travel between two particular stations or in a particular zone at half the standard fare can now be purchased without deduction from the basic travel allowance.

OVER-NIGHT TRIPS. You can leave in the evening, travel from 500 to 600 Km., stay the night at an hotel, devote most of the following day to your affairs and return to your headquarters that night. Examples: Over-night return trips from PARIS include Bordeaux, Grenoble, St. Nazaire or Zurich.

SPEED AND PUNCTUALITY. You can be sure of arriving on time for your appointments, for French Railways have an unrivalled reputation for speed and punctuality.

FRENCH RAILWAYS SNCF

Information, tickets and reservations from any good Travel Agent or French Railways Limited, 179 Piccadilly, W.1

CVS-122

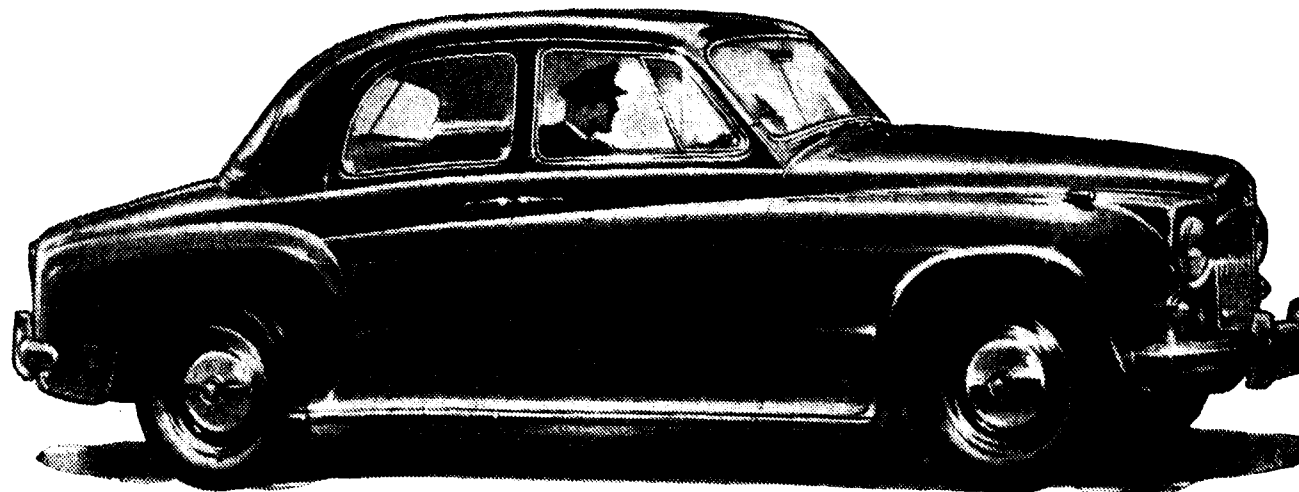
How can your
advertising work
unless it gets
READ?

ADVERTISEMENTS WORK VERY WELL INDEED
THE READER'S DIGEST

—a magazine strictly for reading, which has achieved a million sale. This means several million readers—responsive and intelligent people, men and women well worth selling



By Appointment to the late King George VI
Manufacturers of Land-Rovers
The Rover Co. Ltd.



It's revealing to drive a ROVER . . .

You'll be astonished at the way the car takes rough surfaces smoothly in its stride. Ruts and potholes seem almost non-existent as the car glides over them.

The Rover co-ordinated suspension system allows plenty of vertical road wheel movement, while spring tensions and shock absorber settings ensure a smooth ride. The central bearing to the propeller shaft checks 'whip' and vibration.

You'll enjoy having both pace and quiet at your command. Even at high speeds, engine and transmission noise has been reduced almost to vanishing point.

The special cylinder head design of Rover engines sets the Rover pace, whilst the extensive use of rubber pads and mountings, spraying with sound-absorbing material and heavy carpeting make the naturally quiet engine almost inaudible.

You'll appreciate the infinite care and thought that has been paid to the comfort of driver and passengers.

All passengers sit well within the wheelbase, with front seat adjustable for height and rake and wide centre arm rests front and rear. Heating, demisting, ventilating and draught-proofing are exceptionally efficient.

You'll feel confident even in the thickest and trickiest traffic, because a Rover is such a well-bred, obedient car to handle.

Direct central gear change with synchromesh on 2nd, 3rd and top, controlled free wheel for clutchless changes and well-planned dashboard layout make clumsy handling of a Rover practically impossible.

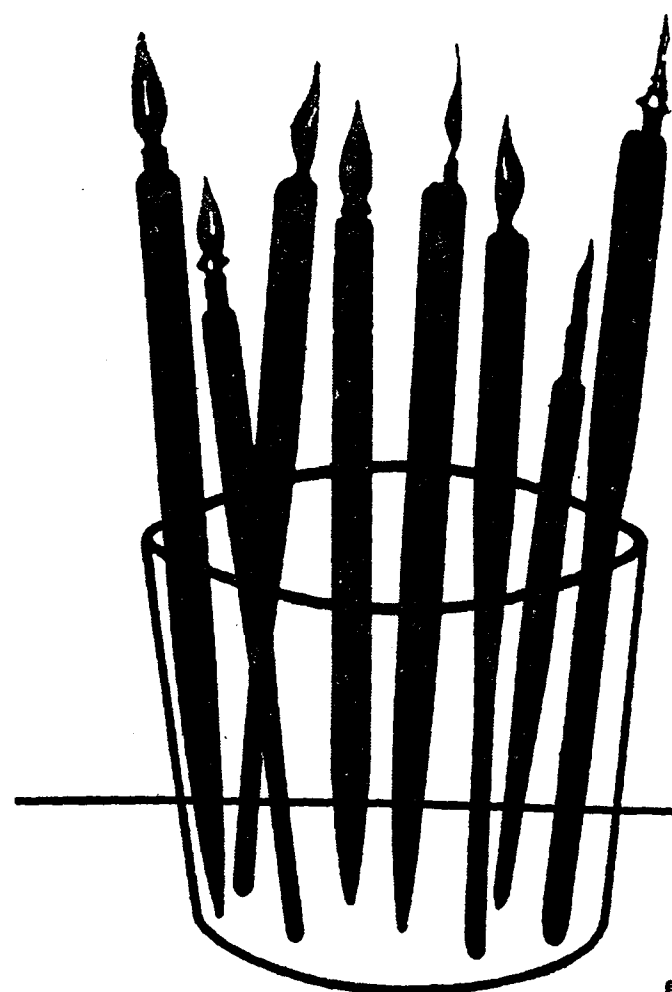
ROVER

Sixty • Seventy-Five • Ninety

Body and chassis are identical throughout the Rover range. However, three different engine sizes give motorists a made-to-measure service in which design and workmanship are uniformly high. New features common to all 1955 models include re-shaped luggage boot, larger rear window and flashing type direction indicators.

THE ROVER COMPANY LIMITED • SOLIHULL • BIRMINGHAM also DEVONSHIRE HOUSE • LONDON

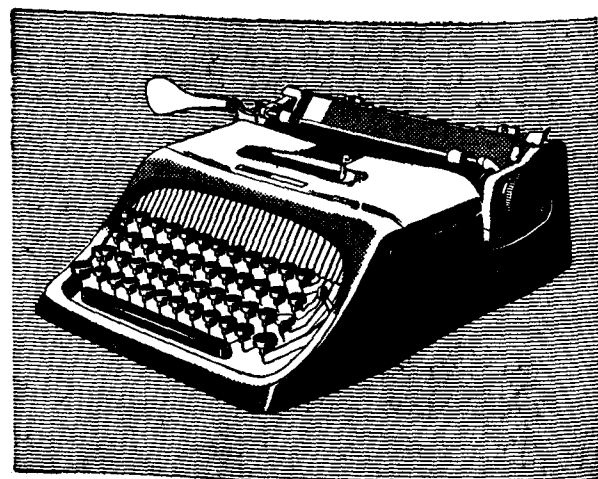
CVS-279



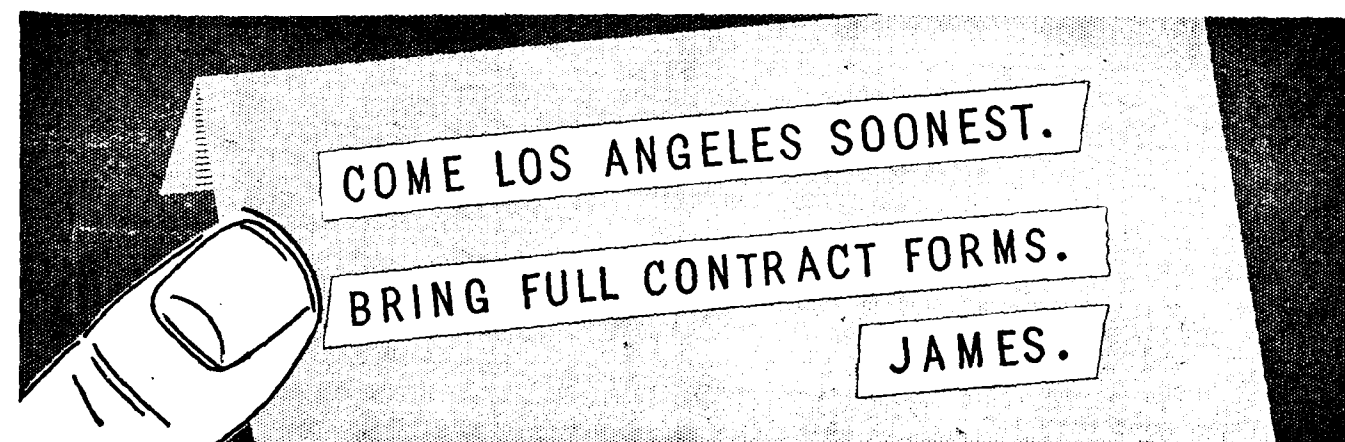
Every feature that distinguishes a well-designed and thoroughly up-to-date typewriter is found in the Olivetti Studio 44. Built to stand up to the hardest work of the professional man or the busiest small business, it is strong and sturdy, elegant and compact.

86 character keyboard
Full-length platen
Carriage on roller bearings
Key-set tabulator
Personal touch-tuning
Standard size ribbon spools
Half spacing

Olivetti Studio 44



British Olivetti Ltd.
10 Berkeley Square - London W. 1
Sales Branches:
London - 32/34 Worship Street, E.C. 2.
Glasgow - 115/207 Summerlee Street, E. 3.
Authorized dealers throughout the country



"Soonest", said the company secretary, "that means you'll be flying TWA, my lad... that means there won't be any need for you to change airlines between here and Los Angeles... you'll stay..."



... in TWA's good hands all the way. They do all the worrying about arranging through flights for you... their knowledge of America makes it easy for them... it'll save you a lot of time and trouble."



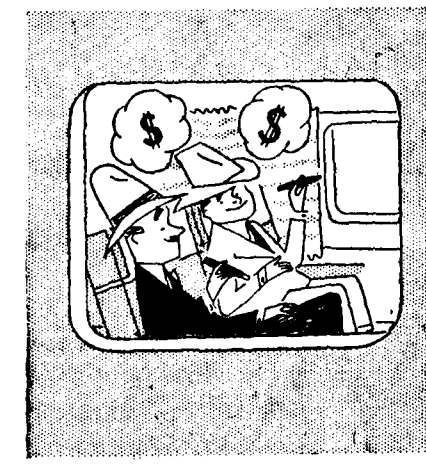
It did, too... as soon as I boarded their Constellation—they've got the largest fleet of them in the world—everyone in TWA seemed to be working for me... I was in a hurry...



... but TWA looked after me so well I nearly forgot how urgent the job was (better not tell James that). It's really wonderful what TWA's brand of comfort can do for one's morale... In fact...



... when I arrived at Los Angeles, I felt completely calm, collected and rarin' to go... good thing I was... James and I had a pretty hard selling job to do for those contracts we wanted.



Coming home? We knew exactly what we were going to do... as I told James, "Can't think why we ever flew any other way. Let's hurry back TWA—it'll give us time to relax".

For full details of daily TWA services from London to 60 U.S. cities and particulars of TWA's Air Travel Plan (for business travellers) or TWA's Time Pay Plan (for travel now and payment later), see your travel agent, or 'phone Trans World Airlines, 200 Piccadilly, W.1. TRAfalgar 1234. TWA Manchester, BLAckfriars 4649.



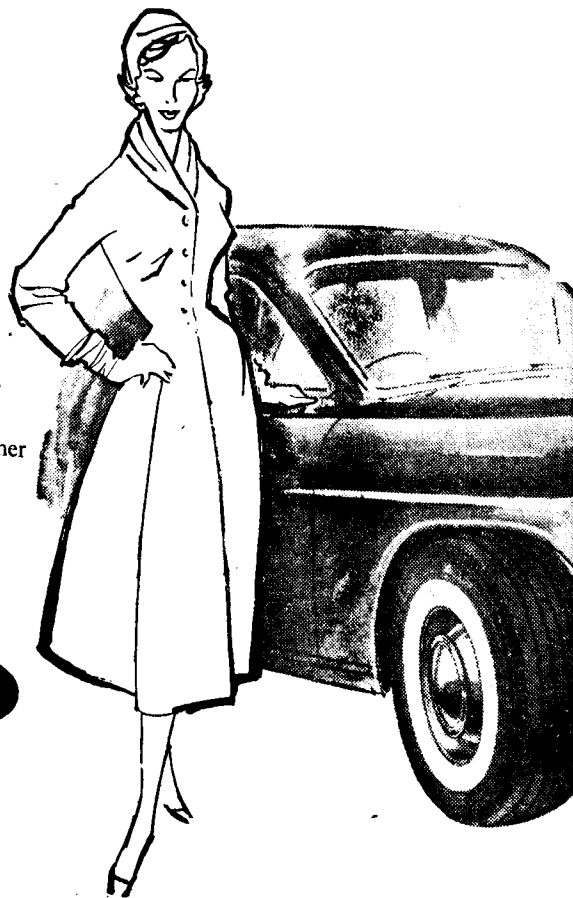
Setting the Style

From well-groomed head to well-shod feet she's elegance itself. The same pride—and care—is reflected in her car. Immaculate interior . . . brilliant bodywork . . . gleaming glass and chromium . . . and, to set off the whole, the smartness of Dunlop White Sidewall Tyres. Their distinction is there for all to see; their dependability and safety she knows from experience. Dunlop White Sidewall Tyres—in 'Dunlop' or Dunlop 'Fort' types—can enhance the design and colour of *your* car. Whether or not you choose White Sidewall, do make sure you keep to Dunlop—with or without the tube, as you please.



DUNLOP

*makes the tyre
you want*



*Sail now and
save at least £100*

Your trip to Australia and back will cost you less if you travel under the P & O special 'quiet season' plan.

Reduced First Class Fares from £200.

Sailing outwards 1st Feb. to 31st May, 1955.
Homewards 1st Sep. to 31st Dec. 1955 or 1956.

P & O

'QUIET SEASON' PLAN



Full details from 14 Cockspur Street, London, S.W.1. WHI: 4444
122 Leadenhall Street, London, E.C.3. AVE: 8000 or local Travel Agents.

In the design and manufacture of
POWER PLANT AUXILIARIES.
for LAND and MARINE USE.
and of COMMERCIAL and INDUSTRIAL
REFRIGERATION

the name

WEIR

*has a world eminence created by
constant quality and integrity*

Most of the major developments in modern power station and marine engine room practice have been made possible by the efficiency and reliability of Weir Boiler Feed auxiliaries in operating at the high pressures and temperatures in general use.



The Weir Organisation:

G. & J. WEIR LTD. DRYSDALE & CO. LTD. WEIR HOUSING CORPORATION LTD. THE ARGUS FOUNDRY LTD. ZWICKY LTD. WEIR VALVES LTD.

An eye for Colour

A wide choice of near-white fluorescent tubes is available today. Each has its own particular field of application, each represents a suitable compromise between the conflicting claims of accurate colour rendering and high efficiency. An object is only revealed in its true colours when illuminated by a light containing those colours, and to give accurate colour rendering the light from a fluorescent tube has to contain a controlled proportion of all colours.

But the human eye is most sensitive to the central or yellow-green range of the spectrum, so that broadly speaking, the higher the proportion of light emitted in this region, the higher will be the efficiency of the tube. Shades of red or blue will not be shown to the best advantage, as the proportion of light of the other colours has been reduced.

Now, there are many industrial and commercial plants where high efficiency lighting is of much greater importance than accurate colour rendering. There are others where the matching of colours plays an essential part. The Osram range of fluorescent tubes has been carefully planned to cover every need, and to provide the highest possible efficiency with the colour rendering properties required.

A highly qualified lighting service is maintained by the G.E.C. and specialists are available at each of the Company's branches to advise you, not only on this question of colour and efficiency in your fluorescent installation, but also on any other lighting problem.

Osram
FLUORESCENT TUBES

A G.E.C. PRODUCT

THE GENERAL ELECTRIC CO. LTD.



Fly to the U.S.A. on the wings of experience

LIKE THE *Master of Over-ocean Flying*, shown here, more than 1,200 Pan American pilots have flown over one million miles each. 100 have flown over three million miles.

That's the kind of experience Pan American alone gives you, plus all these extras at no extra fare:

- * Largest, most modern fleet of airliners in over-ocean service.
- * More frequent flights at more convenient times.
- * Superb food and service. Meals aloft, by *Maxim's of Paris*, in all first-class flights.
- * More berths to more cities (small surcharge).
- * Bed-length Sleeperette*-service to most destinations.
- * Really big, soft, reclining seats.
- * More overseas flying experience—more than 13 million passengers carried over 1,000 million miles.
- * The only Round-the-World service, tourist and first-class.
- * 411 helpful offices around the world.

AND YOU CAN FLY NOW—PAY MONTHLY ON THE NEW PAN AM "PAY-LATER" PLAN

Available on all P.A.A. and connecting services to 84 countries around the world

Experienced travellers agree:

"Pan American knows how to run an airline!"

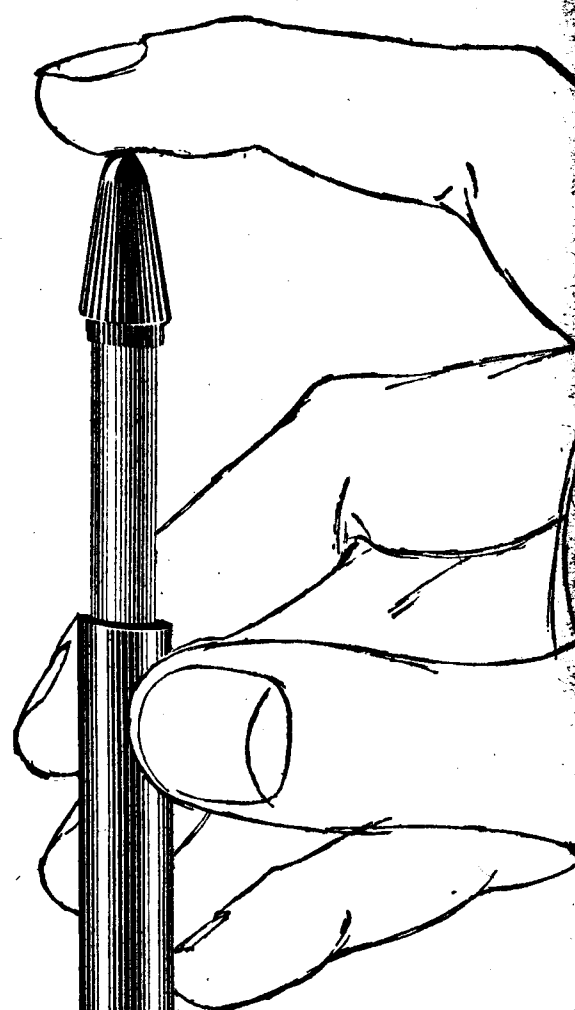
CALL YOUR TRAVEL AGENT, OR PAN AMERICAN:
LONDON 193/4 Piccadilly, W.1 (REGent 7292)
BIRMINGHAM Lombard House, St. Charles Street (CENTral 1128)
GLASGOW 15 North Drive, St. Enoch Square, G.1 (CItY 5744)

PAA

WORLD'S MOST EXPERIENCED AIRLINE

PAN AMERICAN

* Trade Mark, Pan American World Airways, Inc.



OWN THE FINEST PEN IN THE WORLD

Hold the Sheaffer in your hand, know the feel of it, write with it and find out why the world's most discerning people buy it. That slim silhouette and unique nib, the near-incredible 'Snorkel'* with instantaneous filling and automatic cleaning—that's exclusively Sheaffer's.

*The revolutionary Snorkel Snorkel tube reaches down, fills pen, retracts! No dismantling. No more nib and barrel wiping.

Sheaffer's

Snorkel Pens from £3.7.6 to 9½ guineas

SKRIP—the finest ink for the finest pens

W.A. Sheaffer Pen Co. (England) Ltd.
Barnet, Hertfordshire
GT. BRITAIN • U.S.A. • CANADA • AUSTRALIA



**"High Time they
did something about
this place!"**

Are you one of those men who've been thinking of modernising their offices for years past, but who have never taken the plunge?

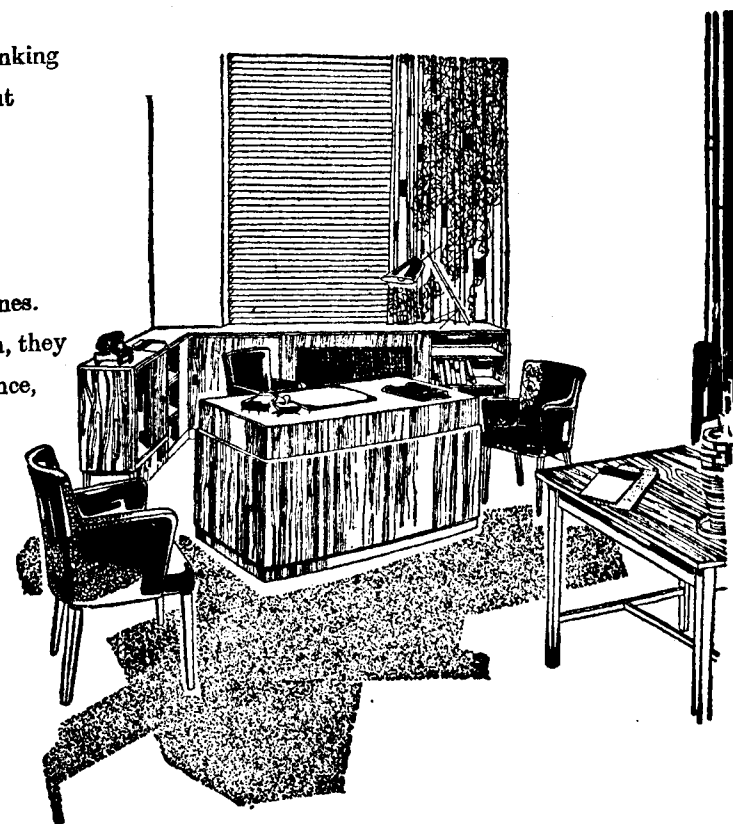
If so, why not let Catesbys Contracts do what's necessary quickly and quietly *now*!

Catesbys are specialists in remodelling and refurnishing old offices and fitting out new ones.

Whether you propose to spend little or much, they will give you the full benefit of their experience,

and co-operate intelligently with you to give you exactly the air and character you wish your office to have. They are quick, competent people, who know how to do the job without disorganising everything.

Even if you contemplate little more than a new carpet, desk or fresh paint, it will pay you to get in touch with Museum 7777.

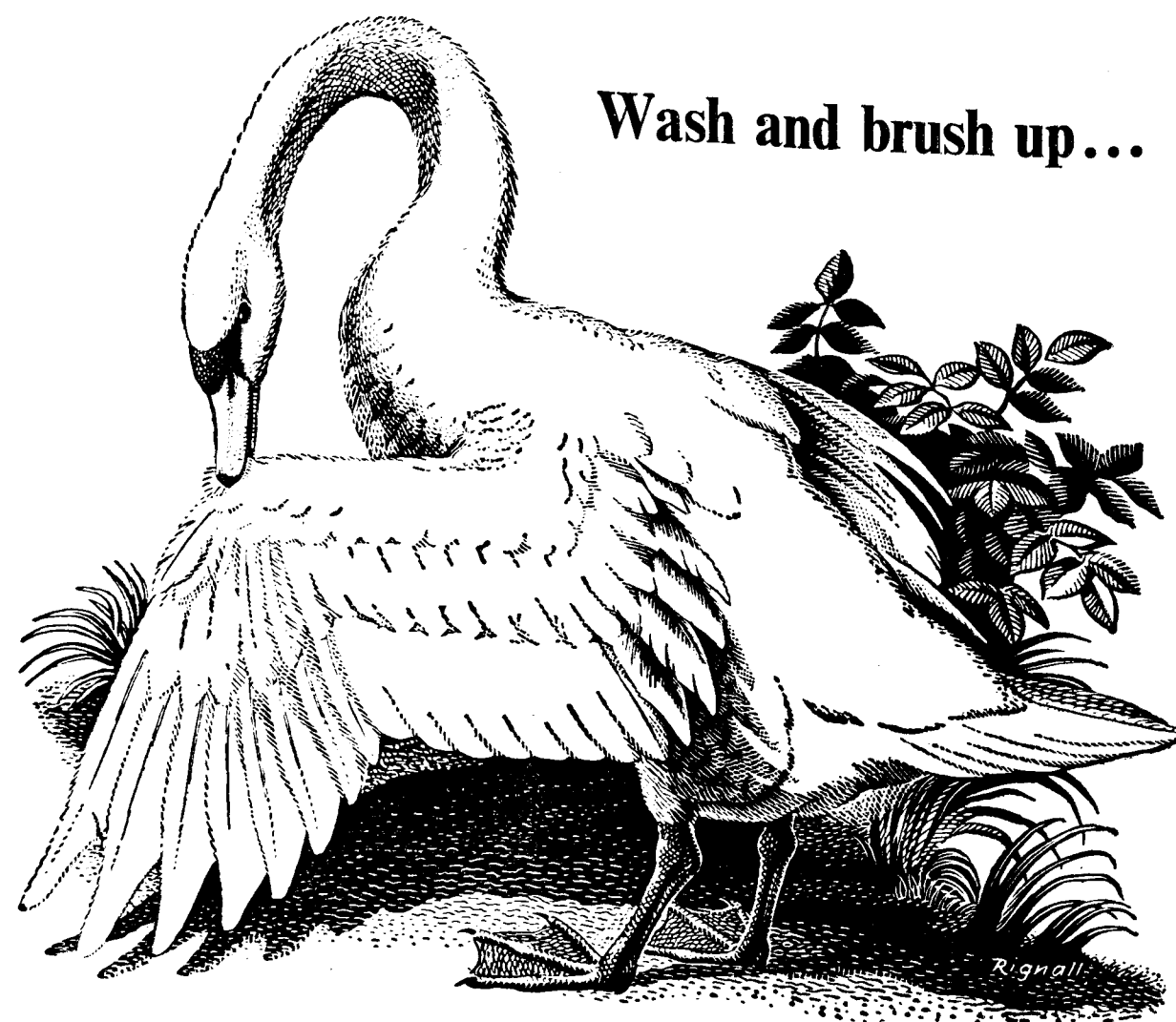


Catesbys

CONTRACTS & EXPORT LIMITED

TOTTENHAM COURT ROAD • LONDON, W.1. MUSEUM 7777

LET CATESBYS PUT A NEW FACE ON THE PLACE



Wash and brush up...

High standards of cleanliness are as important to small organisations as to big ones. Important everywhere—and especially in cloakrooms, kitchens and canteens. TEEPOL, the master detergent developed by Shell, tackles all cleaning problems with the utmost efficiency and economy. It is undoubtedly the most practical of all cleaning aids for use in commercial and industrial premises, and in all municipal, institutional and public buildings.



TEEPOL

is a SHELL contribution to improved public health

Shell Chemicals Limited, Norman House, 105-109 Strand, W.C.2. Tel: Temple Bar 4455 • "TEEPOL" is a Registered Trade Mark
(DISTRIBUTORS)

The Economist

FOUNDED 1843

MARCH 26, 1955

ONE SHILLING

Fasten Seat Belts	1063
Design for Disarmament	1064
Local Elections for What?	1066
M. Poujade Goes to Town	1068

NOTES OF THE WEEK

Tories on Manoeuvre; Hot Chestnut from the Fire; Riddle of the Calendar; Voices from Yalta; The Saar Hurdle Still to Come; French Pact with Herr Hoffmann; Perplexing Wrexham; War on the Unborn; Guns in North Africa; New Look for Gatt; Mistakes in the Copyright Bill; The Lonely Old; Sweden's Lifeline to the West; Mr Hatoyama Slows Down; Young Technicians; Prince of His Church; Russian Trade in Reverse; Japan Looks for Communist Trade. 1070

LETTERS TO THE EDITOR	1079
---------------------------------	------

BOOKS AND PUBLICATIONS	1083
----------------------------------	------

AMERICAN SURVEY

The Big Leak 1086
A Model Economy? Spring in the Air; Turning Back the Clock; In Defence of Watches; Visit to "Aiova"; Any Old Iron?; Competition by Coupon; Leverage With a Colour Bar; Shorter Notes.

THE WORLD OVERSEAS

The Rule of Law in Pakistan 1095
As-You-Were in Soviet Germany; M. Faure and the Tunisians; Problems of Prosperity in Holland; Candidates and Crisis in Brazil; The New Gatt.

THE BUSINESS WORLD

Towards Competitive Railways 1105
Selling Cars in Africa 1107

BUSINESS NOTES

Bears at Large; Keeping Bank Rate Effective; Firth Brown Success; Improving Bank Salaries; Markets—Pause or Turn?; The Trend in Trade; BOAC's Three-Way Hedge; £10 Million for AEI; Profits from Drugs; Britain and Portuguese Orders; DSIR Overhauls its Plans; Atomic Balance Sheet; Rubber in Balance; Australia Restricts Imports; New Statistics from the "House"; Insurance Dividend Season; Buyers' Market in Rice. 1109

COMPANY NOTES AND SECURITY

PRICES	1121
STATISTICS	1124

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

Fasten Seat Belts

IN this week's burst of speculation and comment on the prospect of an early general election it has been impossible to miss the note of relief and thankfulness that the wearisome uncertainty seems to be nearly over. It is also impossible not to echo it. The country—not merely the predatory young Tories—has been waiting for this; it seems inconceivable that the hour of departure can again be postponed for any sort of political engine-trouble. It has been increasingly clear since last autumn that the present Parliament has exhausted its usefulness, vitality and purpose; that the mandate of 1951 (such as it ever was) has completely run out; and that a new situation—new but not necessarily less difficult—faces the nation. Straightforward, honest-to-goodness electioneering, in place of electioneering disguised as day-to-day Government and Opposition, will be both a boon and an enjoyable change.

No doubt discussion is still in the realm of "chatter in the press." Nothing is definite until Sir Winston Churchill discloses his personal plans to the Queen, and the choice of the date of the general election will be formally his successor's—after he has succeeded. But hope is strong that Sir Anthony Eden has virtually decided that it must be either May 26th or June 16th; and though in the long run there may seem little to choose between them, the earlier date would keep the world guessing three weeks less. It would also give the incoming government three weeks more to get to grips with economic realities—and, although events are not moving nearly as fast as they were in the autumn of 1951, the less time wasted the better.

Either date is infinitely to be preferred to October. It may be a nice point whether Sir Winston is picking his time for retirement because Sir Anthony, and the Conservatives generally, now feel that they dare delay an election no longer; or whether the longed-for election at last becomes possible because Sir Winston has decided not to stay on. In either event the way is open for a prompt appeal to the electorate. The argument that Sir Anthony needs six months to work himself in as Prime Minister has little to recommend it; after all, he first started to work himself in as a Cabinet Minister twenty years ago. So far as seeing him in action goes, the public has been fully accustomed to the idea of him as the next Conservative Prime Minister, and its appreciation of his efforts as Foreign Secretary to ease world tension is perhaps his strongest card just now. From the purely electoral point of view, it was not Sir Anthony who—for whatever reason—failed to bring off a Big Three meeting; that goes for the minority who suspect, as well as for the majority who crave, such a meeting. It leaves Sir Anthony free to make what earnest undertakings to the public on this subject that he will. But he is not free to choose a run of good fortune for his first six months as Prime Minister in a tag-end Parliament, in which the bulky gap on the Government front bench would contribute

powerfully to the sense of anti-climax. A new setting, if it can be successfully contrived, would be much better for his debut.

Whether or not an early election is in Sir Anthony's best interest, it is certainly in the country's interest. Another six months like the last would be very dangerous. The most courageous decision of the period, and as it happens the latest, the raising of the Bank rate, points the moral: it is the sort of decision that may be required of a responsible Government in the months ahead—the sort of decision easy to take at the beginning of an electoral term, but hard towards the end. Intricate problems of financial policy are not likely to be wisely handled at a time when Labour may be gaining electoral points from its propaganda that the Tory boom is, if not burst (even in Lancashire hardly anybody has lost his job), on the point of bursting.

More typical than Bank rate of the pre-electoral atmosphere in which Parliament and nation are living have been the Government's piecemeal surrenders to sectional interests, to the pensioners, the railwaymen, and the farmers in turn. It is all too plain that the temptation to do something about Lancashire, where at least five Conservative seats are in jeopardy, is becoming irresistible. An October election would require that the budget should warm the electorate's heart all through the summer, whatever the holiday weather.

No doubt the choice of a spring election will not be made without misgivings among the Tories. Some will set the possibility of further (or renewed) demoralisa-

tion of their opponents against the hazards and exasperation of more delay. But their leaders must be presumed to believe they can win. The high water mark of the Government's economic fortunes was probably touched last October. Since then the tide has been on the turn, though the ebb may still be hardly perceptible. Something, however, has been done to convince the public that the cost of living has risen culpably; and that prosperity is not really prosperity when Mr Butler has to tinker with it. And Sir Winston has not brought back peace with honour from a top-level meeting with the Russians and Americans. How far all this has at last built up a tendency to vote against the Government is quite unknown.

On the other hand, it is important in everybody's interest to get an electoral verdict on the claim of a party as rent by schism as Labour to take over the Government. Though Labour almost confessed its incapacity by going to the country during the economic crisis of 1951, the Conservatives achieved their narrow majority more by picking up unattached Liberal votes than by drawing votes from Labour; even so they won only a minority of the total poll. A larger number of electors voted then for incapacity; are they prepared now to vote for disunity—which has been made more obvious, because more piteously papered over, by Mr Bevan's reprieve? This is, too, something that has to be put to the test. There is no question of a walk-over. This election has to settle some vital issues that can wait no longer. The country should be asked to settle them with no more hanging about.

Design For Disarmament

PRESIDENT EISENHOWER'S appointment of Mr Harold Stassen to a new cabinet post as Special Assistant on Disarmament should be accepted in the spirit in which it was obviously made. There is no question of reducing American determination and ability to meet the threat of Communist aggression; Mr Stassen's post is advisory, and his conclusions will require the "concurrence" of the National Security Council and the approval of the President before becoming "basic policy in questions of disarmament." He will nevertheless be responsible for taking into account "the full implications of new weapons," considering "future probabilities of armaments," and weighing "the views of the military, the civilians and officials" of the American and other governments. This is an attempt, at the heart of the American Administration, to give a very high priority to the problems which have grown up in the great thermo-nuclear shadow that has fallen across the present age. And, to anyone who recognises the personal character of the President, the attempt is no mere eyewash.

What can Mr Stassen do? And what should be his

aim? Mr Eisenhower gave it as one of the reasons for creating a special post in his cabinet to deal with disarmament that negotiations under the aegis of the United Nations had "again resulted in no progress." The special five-nation sub-committee of the UN Disarmament Commission—the United States, the Soviet Union, the United Kingdom, France and Canada—which has been meeting at Lancaster House since February 25th has in fact got nowhere. Few may have expected that it would; nor can this series of meetings be finally condemned until it comes to an end—which it has not yet done. But Mr Eisenhower has now confirmed what had been suspected for some time, that the slight Soviet amenability shown during last year's disarmament talks has entirely disappeared. Instead, the Russians are back to their parrot cry of "Ban the H-bomb" and to their demand that all nuclear weapons be destroyed, without any regard for the political realities.

It is not wholly coincidence that the decade in which mankind has reached the threshold of possible self-destruction should also have seen the emergence of the most potent threat of world domination in history.

Though the secret of the atom was cracked open in Hitler's war, Communist expansionism has since provided the spur to further discovery in the field of thermo-nuclear science. On the other hand, it is by no means the existence of Communism which in itself has produced the H-bomb. And it may be that, although the threat of Communist aggression makes the danger of thermo-nuclear annihilation real, a few years hence the Communists will be seen in fact to have missed the tide, to have arrived on the scene just too late to conquer the world by force before the H-bomb era made a general war impracticable. That, after all, is the implication, first, of the atomic umbrella which saved postwar Europe before the Nato build-up, and now of the present uneasy balance of H-bomb power for which Sir Winston Churchill recently prophesied another three or four years.

★

This background to Mr Stassen's appointment makes his new post at once peculiarly imaginative and realistic. For the dilemma of the West is acute. If the only way to achieve any kind of *modus vivendi* with the Communist empire is to be strong, how can disarmament ever become possible? Yet if the existence of the H-bomb in increasing quantities on both sides makes a general war in the old sense more and more impossible, as the recent British White Paper on Defence suggests, what is the point in spending the present vast sums on conventional armament? On the other hand, if possession of the H-bomb is the crucial factor, what contribution can any disarmament in conventional weapons make to world security? Can it lead in any way to real disarmament, that is to say to the scrapping or genuine international control of the H-bomb? These are problems that Mr Stassen and his office must now study. The aim must be to produce coherent logic out of a situation the implications of which are as confusing as they are appalling. For one thing is certain. The West must take disarmament seriously. Not only is there otherwise a seemingly endless vista of crippling expenditure ahead, but western public opinion will never remain firmly united behind government policy.

Even now the urgent political question of German rearmament is as critical as ever. The vote on the Paris agreements in the French Senate is not yet known. But, whatever happens in France or to Western European Union, the other western powers have rightly accepted the view that there can be no turning back on the decision to enable Germany to rearm. It is by no means the be-all and end-all of western policy, but an essential element in the strategy of the West.

In the Federal Republic itself, on the other hand, the Russians are already making inroads into Dr Adenauer's general support, with the argument that there can be no approach to disarmament by rearming Germany. And once the crucial stage of decision has been passed, so that Western Germany is on the road to rearmament either as part of Western European Union or within the

command structure of Nato, there will be much to be said for moving forward slowly. There are increasing signs that, for the Germans at any rate, the political and economic arguments against rearmament really have produced a climate of opinion in which rapid progress would be difficult. Dr Adenauer has adroitly picked up General Gruenther's point that the proposed German contribution to the Nato forces could and should make the difference between Western Germany becoming a battlefield or not. With it, a "forward strategy" is possible at Shape; without it, the front line must be based on the Rhine. But his need to do so emphasises the fact that the long-term desire for some more stable form of co-existence than an endless armaments race is a political force which cannot simply be ignored. And although Germany presents the most immediate problem, as well as the most practical challenge to western ideas, what is true of German opinion is also to be found reflected in one form or another throughout the free world. The fact of Mr Stassen's appointment, for instance, may even have a considerable propaganda value during the forthcoming Afro-Asian conference at Bandoeng.

★

There are, in fact, only three realistic choices open to the West. Led and sustained by the United States, the western nations can go on as at present with the stockpiling of H-bombs, with the development of the means to deliver them, and with a huge parallel expenditure on conventional weapons including tactical atomic equipment. This may be unavoidable, pragmatic, and a matter of common prudence, but there is so far no clear doctrine as to where it will end. A second alternative is to disarm unilaterally without equivalent Russian concessions. The case for somewhat reducing expenditure on conventional weapons may well now grow, as western military and political leaders become more familiar with the lessons of the thermo-nuclear age. But on the main issue, there is little more disposition among the western peoples to surrender to tyranny than there has ever been. This leaves only the third course of seizing every opportunity, while remaining on guard, to negotiate a settlement with the Russians and the Chinese. Moscow's apparent determination to move not an inch to meet the other participants at the London disarmament conference is an unhappy augury. But whatever the fate of Western European Union, some form of negotiated settlement with the Communist powers is the only long-term alternative to catastrophe. Some day it will be possible to negotiate a settlement without surrendering to them—or requiring them to surrender. As President Eisenhower has publicly emphasised in a new and significant statement this week, there should be a ceaseless probing to see whether that day is dawning.

This is not, it need hardly be said, a plea for an immediate meeting on the highest level—or on any level other than the accustomed planes of diplomacy. In

any case, when the long period of uncertainty about German rearmament has been brought to an end either by France's ratification or by its failure to ratify the Paris agreements, the prior need will not be a conference with the Russians but a review among the western powers themselves. Before they can deal with Moscow, they must know their own minds, decide what they can afford to let go, and determine what they most want to gain in the new range of circumstances that is arising. To rearm Germany was never an end in itself. It was always a means to an end, the peace and security of the free world. But, in order to attain it, recognition

must be given to the changes which have taken place since Mr Acheson first confronted Mr Bevin and M. Schuman with the prospect of German rearmament nearly five years ago. These changes have been scientific and military as well as political. And, if the free world is to win its struggle with the Communist bloc, it must show itself determined to do everything possible not only to live in strength with this monster, but genuinely to achieve disarmament and German unity as well. This, indeed, is the challenge which Mr Stassen's new appointment is rightly and sensibly designed to meet.

Local Elections for What?

THIS week two ripples are stirring the usually placid surface of English local government. The first bout of local campaigning which leads up to the county council elections between March 31st and April 6th is proceeding vigorously; and the Minister of Housing and Local Government, Mr Sandys, has made his long-awaited statement on local government reform. Both events have an important bearing upon the health of local democracy, and upon the efficiency of the vast array of public services for which it is responsible. But both are also symptoms of the disease with which local government is now beset. The real issues at local elections are being ignored because national politics have entered into them, and the real problems of local government structure are being ignored because national politicians want to keep away from them.

The present local elections are regarded by the party machines mainly as an opportune rehearsal for the general election that is to follow. The extent and the evil of this intrusion from the professionals can, admittedly, both be exaggerated. In the first place, independents still dominate most of the thousand-odd district councils as well as some of the more rural counties, while intelligent electors of the larger councils still appraise the records of individual candidates and sometimes split their votes. Secondly, the entry of party politics into the larger instruments of local government is not wholly bad, because it can bring about more coherent policies and a clearer focus of responsibility than the shifting factions of independents can achieve.

In general, however, the permeation of local government by highly partisan politics, backed up in the council chamber with increasingly tight discipline, is an obvious threat, not so much, as some people aver, to the system's best traditions, as to any clear thinking by the public about what the system is meant to do. The main issues in the local government elections, this time as last, revolve around housing, education, and public spending. But the issues are being discussed in terms of crude national slogans instead of local realities. The

parties vie with each other in manipulating statistics of housing and school construction, and in alleging extravagance or pleading the mounting benefits of social welfare. Meanwhile distinctive local issues—whether building is going up in the right places and with the right sort of balance between houses and flats, what kind of rent scheme would work best on council estates, how local traffic conditions might be improved, and how and where service costs might actually be reduced—are being largely ignored.

This year's manifestos for the elections for the London County Council have provided an almost ludicrous case in point. After 21 years of power, the Labour party is asking now for "the key of the door"—presumably to wield until it is superannuated, half a century hence. Despite Labour's considerable achievements in London, the Conservatives could this time find some excellent ammunition to use. Besides the dying embers of the civic restaurants' fiasco, there are several other services in which extravagance can be convincingly demonstrated—in particular the enormous weight of additional housing subsidies (i.e. those that fall on the local rates, not on national taxes) that are paid to keep tenants happy. There is also the fascinating question of comprehensive schools—an issue over which Labour is surely to be warmly applauded for trying an interesting experiment and roundly condemned for pushing it to the point of a destructive uniformity. Yet the weakness for dragging in national politics has put the Conservatives off their aim. It is absurd to compare—as their manifesto does compare—Mr Macmillan's national housing record with the falling output of the LCC, when the latter is due wholly to a shortage of sites for which (if anyone is to blame) it is the late Housing Minister; and to add a promise that more playing-fields will be secured inside the county—thus inevitably reducing the land for housing—makes the argument still sillier. It should be added that the manifestos produced by both sides for local elections outside London are certainly of no higher an order.

As far as the present elections are concerned, this concentration on irrelevant national issues is irrevocable. The outcome of these elections will depend solely on the national swing between the main parties—and, since the outgoing councillors were elected in 1952, that swing will almost certainly be sufficient to win the Conservatives a few seats. But is there any hope that future local elections might be fought on more relevant arguments? Is there any way in which either party could be given the incentive to formulate clearer ideas about the local problems that councillors are supposed to be elected to solve? To these questions there is a clear answer. The only way to get the parties interested in local problems is to get the voting public interested in them; and the first step—it would only be the first step—towards that would be to reform the structure of local government itself. The essential features of any such reform should be to ensure that any authority with large powers will also be large enough to set up an efficient organisation to manage them, and to clear up in the voter's mind the appalling confusion of councils that now exists. It is with these problems that Mr Sandys's statement on local government reform this week should have been concerned.

His statement contained one familiar and one novel feature. The familiar element was yet another plea for more time to study the thorny issues involved—which the Ministry has now enlarged by including a review of finance alongside that of areas and functions. The novel and surprising element was the announcement that the various local authority associations "have now agreed upon common proposals covering a number of the main issues upon which they had previously been divided." As the associations concerned have been fighting with each other for the last half-century, this agreement is a considerable achievement for Ministerial diplomacy.

Unfortunately, like most diplomatic triumphs, it is a compromise that will patch, instead of reconstruct, the present system. The agreement seems to be in three parts. First, and most remarkable, the associations have agreed upon new principles and procedures for determining which towns should be promoted to county borough status. (A county borough is one that has all the attributes of a county as well as of a borough, and which therefore forms no part of the surrounding county for any local government purpose; its citizens pay no rates to, and elect no members of, any other body than their own town council.) Secondly, there is to be a review of the distribution of functions between counties and county districts (that is, the smaller towns, or urban districts, and the rural districts); the intention is apparently that some of the more populous districts should get additional powers. Finally, the county district councils—after amalgamations of some of the

weaker brethren—will apparently also secure enhanced responsibilities through delegation schemes.

The nature of the resulting settlement may perhaps be hazarded. A very few towns—including some or all of the luckless trio of Ilford, Luton, and Poole who have again been asked to withdraw their private Bills—will become county boroughs. A number more will be mollified by receiving important direct powers which might cover part or all of the important fields of education, health, and welfare. The smaller authorities will get the palliative of acting as agents for the county councils on various matters. In return for these concessions, the position of the county councils will be safeguarded through the addition of rigid and restrictive rules about further changes. Action along these lines would remove some individual injustices and anomalies, and might place local government as a whole upon a steadier basis. Yet the basic weaknesses of the system would remain.

★

Indeed, in some respects the seeming palliatives would hinder the introduction of more basic remedies. Collectively there are already too many counties and county boroughs, and to add a few more (however individually justified) will do little good unless accompanied by the elimination of the weaker members and a drastic review of county areas—of which there seems little hope. Their elevation would be largely a reflection of the first fundamental dilemma of local government: although many existing county boroughs are too small to operate efficiently, it is impossible to take their powers away—and it thus becomes politically necessary to give county borough status to other towns that are slightly larger and could be slightly more effective. Again a greater use of delegation sounds sensible; yet in practice such schemes tend to be expensive and unsatisfactory to both parties. Their extension is really a way of dodging the second fundamental dilemma: should the smaller authorities be left to die a natural death or be amalgamated drastically enough—which would mean throwing in town with countryside—to be given worthwhile powers in their own right?

Mr Sandys is wrong in supposing that an agreement between the existing vested interests—however skilfully engineered—will ever provide an adequate formula for Government policy. Indeed the very effort to get agreement is liable to rob the ideas that were the original basis of discussion of their most promising features, such as schemes for providing integrated services for the large conurbations. One result may be that Greater London will again get left out of any interim settlement. More generally, however, the Minister should appreciate that a healthy local government is more than the sum of its parts; and that reform designed simply to satisfy existing interests is very likely to come away in his hands.

M. Poujade Goes to Town

LAST week the world saw the sad spectacle of a French Chamber of Deputies most of whose members seemed to be mesmerised by an uncouth demagogue sitting with his acolytes in the public gallery. The incident gave a striking illustration of French parliamentary weakness. Frenchmen know well that on many other occasions powerful lobbies and pressure groups have dictated the course of voting. Never, however, has the pressure been so undisguised as last week, when many right-wing deputies seemed to owe no other allegiance than to M. Poujade, the provincial bookseller turned leader of the shopkeepers' anti-tax rebellion. True, the government finally managed to survive and to postpone the fiscal battle to another day, but this delay was gained only after numerous retreats and after many deputies had "grovelled"—to use his own expression—before M. Poujade. When the leader of a mass movement can command parliamentary operations from the public gallery, order deputies about and then pour violent abuse on those guilty of "disobedience," he ceases to be an amusing example of French individualism. He becomes a menace to democracy.

It is no accident that Poujadism sprang up in central and south-western France and was, for a time, limited to those areas. These are France's underprivileged regions. In the south-west, for example, less than one-fifth of the working population is employed in industry and about three-fifths in agriculture, which is less efficient and profitable there than in most other parts of the country. This backward sector of France cannot help but feel acutely the growing pains of any period of competitive modernisation. Its poorer farmers, shopkeepers and artisans are those "marginal units" which in economic textbooks disappear for the good of the community. In French practice they have clung desperately to their jobs, helped partly by protection and partly by tax evasion, and often at a bare subsistence level. But today they can read the signs of doom. The good harvests of the last two years have done little to benefit the small, inefficient farmers, and for the shopkeepers the end of inflation has meant that they can no longer pass the burden of taxes on to the consumers. When the government decided last year to tighten its fiscal regulations, the showdown was near.

For many artisans and shopkeepers tax evasion was the only chance of survival. The government offensive left them with the alternative of bankruptcy or rebellion; to exploit these grievances was the chance of a Poujade. When the young bookseller from Saint-Céré realised that tax inspectors could be resisted and that such resistance would receive widespread tacit support, Poujadism was born. It spread like a bush-fire through France's impoverished regions. Its success attracted

many wealthier men, who until then had stood sceptically aloof. Could not resistance to tax inspection be used to conceal the profits of the rich as well as the meagre incomes of the inefficient? They climbed on the band wagon alongside the poor people with real grievances. The Loire, that traditional frontier between poorer and wealthier France, was crossed, and circumstances were propitious for further advances. M. Poujade could rely on the sympathy of the peasants who were discontented with falling agricultural prices. The anti-alcoholic laws of M. Mendès-France gave the movement the support of the influential beetroot growers. The funds grew, although their source was sometimes obscure. Committees were established throughout the country and at the close of last year M. Poujade claimed a million adherents. Critics granted him less than half that number—but this was still as many as the membership of the Communist party.

M. Poujade now felt confident enough to march on Paris. When the shopkeepers flocked to the capital earlier this year, outsiders were still amused. But when the *chef* packed the Velodrome d'Hiver—the Paris Harringay—with a bigger crowd than any political party could readily mobilise, they watched with greater concern. The technique was reminiscent of Germany in the 1930s. The leader climbed on to the rostrum only when the audience had been warmed up by his lieutenants. He offered no constructive remedies, no alternative sources of revenue. He merely appealed for lower taxes and the abolition of the hated controls and penalties. He called for a tax-strike and, in vaguer terms, for the non-payment of debts: "We shall close the taps until the government gives in." His language was as vulgar as it was colourful.

In spite of these insults, the *Palais Bourbon* was now within the scope of the provincial bookseller. With France on the eve of elections—for the local councils next month, for the Council of the Republic in the summer, and for the National Assembly next year—parliament was now very sensitive to pressure. The left was worried by M. Poujade's success in the traditionally radical regions, and the right discovered how attractive his slogans had become to middle class and peasant voters. So when M. Poujade presented the deputies with a questionnaire there was a rush to sign on the dotted line. The conservatives, Gaullists and a large number of Radicals became the parliamentary representatives of Poujadism. The Communists adopted an equivocal attitude. At least some of them, unable to learn from bitter experience, thought that

grievances could be usefully exploited and Poujadism transformed into an ante-chamber to the Communist party. Only the Socialist and Christian Democrat deputies have, on the whole, resisted his pressure.

Thus, the stage was set for last week's performance. At the head of a government dependent on the backing of M. Poujade's conservative supporters, M. Faure was forced to seek survival in compromise. He won a respite by promising to abolish the law authorising the closer inspection of books and the imposition of heavier penalties for fraud. Apparently the government now intends to launch a counter-attack. M. Poujade may have overreached himself and last week's antics may well have been the climax of his brief career. There is already talk of a counter-offensive by the urban taxpayers—the wage and salary earners—against the tax evaders. But even if M. Poujade himself falls, the consolation will be small if the price of his defeat is capitulation to Poujadism.

Admittedly the French fiscal system is inequitable, but Poujadism is not an attempt to distribute the burden more fairly. Indeed, if that were done, the poorer supporters of M. Poujade would be crushed and the richer would lose their windfall profits. In fact Poujadism is a reaction to the government's attempt—a timid enough attempt—to let economic forces take effect, that is to prevent tax evasion from being a shield to the inefficient. Growth and adaptation are always painful processes and the present unrest has shown that any attempt to disturb what has been called "the paradise of the inefficient" will meet with violent opposition from those who are affected. For a feeble executive there is therefore a strong temptation to let things slide.

On the face of it there has been a remarkable French economic recovery in the last two years. Superficial recovery, however, ought not to conceal the deep-seated causes of economic stagnation. The latest report of the Economic Commission for Europe gives a timely reminder of the slowness of French economic progress in the last half century. It shows that in the economic race France has failed to keep pace not merely with the two giants—the United States and the Soviet Union—but also with its two natural competitors, Britain and Germany. Sir Winston Churchill's reference to the "empty seat" in Europe, Mr Attlee's unexpected criticisms in the House of Commons and the revelations of what was said about France at Yalta have all rubbed salt into the wounds of French national pride. In their resentment some Frenchmen have even argued that France can restore its prestige only by brandishing an H-bomb. But if France is to regain its proper place on the international stage, its chief problem is not one of acquiring new weapons but of rapidly adapting its economy to the real conditions of the mid-twentieth century. And now above all this has to be done in the

face of resistance of the Poujadist type. It is one thing to crush a Poujade, quite another to dig out the roots of Poujadism. It has been judged politically impossible and socially unjust to let the French economy be modernised solely by the ruthless forces of the market. Only if the modernisation of agriculture in the backward parts of France is accompanied by a programme of industrial decentralisation, to create jobs for surplus labour, can the causes of Poujadism gradually be eliminated.

The French government is thus faced with the gigantic task of effecting a painless transition—or at least as painless a transition as possible—to a modern economy. Last week's tragi-comic performance leaves little hope that it will find the funds and authority necessary for the work. The eyes of the world have been fixed this week on the Council of the Republic to see whether France will accept German rearmament and keep its place in the West European Union. Yet in the long run France's position in the world may depend even more on its handling of the problem of Poujadism.

The Tax on the Press

There is nothing which experience has more clearly established than the futility of all attempts to conciliate the opposition of vested interests, when they become the objects of a liberal and enlightened legislation. They beat round the bush in the first instance, in the hope of finding some vulnerable point. If they succeed, they seize upon it, and direct all their opposition in relation thereto. If the promoters of the measure succeed in removing such objections, they are not a bit the more satisfied or appeased. Other objections are easily started. . . . If ever there was an example of this kind, it is now to be seen in the measure before Parliament for relieving the newspaper press of the tax of a penny stamp. . . . The measure now proposed by Sir Geo. C. Lewis . . . leaves the whole law and economy of the newspaper press exactly as it exists at the present moment, except that it relieves it entirely of the necessity of being stamped, preserving the option to be used only as the price for postal conveyance. But the moment one objection is removed, another and another is started. It is first of all contended that the measure will involve a loss of revenue. . . . And lastly, it is said, that as unstamped newspapers will be cheaper papers they will necessarily be worse papers, and that the character and influence of the press will be injured by being relieved of the penny tax. At first sight it may appear unaccountable that a trade subjected to a tax upon its production should object to its removal. But this is not new. It generally happens that those engaged in a trade, having themselves made arrangements in respect to existing restrictions, regard them in the light of a protection rather than, as they always really are, an impediment to their business. They dread their removal in apprehension of the new competition which will follow. Instances of this kind of a familiar kind readily present themselves. . . . When the repeal of the beer duty was proposed, it was not a favourite measure among brewers. . . . The last is the present effort of the proprietors of newspapers to maintain a tax upon their production—avowedly, as many of them have the candour to admit, to prevent a greater competition than now exists.

The Economist

March 24, 1855

Notes of the Week

Tories on Manoeuvre

IT may be useful to set the rumours in their right chronological order. The first rumour that began to circulate in the corridors at Westminster was that the Prime Minister was about to retire because his party wanted to call an early general election. The "inside-out" rumour, that the Conservatives were debating fiercely whether they should call an early election now that the Prime Minister was about to retire, followed later. It still seems more likely that the first story held on to the right end of the stick. It is a reasonable guess that Sir Winston may have promised Sir Anthony some time ago that he would hand over the reins shortly before the poll, whenever that might be; and that Sir Anthony may have returned from his mission to the East determined that the poll should be brought forward—for Bank rate, brakes on hire purchase and backdoor convertibility must have given him poor breakfast table reading in Bangkok. The first stories of a summer election, indeed, began to circulate immediately after Sir Anthony's return to this country, and before the Bevan split in the Labour party; at that time they were associated with a report that the Cabinet wanted the Budget to be presented on March 29th, which the Treasury has found impossible for what may have been purely technical reasons.

If this is the right reading, then the die for a May or June election (probably a May one) is already cast. Most Conservative backbenchers are assuming that it is, and the thought has brought a sudden access of caution about the election's result. This caution is not based on disappointment about the probable reprieve of Mr Bevan; indeed, individual Tories claim to welcome this, for it gives them a chance to make play with the split, the marginal elector's bogeyman and Mr Attlee's leadership at the same time. But backbenchers from marginal seats are anxiously explaining that there are a lot of axes that the Government must grind for them in the remaining weeks of this Parliament's life. In this bustle of special pleading, the Lancashire Tories—with their requests for purchase tax reliefs on textiles and quotas on Indian imports—are very much to the fore.

Hot Chestnut from the Fire

MR ATTLEE'S anxiety to save Mr Bevan from expulsion will earn him applause from the left and in the centre of Labour's battle line, but it threatens incalculable harm to his party's future. When he pushed his compromise

motion through the National Executive this week, by the narrowest possible margin of 14 to 13, he found himself allied to all the Bevanites and the left-wing trade unionists; but opposed to all the right-wing leaders, including Mr Morrison and Mr Gaitskell. It is just possible—but only just—that Mr Attlee is showing Machiavellian cunning. As a result of Mr Attlee's motion, Mr Bevan is to appear before an eight-man committee, deputed to secure assurances from him of future good behaviour. Knowing the man, Mr Attlee may be hoping that Mr Bevan in such circumstances will prove his own executioner. But Mr Bevan will be extraordinarily foolish if he does. His tactics now may be to eat a little crow, concentrate his speeches in the next few weeks on domestic rather than foreign affairs, hope that Labour loses the election, and trust that this week's tiff between Mr Attlee and his lieutenants will fester in the months to come. His main fear must be that this week's unpleasantness may bring about Mr Attlee's early retirement, if the country refuses to return Labour to Downing Street; if that happened a nettled Mr Morrison might seize the first opportunity to draw the knife again from its sheath. But, apart from this danger, Mr Bevan now seems better placed than ever before in the struggle for the Labour leadership, which has always been his primary aim.

Unless he is being Machiavellian, Mr Attlee's action is presumably based on the belief that Labour is not bound to lose the election. He may think that few votes will be lost by his present willingness to become a national joke, and that many constituency battles might have been impaired—through sheer lack of organisation—if the average party worker had been too dispirited by Mr Bevan's expulsion to address an envelope. This may be true, but Mr Attlee has thought of it too late. The decisive moment in the whole affair was the Shadow Cabinet meeting, at which it was agreed to demand the withdrawal of the whip from Mr Bevan. By all accounts, even some of Mr Bevan's sternest critics on the Shadow Cabinet counselled caution; and if Mr Attlee had then shown the same energy that he seems to have exerted this week, he could probably have killed the idea of punitive action at birth.

Riddle of the Calendar

SEVENTEEN working days must elapse between the dissolution of a Parliament and a general election. How far will the fact that the Budget is not to be presented until April 19th make it difficult to call an election before the summer holidays? Inevitably, the easiest comparison is with 1929. In that year the Chancellor of the Exchequer, Mr Winston Churchill, presented his Budget on April 15th,

THE ECONOMIST, MARCH 26, 1955

at a time when the election was known to be imminent. Ten days later, on April 25th, Mr Baldwin announced that Parliament would be dissolved on May 10th and that the poll would be held on May 30th.

To make this timetable possible, the Finance Bill was divided into two parts. The first Bill contained the necessary clauses for protection of the revenue—such as continuation of the income tax—and three specific tax reductions; the most important of these, incidentally, was Mr Churchill's decision to bring down the price of tea by abolishing the duty upon it. The Bill was hurried through Parliament before the dissolution, with a full week to spare. The second Finance Bill contained Mr. Churchill's more technical and debatable proposals, including a small increase in the taxation on betting and a small decrease in the tax on traders in alcoholic liquor, both of which had managed to offend Nonconformist conscience. This second Bill was held over until after the election, and Mr Ramsay MacDonald's Labour Government (which was returned to office) did not proceed with it. For what it is worth, this experience suggests that a pre-election Budget need not necessarily be an uncomplicated or uncontroversial one.

It also suggests that, by this or some other device, the decks could probably be cleared for an election on Thursday, May 26th, which is one of the current favourites in the speculation stakes. The main objection to this date, apart from the Budget rush, is that the start of the general election campaign would then coincide with the close of the local election campaign (the polls for borough district and parish councils take place in the week of May 9th-14th); tired party organisers lay more emphasis on this disadvantage than individual MPs, who might quite like parts of their machines to be revved up at somebody else's expense. If May 26th does prove impossible, it would be very difficult to hold an election before Thursday, June 16th; the campaign for any election held between these two dates would have to rage through the Whitsun holiday (which is the weekend of May 28th-May 30th). After mid-June, wakes weeks, the hay harvest and ordinary holidays might lead to the absence of an inconvenient number of voters. At this writing, the odds, therefore, seem to be on May 26th or June 16th; there may be a slight preference for the former date.

Voices from Yalta

THE Prime Minister made a reasoned and sensible reply to a parliamentary question on Tuesday about the publication in the United States of the collection of documents on the Yalta Conference. But he said nothing to resolve two significant questions for the future. First, if the private meetings of statesmen are suddenly to be thrown open to the blinding glare of the public gaze, are there no means by which everyone can at least be enabled to see the same thing? Now that the American State Department has published its own version of what was said at Yalta, much of it in the form of unauthenticated notes made by individuals, the Foreign Office is considering publishing a British version. And no doubt the Russians are thinking up some special gloss of their own. So far they have merely plugged

the line that the American disclosures are intended to prevent any early conference between the Big Three, Four or Five—regardless of President Eisenhower's confirmation on Wednesday that the time is approaching for new "exploratory talks," and that, if it were worthwhile, he himself "would go anywhere."

Already American publication of documents on Potsdam is probably only a matter of time. And then no doubt there will be the Quebec, Teheran and Cairo conferences too. On future occasions of this sort, less mischief might be caused later on if representatives of those present sat down immediately afterwards and tried to agree on what exactly did happen. They might not see eye to eye, but at least their disagreements would be as interesting as their agreements. And they would certainly help to keep the record straight.

The other question on which Sir Winston Churchill made no observation was the proper length of time which should elapse before publication. At present the British and Americans are poles apart. The British still think in terms of half a century and like to obstruct all but chosen teams of historians until that time; the Americans tend to let historical documents leak like news. The best course lies somewhere between the two, and probably no inflexible rule should be laid down. But, in the light of the recent Yalta publication, two principles should be followed. The first is that anything which makes secret diplomacy more difficult is a bad thing. And the second that early publication should not be made if any one who was actually present has reasonable objections. With regard to the Yalta papers, Mr Dulles and the State Department are guilty on both counts.

The Saar Hurdle Still to Come

IN Bonn, Dr Adenauer has now steered the Paris treaties over the last parliamentary hurdle before the finishing post. On March 18th the Bundesrat rapidly approved the only part of the treaties which required its sanction—the agreement on German sovereignty—and rejected a Social-Democratic effort to set up a committee which would re-examine the Saar settlement, jointly with the Bundestag.

This, however, is not the end of the matter. The Social-Democrats have still another barrier to put up. By roping in Berlin deputies, whose qualification for the purpose is doubtful, they have managed to send a claim to the Constitutional Court, stating that the Saar treaty is unconstitutional. It is not certain whether the Court will examine the appeal, and still less, how it would pronounce upon it. If there is no interim injunction from the Court, President Heuss may soon put his signature to the treaties. At present he is holding his hand, and a favourable vote in the French Senate would probably encourage him to take this final step.

In the meantime, Dr Adenauer has tried to bring his interpretation of the Saar treaty into accord with the French. After sending an envoy to Paris, he has written to M. Pinay, laying down that political freedom is to be "total" but that activities before the peace treaty must not endanger the Saar Statute. This is squaring the circle, and it is left to the future European Commissioner in the Saar to see that the

operation is translated into practice. Other interpretations will be examined when M. Pinay meets Dr Adenauer after ratification is completed.

French Pact with Herr Hoffmann

IT would have helped Western European Union if the French, having secured an extraordinarily favourable agreement on the Saar, had now given plain proof that they would interpret its vaguer clauses generously. But the latest positive moves from Paris and Saarbrücken seem to show that M. Pinay's good intentions do not go so far. Admittedly the government has had to play up to the Senate during the ratification debate; but, after negotiations in Paris with the Saar premier, Herr Hoffmann, it has published the outline of a new Franco-Saarland convention, which makes bad reading in Bonn. The clauses in the draft Saar Statute which offered the Saarlanders and the Germans the hope of freer exchange of goods were ambiguous and obviously left loopholes for the French to keep the Saarland tightly in their control. They have now been clarified bilaterally between Herr Hoffmann and Paris, behind the backs of the Germans, and before the Statute is in force. And the provisions that have been made public seem to show that the French economic grip on the Saar has been reaffirmed, though some concessions have been made to Herr Hoffmann, and some imports from Germany may be increased.

Herr Hoffmann was anxious to have the pact settled and to secure greater advantages from the French with which to face the plebiscite and elections which take place after the Statute comes into force. He is said to have been stung by Dr Adenauer's argument in the *Bundestag*, that the Statute was the only chance of preventing the rule of Herr Hoffmann and M. Grandval, the French High Commissioner, from being perpetuated. Last week he threw another spanner into the creaking works. His party in the Saarbrücken government demanded that there must be a definitive interpretation of the whole Statute or it will not be accepted. In Bonn this *démarche* is thought to have had M. Grandval's approval. It can hardly be a help in smoothing out the existing difficulties.

Perplexing Wrexham

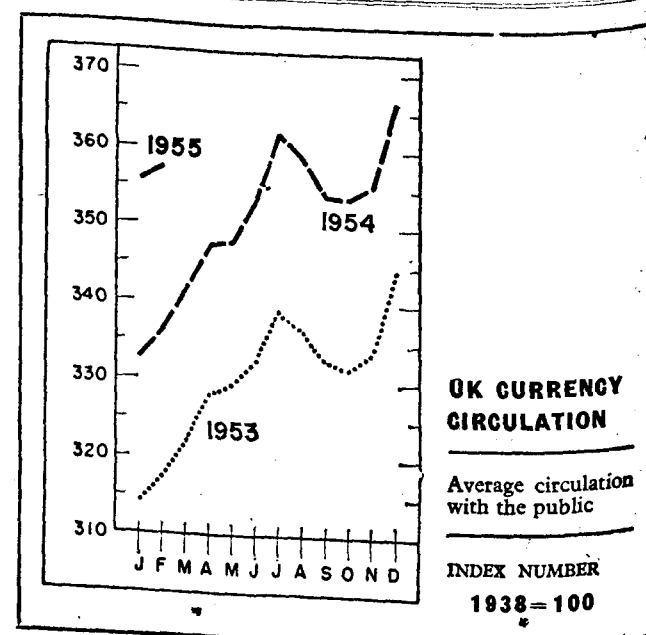
IT was obvious that Labour would hold its seat in the by-election among the miners and steelworkers of Wrexham, where memories of the depressed 1930s bite very deep. It was expected that the Welsh Nationalist would increase his share of the poll; Nationalists usually do fairly well in safe Labour seats at by-elections, when the choice of a government is not at stake. But the pattern of voting at Wrexham, on the day after Mr Bevan was driven out of the Parliamentary Labour Party, will have come as a mild shock to those Conservative optimists who have supposed that winning the approaching general election will be as easy as falling off King Log.

THE ECONOMIST, MARCH 26, 1955

Compared with the general election of 1951, the Welsh Nationalist increased his share of the poll by just under 7.7 per cent, of which a full 4 per cent was won from the Conservative and just under 3.7 per cent from Labour. The Nationalist was of the fairly extreme type, whose candidature would normally have been expected to draw more votes away from Labour than from the Tories. Nobody knew whether the Labour candidate was a Bevanite or not; he told questioners that his private opinions about an internal party quarrel were none of their business. After these replies—illogically certainly, typically just possibly—he not only won the by-election, but can justly claim to have gained a fractional swing to the left.

War on the Unborn

IT was entirely proper that the House of Commons should debate the genetic dangers of continued trials with thermonuclear bombs. But the outcome was not very illuminating, notwithstanding the self-congratulatory remarks of members on the non-party spirit displayed. If there is one thing worse than the disagreement of experts, it is the disagreement of laymen quoting experts on a scientific matter. Unless the Minister of Health, simply by virtue of his office and access to official scientists, is held to be the best authority, the man or woman in search of information comes out of the arguments where he or she went in. Nobody knows how unhealthy is the increase in radioactivity in the atmosphere; the Government hopes that it will be able to find out. There is every reason to expedite research, if that is possible. As was pointed out at the end of the debate, discussion centred upon the increase in radioactivity caused by 65 explosions in the last ten years. But presumably the hydrogen bomb explosions of the last eighteen months are by far the largest contributors. The question is: if atomic war is avoided, but three or four hydrogen bombs are let off yearly for the next ten years, will the further increase in radioactivity have the disastrous



THE ECONOMIST, MARCH 26, 1955

effects on human stock that the more pessimistic scientists say they will? It is an ironic thought that—even in testing the deterrent which will, it is hoped, prevent hot war breaking out—the powers may be able to destroy themselves just the same over a longer period (solving the population problem en route for those who worry so much about it).

The only constructive proposal that arose from the debate was Mr Nigel Birch's undertaking to give favourable consideration to the publication of a white paper containing an independent report by British scientists. The Opposition's request for a conference of scientists to which the Russians should be asked to send some of theirs was turned down on the grounds that it would queer the pitch for the forthcoming conference on peaceful uses of atomic energy, and that Russian scientists would not be impartial in any event. Presumably that goes for the Russian scientists who are coming to the other conference. Neither objection seems very sensible. The real problem for the Russian scientists, apparently, would be to dress up in scientific language for western consumption the morale-shaking view that atomic weapons promise to destroy mankind, and use the same facts in Russia to strengthen morale by proving that Communism would survive radioactivity even to the third and fourth generation. On balance, it would seem not unhelpful to test Russian powers of scientific doublespeak.

Guns in North Africa

DURING last week's debate on the French Finance Bill the Prime Minister, M. Edgar Faure, made the point that a third of France's security forces (*forces de l'ordre*) was now busy in North Africa. He might well have said "in Algeria and Morocco," for it is in those two territories that insecurity is greatest and depression weighs most heavily on the minds of all reasonable men.

In Algeria, physical unrest prevails only in limited areas—chiefly in and around the Berber district of the Aurès mountains where, whenever winter weather has permitted, military operations against rebels have been in process since November. This week the Faure cabinet has decreed a "state of urgency" for the whole territory, with powers to limit it to certain areas—a step less drastic than a "state of emergency," but which legitimises control over movement from place to place, and trial by military court for a given list of crimes. The object of the decree is to prevent waverers and recruits from joining the Aurès rebels. Maybe their ravages can be localised, but there is no localising the general wave of depression that has set in. All Moslems and most liberal Frenchmen are worried at the growing volume of evidence that, no matter how great Paris's will to implement a policy of equal opportunity for all French citizens irrespective of religion or race, actual progress is always baulked by the feudal French diehards, who own the local press and control enough votes in Paris to prevent any substantial changes in Algeria.

In the cities of Morocco, and Casablanca in particular, a similar degree of depression is discernible, but it is accompanied by a much greater degree of physical insecurity. As at one time in Chicago, gunmen are registering kills at the rate of about three a day. Moroccans are firing not only on Frenchmen, but on Moroccans loyal to France;

and now French killers are bumping off French policemen who try to curb black-and-tan French activities and are waging a war by tract, and threatening tract at that, upon Frenchmen of moderation. Their targets, as set out in their pamphlets, include the men who run the liberal newspaper *Maroc Presse*, and those who dare to belong to unmuzzled groups such as the *Conscience Française*. The Resident General, M. Lacoste, has proclaimed that this terrorisation must cease before "reforms" can be set on foot; but, so long as reforms remain promises, what incentive is there to stop shooting? This vicious circle, familiar enough in dependencies today, is exacerbated by partisanship, both in Morocco and in Paris, over the Sultan and the ex-Sultan. Compared with France's problem in Morocco, that in Tunisia (described in an article on page 1097) is simplicity itself.

New Look for Gatt

THERE is ample evidence in the White Paper released last Monday of the labours, the conflicts and the compromises, which kept several hundred officials from 34 countries in Geneva from late October until early March for the ninth session of Gatt. The changes which it discloses in the old Gatt agreement (summarised on page 1101) are generally in the direction of bringing the code of rules governing tariff and trade matters into line with actual practice. Thus it will henceforth be easier to make many countries, notably the United States, live up to the spirit as well as the letter of the law. The other chief novelty is the greater latitude in tariffs and trade restrictions now available under article 18 to underdeveloped countries and, to a lesser degree, developing countries, such as Australia. As against these improvements, there has been little tightening up of the rules on the use of artificial restrictions by countries in balance-of-payments difficulties, as the British delegation had originally proposed. Another disappointment is the comparative mildness of the provisions that have been added to Article 16, dealing with export subsidies.

The greater flexibility of the new Agreement and the increased numbers of escape clauses should be counter-balanced, however, by the emphasis on consultation in the revised version. Besides the creation of a permanent institution in the new OTC (Organisation for Trade Co-operation), which should ensure greater continuity and co-operation, there are a number of new clauses in the Agreement which oblige the contracting parties to consult either in advance or, if not, at some subsequent date, when resorting to certain specified actions. In addition to this, provision is now made for annual and biennial reviews by the OTC of the use being made of trade restrictions. Another gain is the greater stability of tariffs, which should result from the mandatory binding of tariffs for three-yearly periods and the written obligation to hold further multilateral negotiations from time to time. But there is no denying that the new Agreement is less "tight" than its predecessor; its success depends now more than ever on the loyal co-operation of its signatories. A good omen, therefore, is that the Americans were the first to sign. But the price that their partners in Gatt were willing to pay to secure it—American agricultural protection—will be money down

the drain if Congress, which still has the last word on the so-called organisational provisions including the setting up of the OTC, refuses to ratify the Agreement itself.

Mistakes in the Copyright Bill

THE Government's new Copyright Bill faithfully follows some of the recommendations of the Beard of Trade committee that reported two and a half years ago. A comprehensive Bill, presumably covering the committee's other recommendations, is being drafted.

The first purpose of the present interim measure is to enable Britain to participate in two international conventions which the Government has signed. They are conventions of very differing value. One of them, the Universal Copyright Convention of 1952, sponsored by Unesco, has been warmly welcomed in this country because it is the first international copyright convention to be ratified by the United States. Hitherto, British copyright owners have been unable to obtain full copyright protection for a book sold in America unless it is not only registered there, but printed from type set up there. The Americans have at last agreed to remove this restriction—which has always been peculiar to them—in favour of those countries that ratify the Unesco convention. There must be much more doubt, however, about the Government's decision to ratify the Brussels revision (made in 1948) of the Berne Convention. At the moment the general period of copyright in Britain runs for fifty years after an author's death; but any publisher can publish a book in the last twenty-five years of this period by paying the copyright owner royalties of 10 per cent—and many cheap issues have been brought out under this system. The Government can, however, accede to the Brussels revision only by revoking this provision of the Copyright Act of 1911 and thus giving the copyright owner an unqualified protection for fifty years after the author's death. This may well prevent a cheap edition of any works of Bernard Shaw from being published until the year 2000.

The other, and even more questionable, feature of the Bill is that the Government is setting up a new form of copyright. It is giving the BBC and the Independent Television Authority an exhibitor's right in anything televised, which means that the two bodies can charge a licence fee to third parties that give a public showing of the programme. The purpose of this provision is to enable the BBC and the ITA to obtain some revenue to compensate promoters of sporting events who allow matches and races to be televised. But it means, as Opposition speakers in the Lords debate were quick to point out, that boarding house and hotel keepers who provide "television in the lounge" as an amenity for their guests will infringe the copyright if they do not obtain a licence. The Bill is also bound to strengthen the position of the actors' and musicians' unions, who will use their bargaining powers with the BBC to compel it to refuse a licence to a hotel—or village hall—that could in their view employ live entertainers or musicians. Copyright protection for an original work is one thing. But in the case of mechanical reproduction of these works, such as gramophone records, it has already gone too far, and the Government's proposal would extend it beyond all reason.

The Lonely Old

OLD age has always been a problem—mainly for the old, but partly for the young. The increase in longevity and the decline in the size of the family are now producing more old people than the young have tolerance and chimney-corners for. Lord Beveridge rightly emphasised this aspect of the problem in the House of Lords this week; and as the number of people of pensionable age rises from the 7 million of to-day to the 9½ million of 1979, the problem will become more noticeable. It is not, or it need not be, solely an economic problem; the difficulty is that the cost of certain things which they vitally need—personal services, in particular—is likely to rise faster than the cost of nourishing food, heat and light, entertainment or even suitable accommodation which can be truly dignified with the title of "home."

Here and now, there is the real difficulty of 1½ million pensioners who need national assistance; there is also the problem of rising prices. But the future of old age is more accurately summed up in the figure which Lord Beveridge gave of one million elderly people living by themselves—1 in 7 of the old. This proportion will tend to increase, and the problem will be to enable the old to live by themselves and look after each other, up to the point where hospital care is needed. Even now, Lord Beveridge indicated that, while there are 7 million old people, there are only 30,000 whole time and part time home helps, which is far short of the proportion of old people who need them. His suggestion of "half way homes"—arrangements for the elderly and frail that would fall short of full hospital care—is already being explored by voluntary effort; and a recent circular from the Ministry of Health to local welfare authorities emphasised the importance of homes for the infirm among the many residential homes for the old that are being provided, and asked them to encourage old people to bring in their own furniture with them.

It is obvious that the amount of manpower that can be diverted to the care of the aged is limited. One way of mitigating the problem is to enable the old to work longer themselves. The other must be so to organise the physical environment of retirement that what help there is can be made to go further. Lord Beveridge suggested that there was good business here for the insurance industry. But an increasing population of old people, preserved by an ever more efficient science of medicine, must face the fact that the real scarcity may lie not in drugs or diets or hospital beds but in people to lift and carry. More will be heard of this problem—and of the growing actuarial risk to the elderly of death by neglect.

Sweden's Lifeline to the West

OF all the neutrals, Sweden follows perhaps the straightest and narrowest path in its foreign policy. Some embarrassing questions, however, are raised for Swedes by the scheme to create closer economic links between central Sweden and the Norwegian port of



Babaçu oil is but one of many curious commodities to be observed on the list of Britain's imports from Brazil. Its uses are perhaps less exotic than its name suggests, for the oil from the nut of the babaçu palm is one of the raw materials from which soap and certain foodstuffs can be made. Although it is not among the most important products of Latin America, you will find babaçu mentioned in the commodity market reports in the *Fortnightly Review*, published by the Bank of London and South America.

This publication is an invaluable guide for all who wish to enter Latin American markets, whether as buyers or as sellers, for it summarizes the latest reports on trading trends, import regulations and exchange control, received from our 51 branches in South and Central America. We shall be glad to send you a specimen copy, on application to:—

The Research Department (SECTION 34)

BANK OF LONDON & SOUTH AMERICA LIMITED

HEAD OFFICE: 6, 7 AND 8 TOKENHOUSE YARD, LONDON, E.C.2

MANCHESTER: 36 CHARLOTTE STREET

BRADFORD: 19 SUNBRIDGE ROAD



SHREDS OF EVIDENCE...

But evidence of what? Some happening, back in geological time, left behind this strange material, with its long, thin, hairlike fibres; but, so far, the fibres have kept their secret. Their present usefulness, however—a usefulness which springs directly from this unique, fibrous composition—is no mystery at all. There is scarcely a branch of industry which does not make use of Asbestos in one form or another, either for its remarkable resistance to heat, or for its other highly distinctive properties. Asbestos, we suggest, is a material well worth looking into.

THE CAPE ASBESTOS CO. LTD.

ASBESTOS PRODUCERS AND MANUFACTURERS

114-116 Park Street, London, W.1

Telephone: GROsvenor 6022



AIRCRAFT v SUBMARINE

IN THE EARLY YEARS of the last war the submarine demonstrated its power: the attrition of supply fleets was enormous. Yet whilst the necessity to keep our sea lanes of supply open remains as vital today as ever, by modern standards the last-war submarines were slow, short-ranged and fought with crude weapons. Ocean going submarines today displace some 1,500 tons, have crossed the Atlantic and Pacific without surfacing and are capable of speeds in excess of 20 knots whilst submerged. They can dive to greater depths in a shorter time, and carry acoustic and sinuous trajectory long-range torpedoes and various novel offensive and defensive homing weapons, some of which may be released whilst submerged, rise to the surface, take to the air and home onto an attacking aircraft with the speed of a shell.

But comparably with the advance of submarine development, the effectiveness of anti-submarine aircraft has also greatly improved since the war. Modern centimetric radar can get an echo from the body of a submarine's snorkel breathing tube, small though it is. Magnetic airborne detection equipment can discern the presence of a submerged submarine from the local change its hull makes to the earth's magnetic field. The sonobuoy is a float that can be dropped from the air and when it reaches the surface it lowers a microphone and listens. The transmitted recordings from a battery of sonobuoys dropped near the submarine can be used to plot its under-water track. Another detection method of particular use with helicopters is Dipping Asdic. Once the speed and heading are known the submarine can be attacked from the air using a number of different types of projectile. One method is to lay down a barrage of small mines which sink and explode on contact. Any one that touches the hull can blow a hole in it big enough to be fatal. Depth charges can be used. There is also a type of guided weapon that can both fly and propel itself under-water to find its way to the submarine by the shortest air and sea route. The electronic guidance system in missiles from the submarine that rise up out of the sea to attack the aircraft can be jammed from the air or if they use a proximity fuse the mechanism can be pre-detonated harmlessly.

There are three classes of anti-submarine aircraft: (i) the long range landplane able to span the Atlantic from bases on either side; (ii) the carrier-based patrol aircraft for certain remote areas in the Pacific and for standing patrols over convoys; and (iii) the medium or large sized helicopter operating from merchant ships or naval escort vessels. At Bristol we are concerned with the first and last of these categories: a maritime reconnaissance version of our Britannia airliner is being built for the Royal Canadian Air Force by Canadair Limited in Montreal, and we have a large production programme for twin-engined twin-rotor helicopters capable of carrying the various special detection equipment and offensive weapons required for modern anti-submarine warfare.

THE BRISTOL AEROPLANE COMPANY LIMITED

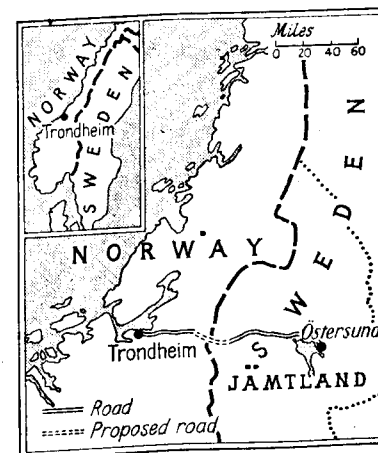
221P

Trondheim. Committees of experts appointed by each government have just reported in favour of three projects, and it is thought that by the summer or autumn the Swedish *Riksdag* will have given its approval in principle and that the first funds will have been allotted. The Norwegian parliament is not expected to cause any delay. It is proposed to build a good road, at a cost of nearly £2 million, over the mountains between Trondheim and the Swedish province of Jamtland; to cut the tariffs on traffic carried over the existing railway; and—most important of all—to construct a harbour for tankers in Trondheim fiord, complete with oil storage tanks built into the mountainside, which would be owned and run by a Swedish company. Once approval is given, the work will take about three years to complete.

There are good economic arguments behind the plan. It will mean lower transport costs for industry in central and northern Sweden, and will revive the historic link between Jamtland and central Norway. But the Swedes admit that one of their main motives is to provide themselves with a

safer supply line for their vital imports, especially oil, in case of war. Sweden's own ports along the Kattegat in the south-west are very vulnerable to blockade, mine-laying and atomic attack; Trondheim fiord stands a much better chance of staying open to shipping. If a war comes—in which Norway, as a

member of Nato, will almost certainly be involved—the Swedes will have to take some delicate decisions. It is already being suggested in Sweden that escorts will have to be provided for Swedish ships using Trondheim harbour. And what of the protection of Swedish installations along Trondheim fiord—and of the oil pipeline over the frontier which, though not one of the present recommendations, is still under consideration and may be built later? The Swedes reject any suggestion that they are compromising their neutrality, and no doubt they will make this clear to Mr Gromyko; but if they put so much value on this lifeline to the West they are bound to consider what steps they might have to take to keep it secure.



Mr Hatoyama Slows Down

AMONG the several particularly interesting aspects of the Afro-Asian conference in Bandoeng during April will be the fact that the new Japan will be making something of a debut. After some hesitation, Mr Hatoyama accepted the invitation on behalf of his country shortly before the recent elections. And now that he has been re-elected prime minister—in the Diet a week ago—it will be for him and his new cabinet to decide on the line that Japan will follow in Bandoeng. What this will be is not yet clear. But two

pointers suggest that it may not be as favourable to the Communists as at one time seemed probable. The first is that Mr Shigemitsu has been reappointed foreign minister, in spite of his many reservations about the interest Mr Hatoyama has lately shown in closer dealings with China and Russia. The second is that one of the new government's first acts has been to arrange to send a special envoy to Washington to reassure the United States on Japanese aims.

Although Mr Hatoyama won a striking electoral victory by appealing to Japanese desires for more normal relations with the mainland, he appears to have been less successful in the Diet. There he has failed to draw the Liberals into partnership with him, and he is opposed by a formidable combination of Liberals and Socialists. This makes his position much less secure than had generally been expected, and he failed in fact to prevent the election of a Liberal as Speaker, with a Socialist as Vice-Speaker. The consequences for Japanese foreign policy may be mixed, but they are unlikely to be wholly bad. In so far as the Hatoyama government is now in no position to pursue too dramatic a line abroad, there will be a tendency to revert to something akin to the well-established relationship with the United States. If so, the Japanese role at Bandoeng, whether by design or not, may well be to act as the major interpreter of American views in Asia. And, while this by no means rules out any steps towards a peace treaty with Russia and China, it does accord with the essential facts of Japan's position as well as the genuine needs of Asian politics.

Young Technicians

THE headmasters of secondary technical schools, who recently held their annual conference, represent only a small fraction of state secondary education. There are only 300 of these schools with 90,000 pupils, or about one in twenty of those in the secondary schools. But it is an important fraction, as the headmasters could justly claim, at a time when industry is crying out for good technicians and technologists.

The technical schools could ease the shortage of technical graduates in two ways. One would be by actually producing them—although this is a task for the future, since only a few technical school pupils at present go to universities. The other way would be by making it possible to use graduate technologists and scientists more economically. At the best technical schools the abler pupils usually pass on to a technical college, equip themselves with a Higher National Certificate and go into industry as technicians. If employers are to economise in the use of scientists (as the Federation of British Industries recently asked them to do) they must employ good technicians in some of the jobs hitherto done by graduates.

In order to play their full part in this process, the technical schools need to develop in both quantity and quality. The quantity is being increased by 85 new schools built, building or planned. The need for them is not evenly spread. Boys' technical schools require some flourishing industry to which they can be linked, and a large catchment area, so that a big school population can make it worthwhile to install expensive machinery and to employ highly skilled staff. The need for better quality also varies from place to place. Some technical schools

aim at nothing higher than, say, a builder's foreman, while others already give excellent courses in various kinds of engineering. The key to better quality lies partly in equipment, but chiefly in selection at the age of eleven. Over half the children in these schools were transferred, usually from modern schools, at the age of thirteen. If more technical schools are to develop sixth forms they must have children who are bright enough to have done well at a grammar school, yet also show talents of a practical kind. And if they are to attract such children they must convince parents that, in addition to vocational opportunities, they also offer a sound, general education.

Prince of His Church

THE fight between the Vatican and Cardinal Segura, the Archbishop of Seville, is moving into the open. Early last November the Vatican appointed Msgr Bueno y Monreal to be Coadjutor to Cardinal Segura, with the right of succession. The Vatican had hoped that Cardinal Segura would relinquish his administrative powers and retire to a monastery. But in true Renaissance style the prelate has refused to budge, and he now appears to be involved in a violent pamphleteering campaign against members of the Holy See and a former Papal Nuncio to Spain. Supporters of Cardinal Segura, among them the celebrated Countess Ibarra, claim that the Archbishop has been the victim of Roman intrigue, and that he is perfectly qualified to carry on his diocesan duties. True, he is seventy-three, but "what matters 73 for those who belong to the venerable

College of Cardinals! The Holy Father is nearing 80 and Cardinal Tedeschi is already of that age."

Behind these developments lies a long feud between Cardinal Segura and the rest of the world. Although he was exiled by the Republicans, he has also constantly sniped at the Franco regime. He finds its programme of social reform inadequate and dangerously secular. He sees in the Madrid-Washington pact the re-admittance into Spain of heresy and irreligion. And as Archbishop of Seville, the holiest of Spanish cities, he regards the presence of Protestant chaplains on Spanish soil as intolerable. It is not even certain whether Cardinal Segura favours the restoration of a monarchy based on the removal of the legitimate claimant, Don Juan, and on the moulding of young Don Carlos in the image of the Franco state.

For a long time the Vatican remained strictly neutral, and sought to balance liberal elements in the Spanish Church, particularly Msgr Herrera of Malaga, against Cardinal Segura. But last year it chose to support General Franco against the Cardinal's extremism. In particular, it promised to place the See of Seville in more docile hands. There may be a good deal more ecclesiastical acrimony before that promise is carried out.

Russian Trade in Reverse

SEVERAL million pounds worth of last year's Soviet orders with British firms now look like falling through as a result of a sudden unexplained shift in Russian buying policy. In some cases definite orders have been cancelled, the Russians submitting voluntarily to the penalties stipulated in the agreements; in others the Soviet authorities have announced their intention of not taking up orders covered by letters of intent; and there are a few instances where the position is unclear and the firms concerned are still seeking clarification from Moscow. This blow to British exporters will particularly affect those firms which had tooled up in special anticipation of the Russian orders continuing.

The main reason for the cancellations is probably to be found in the internal changes inside the Soviet Union itself. Most of the abandoned orders are for consumer goods or for machinery used in consumer goods industries, and it may be assumed that, with the switch-back to heavy industry, the departments responsible have had their foreign exchange budgets trimmed. On the other hand, the recent adverse trend of the Soviet bloc's balance of payments with the outside world would sooner or later have necessitated further sales of gold anyway. And the Russians, with the support of their faithful apologists abroad, will now no doubt try to make the best of a bad job by foisting the blame for their action on western policies in general, including the London and Paris Agreements on German rearmament.

The episode is remarkable, nevertheless, in that the Russians have apparently been willing to smirch what has hitherto been an almost spotless trading reputation. Once a contract has been signed they have normally been scrupulous in sticking to it, at least in dealing with British firms. It is ironical, moreover, that this reversal of policy comes at the very moment when the Russian delegate at the current meeting of the Economic Commission for Europe in Geneva

has been putting all the blame for the relatively low level of East-West trade on the West's controls on strategic exports. The incident underlines the fact that business with Communist countries always involves a special risk.

Japan Looks for Communist Trade

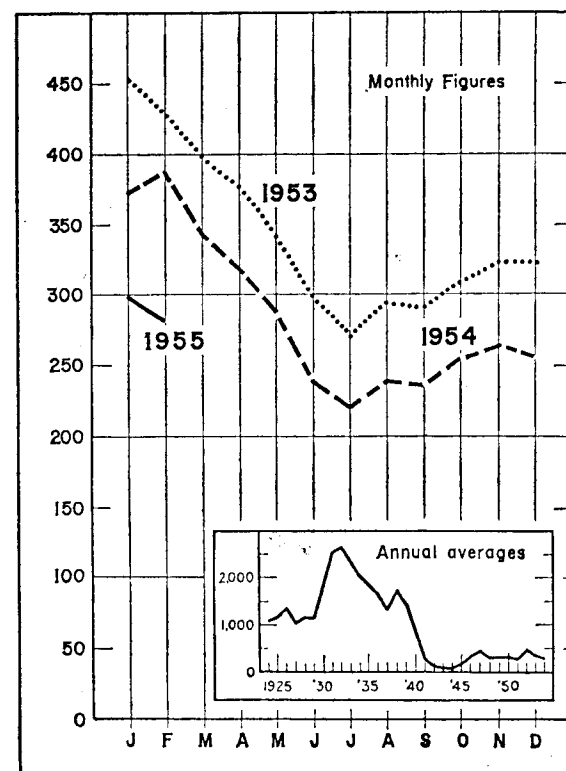
A NEW drive to increase Japan's trade with China and the Soviet Union is a certain outcome of Mr Hatoyama's election success. During the campaign both the Prime Minister and, in a lesser key, his Foreign Minister, Mr Shigemitsu, harped on the theme of trade and thereby won the support of powerful business interests who want to see a more vigorous approach to this problem. Recently Tokyo has given official support to a private trade mission to Peking, and preparations are in hand for a return visit in the near future by a Communist trade delegation.

Japan's desire to widen its economic contacts with its Communist neighbours is understandable. The loss of markets and important sources of supply on the mainland has been a crippling blow to the Japanese economy. But it is unlikely that, in present circumstances or indeed in any probable future circumstances, trade between Japan and the mainland could approach its prewar levels. On the one hand, China's industrialisation drive, its closer economic links with the Soviet Union, and its own rapidly

growing population have absorbed practically all the former surpluses of coal and iron, together with the agricultural products that used to be exported to Japan. On the other, Peking's planners show no enthusiasm for Japan's consumer goods. They would like to buy capital goods, but the Japanese are bound by their international obligations in COCOM (the committee co-ordinating the control of strategic exports) to limit the export of certain strategic machines and materials.

In spite of the obvious limitations of China's foreign buying power, pressure has been mounting in Japan to secure a further relaxation of the embargo. This move has been encouraged by the Communist-inspired Council for the Promotion of International Trade (CPIT), which was set up in Moscow after the Economic Conference there in 1952 and has branches all over the world. Recently the British Embassy in Tokyo was forced to issue a firm denial of a misleading statement concerning the operations of COCOM put out by an official of the British branch of this organisation, who used the occasion of his visit to Japan to sow mischief. It is not surprising, therefore, that American officials in Japan are unhappy about the exaggerated attention the new Japanese government is giving to increasing trade with Communist countries, and about the encouragement it is receiving from Communist-inspired organisations in the West through the CPIT. The Chinese will certainly do all they can to exploit Japanese desires in their own interest. If Mr Hatoyama is determined to sup with the devil, he should take care to provide himself with a long spoon.

UNEMPLOYMENT IN GREAT BRITAIN THOUSANDS



Letters to the Editor

The Done Thing

SIR—In his kindly notice of my book, "The Social Foundations of Wage Policy," in your issue of March 19th, your reviewer appears at one point to have misread my proposals. The mistake is in one way flattering, since it would seem to imply my identification, if not with the late George Bernard Shaw, at least with the intelligent woman to whom Shaw addressed his plan for complete equality of income. But mistake it is.

Your reviewer takes me to task for not asking myself "what a truly equalitarian society—a £14-a-week-average-minimum-and-maximum-in-one society—would actually be like." I have not done so, because neither in this book nor anywhere else have I suggested that equalising policies should be carried to such lengths. If your reviewer will be good enough to turn to page 177 of my book, he will find a formula which I have suggested as illustrative of the kind of wage policy which seems to me desir-

able at the present time. It reads as follows:

priority to all advances in the under £8 a week class; increases in, say, the £800-£1,000 a year range normally to be tapered; further tapering above £2,500; no advances over £5,000.

This formula could not ever produce equality in the region of £14 a week. It might, I suppose, if carried to its ultimate mathematical conclusion eventually result in levelling everyone up to £5,000 per annum if that is the standstill figure, and everything below comes up at varying rates! But that possibility is too remote to be worth discussing. In any case, as I have said in their context, the figures are purely illustrative and not to be interpreted rigidly. The substantial issue is whether we wish to increase or to diminish present inequalities. The scale of these differences being what it is, we could follow the second course a very long way without risk of fetching up in a Shavian Utopia—Yours faithfully, London, S.W.6 BARBARA WOOTTON

Negotiating from Sense

SIR—Your conclusion (February 26th) is that the Communists' objective is nothing less than "domination of a Eurasia uncluttered by American presence or American power." As against this, the Western Alliance might put as its objective a Eurasia uncluttered—outside the boundaries of pre-1939 Soviet Russia—by Russian presence or Russian power. To state these objectives is to admit that there can be no solution except by war. We must therefore find a compromise which is acceptable to both sides.

It is essential to begin by compromising on small points or, shall we say, in this case, over a small area. Let us take a line drawn north and south through Berlin at the "waist" of Europe, with the western salient of Czechoslovakia compensated by a similar eastern salient for the western zones of Austria (roughly equivalent to the Iron Curtain boundary) as a point of departure, not because it is ideal but because it is near the reality of the situation. Would it not be possible, borrowing a term from the not-so-distant past, to create a "cordon sanitaire" of a given width—say a few hundred miles—on either side of this line, inside which there would be no Soviet Russian nor Anglo-American military installations except radar and local defence? Inside this area of agreed strengths and equipment,

and here is the *sine qua non* of the thought, an attempt could be made to practise mutual inspection and control of armaments.

It will be said that this would be valueless in itself because aggression can originate and a blow can be delivered at vast distances nowadays. My reply is that the principal value of this proposal would be as a testing ground of the possibility and practicability of mutual supervision and inspection which we are rightly so anxious to enforce, and its secondary value would be to make the possibility of surprise attack, at least by conventional armaments, just that much more remote.—Yours faithfully,

JOHN ALEXANDER

Rome

Price Maintenance

SIR—Mr Brooks asserts that trade associations do not maintain prices so high as to cover the least efficient traders. If this is so, maintained prices afford no protection against competition, and he must explain why traders are so foolish as to pay subscriptions to trade associations. Why, too, he may be asked, are small traders—on the whole less efficient, as your own study of the Census shows—always more vocal in these bodies than large ones?

Frankly, it is not possible to believe Mr Brooks, nor even to guess on what kind of evidence he could base so wide an assertion. Perhaps he means only that the high costs of the least efficient trader of all are—for very shame—not taken into account? This may well be, but what about the average firm? Surely the whole *raison d'être* of trade associations is to protect the average from the best. It is both easy and proper to define "least efficient" as including "averagely efficient."—Yours faithfully,

New College, Oxford P. J. D. WILES

Growing Productivity of Capital

SIR—In your commentary upon Mr Colin Clark's broadcast talk on "The Declining Importance of Capital," you accepted his view that as industrialisation proceeds, the marginal efficiency of capital resources employed tends to rise more than proportionally. You pithily expressed your disagreement with his inferences by saying "he sometimes seems to be standing on his head." However, it is with your agreement rather than your disagreements I would deal. What makes it possible for the marginal efficiency of capital to rise progressively as industrialisation proceeds? Partly the fact that whereas in the early stages invested capital results in machines to displace labour-functions, in the later stages invested capital results in machines to displace machines. In

the early stages the labour-force per unit of capital investment tends to increase, in the later stages it tends to decline, but to become more highly specialised. Partly it is this increasing specialised skill of the labour-force which makes possible increasing output with decreased capital investment. Consider, for instance, a unit of labour-power used to operate the waterframe in the nineteenth century with a unit of labour-power used to operate an electronics machine. Or consider the respective qualities of the inventors of the waterframe and an electronics machine.

Assuredly the continuous improvement of the personnel of industry, trade and commerce over time is an important factor in the rising marginal efficiency of capital. For that reason ought not the cost of that improvement in terms of pounds, shillings and pence to be included in the total of national investment? Besides the national expenditure upon education, the cost of the health services ought also to be included, inasmuch as it cannot be denied that a healthy worker is more productive than one suffering ill-health. I suggest that if the term "investment" is widened to include all expenditures that contribute to the productive efficiency of the nation, it will be found that so far from declining, it is steadily rising. What is undoubtedly declining (relative to output) is investment for private profit or interest.—Yours faithfully,

Bargoed, Glamorgan

J. B. JONES

Graphs or Tables?

SIR—I have long wondered why you have fallen for the fashion of presenting statistics graphically instead of tabulating them. You confine this practice, it is true, to the lighter and more frivolous two-thirds of *The Economist*, but even those who explore no further scarcely deserve methods of representation designed to instruct the semi-literate.

I wanted to note the changes in the circulation of some London dailies given on p. 892 of your issue of March 12th. If you had tabulated the figures to the nearest thousand (or 50,000) for each paper in 1925, 1937 or 1954, instead of drawing columns of different shades, I for one should have got what I wanted in a form which to me is far clearer. One cannot talk in shaded columns; one quotes approximate figures, and one likes them to be accurate, not guesses at the right translation.

I fancy a majority of your readers may well feel as I do, and I write this letter in the hope of eliciting their views. Is what began as an aid to popular education now regarded as a decorative art existing for its own sake? Is it even becoming someone's vested interest?—Yours faithfully,

Maidstone

W. A. CLAYDON

Turkey's Economic Troubles

SIR—It is to be feared that Turkey's economic troubles are fully as great as your article of January 22nd indicates. The trade deficit has been seriously increased because the cost of Turkish products is out of step with world values by reason of the depreciation of the currency and the consequent increased cost of production. The restrictions on imports now threaten a breakdown in production and activity in many directions. Wholesale prices and the cost of living are getting beyond control, and shortages and hoarding are having a serious effect.

Turkey has indeed made great strides in recent times, but it is questionable whether the effort will yield the rewards expected as smoothly as was hoped for. The great progress made in public works and industry should in the long run serve the country's interests.

But much material has to be imported and it is becoming increasingly evident that neither the Turks' capacity for long hours and hard work, nor the wealth derived from the soil, richly endowed as it is by nature, are great enough to pay for so much that the country has not so far been able to produce itself and is not likely to be able to produce for a long time. The roads throughout the country now carry immensely increased loads. Trucks, buses, cars and tractors may now be counted by tens of thousands where only trains, carts, camels and oxen operated before. Moreover, public works and industrial enterprises must also import virtually all their equipment. Until these enterprises become fully productive the strain on the country's resources must be great.

Turkey is going through the unprecedented process of intensive modernisation, but only time will tell whether all has been wisely conceived and timed to achieve the calculated end without too much difficulty and the sacrifices and hardships which now loom ahead.—Yours faithfully,

E. H. GIRAUD

Izmir, Turkey

Paying for Brains

SIR—Two American firms advertised in your issue of March 5th for qualified and experienced Englishmen to go and work in America: one firm wants several electronics engineers, the other a market research executive.

The payment for brains in this country has not kept pace since the war with that for organised labour; behind this there seems to have been some vague but misguided social purpose. International competition for British brains will now restore the balance, and they will all emigrate in the process—unless British employers are prepared to pay brains their worth and to give them satisfying scope and conditions.—Yours faithfully,

MARTIN MADDAN

West Malling, Kent

Starch does surprising things

IN SUCH SURPRISING PLACES



Example:

STARCH IN EXPLOSIVES AND FIREWORKS

The word 'Cornflour'—coined by Brown & Polson in 1854—is more readily associated with culinary than with military arts. Starch is, nevertheless, used in many ways by manufacturers of explosives. Starch nitrate, for instance, has been used as an active ingredient in demolition charges. More important is the wide use of starch itself as a filler to give weight to nitroglycerine in dynamite. In fireworks, quite apart from the large quantities of dextrine used in the paper wrappings, starch is used as a binder for the explosive and sparkling materials and also to control the rate of combustion. Corn Products Company Limited, the Industrial

Division of Brown & Polson, produce all the various forms of starch required for the manufacture of explosives ranging from dynamite to catherine wheels.

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.



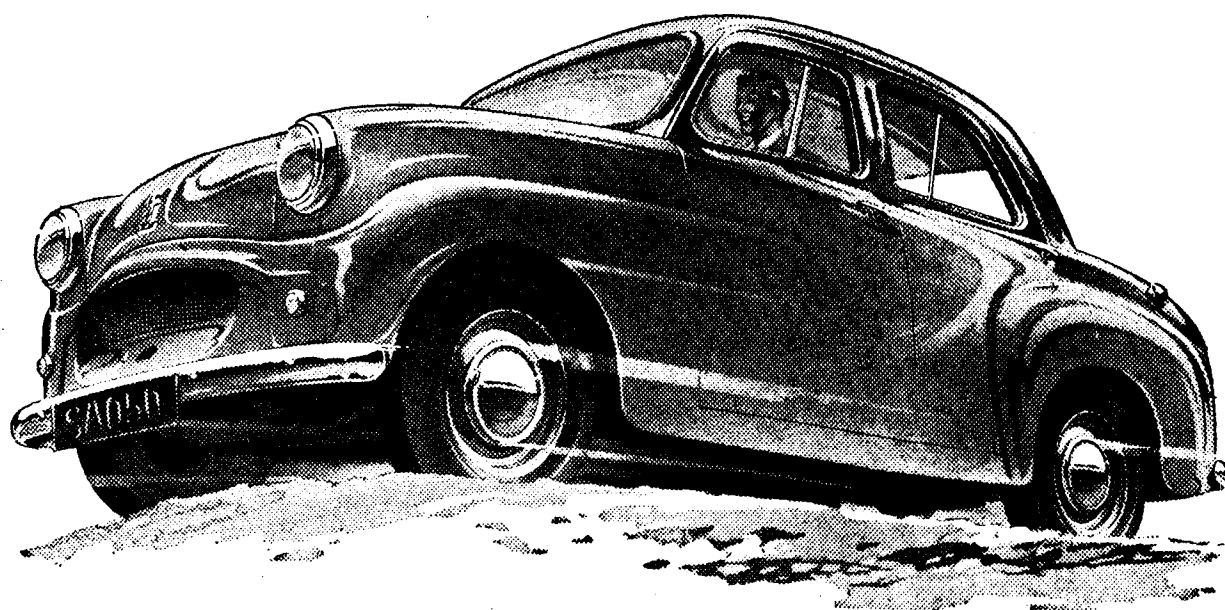
CORN PRODUCTS COMPANY LIMITED

THE INDUSTRIAL DIVISION OF

Brown & Polson

WELLINGTON HOUSE, 125/130 STRAND, LONDON, W.C.2

Here **IT** is!



Talk to a Standard owner about his car and you'll quickly understand what IT is. He'll express it in a single word—Confidence. Confidence in Standard products; confidence bred of the knowledge that into each Standard model goes the finest materials, unrivalled skill and many years of research and planning to meet *exactly* the needs of the modern motorist. That is why a Standard car has the knack of inspiring confidence the moment its owner eases himself into the front seat—a confidence that remains and grows with the years.

Standard Cars

THE STANDARD MOTOR COMPANY LIMITED, COVENTRY, ENGLAND
London Showrooms: 15-17 Berkeley Square, W.1. Telephone Grosvenor 8181



STANDARD CARS • TRIUMPH CARS • STANDARD COMMERCIAL VEHICLES • STANDARD DIESEL ENGINES • FERGUSON TRACTORS

Books & Publications

Lands of Spices

QATABAN AND SHEBA.
By Wendell Phillips.
Gollancz. 335 pages. 21s.

THIS exciting book has two main ingredients, the zest of its brash author and the immense interest of the archaeological discoveries that it describes.

Dr Wendell Phillips is a young man equipped with a degree in paleontology, war experiences ranging from Okinawa to Paris via a bed of polio, a "basic technique of fund raising" that requires "split-second timing," and a desire to run scientific expeditions. Clearly, he also has tireless energy and the kind of faith that moves mountains, with (as he at one point remarks) "the added essential of meeting and knowing the right people."

Meet Dr Phillips! At ten, he developed an ability to "speak with speed and precision" by selling newspapers during the depression; at twenty, he absorbed Mr H. G. Wells's dictum that "Wendell, the only way to write is to write"; at twenty-six he led an expedition that covered "the whole of Africa" in twenty-five trucks and twenty-six months; at twenty-eight, he had popped his head round the door of enough rich and important men to beg endowment in cash and kind on setting up the "American Foundation for the Study of Man." In this resounding name, he leads the four fruitful expeditions that this book describes. Its dust cover says that he is still only 33; maybe he was 34 a split-second ago.

The target of the expeditions was a study of the south Arabian kingdoms that prospered for about ten centuries on the spice route from Asia to Europe, and then disappeared. They flourished because, once man had tamed the camel, they conceived means of keeping Indian ships to the east, and Egyptian ships to the west of the Strait of Bab-el-Mandeb, so making themselves into overland carriers, middlemen and levers of toll on one of the most profitable trade routes in the ancient world. They pined and died after the great discovery, in the first century B.C., that the Indian ocean monsoon blows seasonally in each direction—a find which led to the building of ships big enough to bypass Southern Arabia. The expedition, which was endowed with archaeological and scientists of several nationalities and of world renown, aimed at establishing a chronology for these little-known kingdoms and this it first

achieved on the site of ancient Timna, once the capital of Qataban and now a mound in the East Aden protectorate. It also found there statues and other fragments of great beauty which are illustrated in excellent photographs.

Discoveries at Timna took the expedition back to within perhaps a century and a half of the reign of the most famous of the world's little-known women—the Queen of Sheba. The third of the expeditions pursued her to her capital at Marib in the inaccessible Yemen. Its story there is a sad tale of local ignorance and oriental mistrust; the Yemenis reasoned that strangers so keen to dig and to take latex impressions of inscriptions must be after something monetarily valuable. Endlessly, therefore, permissions were revoked, obstacles erected, finds confiscated, until finally, the expedition had to flee for its life, carrying only its cameras and its notes, and leaving behind it \$200,000 worth of equipment, not to mention great discoveries semi-excavated and of worth only to scholars. These are now, no doubt, being mauled by the untrained fingers of inquisitive officials and ignorant tribesmen.

Among the merits of the book are the excellence of its simple descriptions of archaeological technique, and its capacity for conveying not only the excitements but also the anxieties and strains of expedition life:

I know from experience that good rest and good sleep are the basic requirements of an expedition in the field, as important as good food and water and more important than good working conditions.

This praiseworthy scale of values marks some, though not quite all, of Dr Phillips's views on life; he is much better than many westerners at getting on with Arabs, but his brusque ways round obstacles seem to be anathema to many officials of his own nationality. Maybe these are too *protocollaire*, but maybe, also, he is too ready to dive under their elbow. This weakness has cost him a failure to get permission to dig in Saudi Arabia; he is therefore pursuing the spice route eastward to Dhofar and Oman. He leaves his reader pommelled, panting, and unsure that he would care to be tackled by such a customer, but rapt in admiration for a man who can keep going at such a pace and with his head so permanently unbowed.

From the Government Bookshops

London Transport

Report of the Committee of Inquiry appointed to consider what measures could be taken by the British Transport Commission and the London Transport Executive to secure greater efficiency or economy.
5s. (by post 5s. 3d.)

Iron and Steel Industry

A special report by the Iron and Steel Board on the likely course of development in the industry over the years 1953 to 1958 (H.C. 49).
1s. 9d. (by post 1s. 10½d.)

Customs and Excise

Forty-fifth Report of the Commissioners for the year ended 31st March, 1954 (Cmd. 9358).
7s. (by post 7s. 3d.)

H. M. STATIONERY OFFICE

York House, Kingsway, London W.C.2; 423 Oxford Street, London W.1. (Post Orders: P.O. Box 569 London S.E.1); 13a Castle Street, Edinburgh 2; 39 King Street, Manchester 2; 2 Edmund Street, Birmingham 3; 109 St. Mary Street, Cardiff; Tower Lane, Bristol 1; 80 Chichester Street, Belfast; or through any bookseller.

WHO'S WHO 1955

A revealing companion in the study of public and private affairs, in the reading of the daily and weekly press, and in all business and social pursuits.

Every entry has been subject to revision since last year's edition, and close on 1,000 new biographies have been added.

Now at the booksellers
100s. net

Adam & Charles Black

How You Vote

STRAIGHT FIGHT.

By R. S. Milne and H. C. Mackenzie.
The Hansard Society. 174 pages. 10s. 6d.

DESPITE all the words lavished upon elections and their prospects by politicians and journalists, remarkably little is known about what really determines their outcome. Who votes for what party? Who changes his mind? Above all, how are political conversions made? "Straight Fight" is to be warmly welcomed as the first published attempt to analyse in detail the influence of a British election campaign on individual voters. The authors, lecturers at Bristol University, interviewed, with the aid of their students, 500 randomly chosen electors in the constituency of North-East Bristol two weeks before polling day in 1951 and again after voting. With extreme statistical care they have set out their findings on how the electorate divided between the parties in terms of age, sex, social class, past voting, membership of a trade union, exposure to political propaganda, and views on major political issues. They have examined with especial thoroughness those who apparently changed their minds in the course of the campaign, or between 1950 and 1951.

The main value of their book lies in its conscientious documentation of what sophisticated agents and observers have long suspected—the ineffectiveness of an election campaign. The number of genuine converts discovered was almost negligible, and neither the personality of the candidates nor any single issue—not even the "warmonger" theme—seems to have had an appreciable effect on the outcome, at least in this one fairly typical borough constituency. The main effect of the campaign apparently lay in the hardening of existing prejudices. Those few who did "float" or waver between the parties seem to have been drawn very evenly from all groups in the electorate.

Although some of the more technical passages may prove heavy going, this is an absorbing book for anyone interested in politics, either as a humble canvasser or a national commentator. It is, of course, a pioneer venture. It would be interesting to see a great many more such studies, even though at times they could do no more than confirm the obvious, identifying the social composition of each party's support and demonstrating how few open-minded electors exist. This study makes plain that irrefutable answers to the questions "Who votes for whom?" and "Who changes his mind?" are within reach. But the question "Why?" is still far from being solved. Techniques far more intricate than any yet developed, certainly than any used in this book, would be needed to explain satisfactorily why people vote as they do or what converts them. But perhaps one should rejoice that academic research has not yet presented politicians with the key to the voter's heart.

The Settlers' Case

WHITE AFRICANS.

By J. F. Lipscomb.
Faber. 172 pages. 12s. 6d.
OUT OF BARBARISM.
By C. T. Stoneham.
Museum Press. 190 pages. 15s.
KABONGO.
By R. St. Barbe Baker.
George Ronald. 127 pages. 10s.

THE Kenya settlers have not had a very good press since the Mau Mau outbreak; and even before Mau Mau they had a reputation—much exaggerated—for being the last and most ludicrous backwater of pre-1914 upper- and middle-class privilege, sustained by immense *latifundia* worked by black labour. Their position is now in growing doubt. Their exclusive rights in the White Highlands are clearly in for reconsideration. So many utterly unreasonable and reactionary statements by a small group of settler politicians have appeared in the British press that the British public is inclined to see them as more Blimpish than they are. They have every reason to try to put over to the British public the central role which they really play in Kenya affairs, and the incalculable contribution that they have made to its progress in the past.

Unfortunately, neither Mr Lipscomb nor Mr Stoneham finds it possible to do this without contrasting the mighty and humane achievements of the master-race with the backwardness and savagery of the African, painted in lurid colours. They thus both of them give the fatal impression that they dislike and despise the African; they both hint, if they do not say, that his lack of cultural progress in the past is an indication of his inability to become civilised in the future. They both insist on the appalling condition of East Africa under the Arab slave-trade before the British took it over; Mr Lipscomb devotes much attention to the backwardness of African cultivation, on which he can, as a white farmer, speak with understanding—but, again, without sympathy. Against all this barbarism, laziness, superstition, treachery and sheer inefficiency is set the White Tribe, immaculate, capable, full of loving-kindness and triumphantly expand and towns rise in the hunting grounds of lions. Mr Lipscomb admits that the Whites may have a few of the recent years are not quite those of Kenya's golden age, when farmers were noblemen and gentlemen, officials were at least gentlemen, and missionaries, though not of course gentlemen, knew their place.

For a serious discussion of how each of the three races can contribute its special gifts to Kenya's future, on the basis that Africans will inevitably become more educated, more numerous and more aspiring, the reader looks in vain. It is continuously implied that the African is always wrong, and always through his own fault. Neither Mr Lipscomb nor Mr Stoneham seems to

THE ECONOMIST, MARCH 26, 1955

realise that much is expected of him who has much—or else they think that the African has already received all anyone could have expected the Whites to give him. The eroded land, the Nairobi slum, the fear of the witness to tell the truth lest he die for it—all, all are the fault of the black man (though, of course, the Colonial Office and the British intelligentsia, often mentioned in Mr Stoneham's book, have made things worse). Neither Mr Lipscomb nor Mr Stoneham shows any awareness that, in the span of human history, even British culture is a recent achievement and indebted to those that bred it. The African did not invent the wheel; but neither did the Kenya settler. Mr St. Barbe Baker's short biography of a Kikuyu chief puts things more reasonably; his Africans are barbarous—but not culpably so.

This impression of pride mars at any rate one very useful book. For Mr Lipscomb has much of importance to say about Kenya agriculture, both white and black. It is a pity that settlers in general were not so interested in African agricultural problems before Mau Mau as was Mr Lipscomb. But at least it is a good thing that some Kenyans are now thinking systematically about the practical problems of living with 5½ million Africans. For in the end only they can show whether a white community can exist alongside Africans and Asians in the tropics. A sense of their own worth is necessary, but it need not be entirely divorced from a sense of humility and service. Is it to be said of the white settlers that they brought the tractor and rust-resisting wheat to Kenya, but left *noblesse oblige* behind them in Wiltshire or Wimbledon?

Spain in Sharp Colours

A STRANGER IN SPAIN.

By H. V. Morton.
Methuen. 384 pages. 18s.

ONE never quite knows what one is going to come across next in this book. On one page it may be a gay and amusing description of the vicissitudes encountered while travelling in a Spanish bus; on the next it may be the story of Florinda, a virtuous and exquisite maiden, and King Roderick, the last of the Gothic kings of Spain; while on a third it may be an appalling bromide about history having many a question mark or John of Gaunt's daughter being a fine woman "for she had three splendid sons and there can be no better tribute to any mother." One thing one can be reasonably certain of not coming across is any reference to Spanish politics. Mr Morton, who seems to have all the rest of Spanish history at his finger-tips, leaves the last quarter-century—except on a very few occasions—severely alone. In view of the astounding naïveté of his reaction to the Barcelona guide who was so bitterly anti-Franco that Mr Morton "began to wonder if he were a member

THE ECONOMIST, MARCH 26, 1955

of some subversive group," this is perhaps just as well.

On the whole, however, this book will be an asset for other strangers in Spain. Mr Morton is good at ferreting out useful or esoteric information about the places he visited, such as the distinctive characteristics of the local Virgin or the refinements of local cuisine. Moreover, he tells his anecdotes well and he pots his history readably, whether it be the exploits of Cortés and Don John of Austria or the various incursions of British royalty into Spanish history. Yet the book produces a rather cloying effect because, one feels, the author is so determined to be pleased. He tends to see a place through a rosy and romantic haze when other people would find it slightly depressing or even sordid. He speaks of "the Gothic vigour that you notice northward from Avila," but says nothing of the sad northern villages made partially derelict in the civil war. Mr Morton's colouring, in fact, is sometimes a shade too garish.

Australian Melting Pot

ITALIANS AND GERMANS IN AUSTRALIA.

By W. D. Borrie.
F. W. Cheshire for the Australian National University.
London: Angus and Robertson. 255 pages. 21s.

BETWEEN 1945 and 1951, Australia received 721,800 immigrants, of whom just over half were non-British; in subsequent years the proportion has been much the same. Thus Australia is becoming a plural society, if not to the same extent as the United States. The Australian theory of immigration, however, is based on the full assimilation of all newcomers, British and others, to the Australian pattern. Whether this will happen is not certain with such a sizeable minority. Australia's actual experience of assimilation is, in fact, confined to the small German and Italian minorities, whose behaviour in the Australian environment is analysed by Mr Borrie in this meticulous study undertaken at the behest of a Unesco social science programme.

Both Italians and Germans have come in for unpopularity on political grounds; both have won from fair-minded Australians admiration for their ability to farm this harsh and alien soil. The Germans did much to create Australia's wine industry; the Italians have been conspicuously successful in sustaining the only cane sugar industry in the tropics run by European labour. The Australians have generally felt a bias in favour of Teutons as settlers against Latins, fearful that the latter would bring low standards of life with them that would undercut Australian wage awards. But in fact Mr Borrie shows that it has been easier to assimilate Italians than Germans. The Germans, who have been settlers for longer, remained for decades in distinct cultural groups with their own religion, customs

and press, and they showed some sympathy with the rise of Prussia from 1866 onwards. Despite the fact that they mainly settled in heavily populated Australian areas, it was only after they ceased to be considerably reinforced by new German-born settlers, after about 1891, that assimilation became rapid.

The Italians came later, and have continued to arrive. They have largely settled in the north of Queensland, though they are to be found everywhere. They intermarry with Australians relatively little in the first and apparently even in the second generation; they have retained their language. But they have abandoned almost everything else—even their strong church organisation. Their interests are essentially economic; even before the war they were uninterested in politics, Italian or Australian, and there was less contact between the Venetians and the Sicilians than between their Australian neighbours and either. Today, assimilation of the third generation, brought up like the second in Australian schools, is quite rapid; as the Italian-born die out, identification with Australia (as opposed to the British colonies to which the Germans came after 1850) is becoming complete.

Mr Borrie is highly statistical and factual. His evidences of cultural contact, and indeed cross-fertilisation, are derived from the figures and are less interesting than one would wish. Australians consciously tend to a norm, and it is from the inflow of new and diverse cultures that, one would hope, new flowerings of the creative spirit should develop. So it has been in the United States, indeed in Britain also. It may perhaps be early to expect signs of this. It hardly appears from demographic statistics, schools questionnaires and analysis of trade names in telephone directories. But it is to be hoped that the "New Australians" will contribute more than new farms and factories to the achievement of a nation that has still to show its full prowess in a fully rounded national culture.

Studying the Neighbourhood

HISTORICAL GEOGRAPHY.

By J. B. Mitchell.
English Universities Press. 372 pages. 10s. 6d.

AMONG the numerous purchasers of topographical literature, there must surely be some who are anxious, not only to observe the beauties of a countryside, but also to understand the way in which its details have been created by the hand of man, working through the ages. These will find in Miss Mitchell's "Historical Geography" a clear, reliable and often stimulating guide. To the purist, of course, such an evolutionary study is not, strictly speaking, historical geography, which is held to be concerned with the social, economic and political geography of a region at some period in the past, studied in its own right, irrespective of whether

this past geography has survived into the present or not. Fortunately for the reader, Miss Mitchell, after acknowledging the correctness of such a definition, promptly abandons it in favour of the evolutionary approach for the purposes of this book. Consequently, each chapter is concerned with the development through time of one feature of the geographical scene, such as the farm, the village or the route.

In such a short account, the writer is wisely content to show briefly how these various topics repay geographical study, to indicate the sources of information available, and generally to stimulate the reader to investigate his own neighbourhood for himself. The way the historical geographer works in practice is shown by constant reference to the methods and results of particular investigations, the most interesting of which are drawn from the writer's original work in the rural areas and small towns of the Cambridge region. The treatment of industry and industrial towns is less authoritative; too much attention is paid to familiar economic history, as in the account of technological and locational changes in the British iron and steel industry, while the changes brought by nineteenth century industrialism to town and country are mostly passed over. As a whole, however, this clearly written, moderately priced and, with one or two exceptions, clearly mapped book is an indispensable introduction for students of the subject.

O.E.E.C. Publications

Just Published

Private United States Investment in Europe and the Overseas Territories

This comprehensive study points out the relatively small investment made by the United States in Europe and the Overseas Territories since the war and tries to ascertain the obstacles to such investment and the ways in which they can best be removed.

140 pp. Demy 8vo.

Price 8s. By post 8s. 3d.

Obtainable from

H. M. STATIONERY OFFICE

P.O. Box No. 569, London, S.E.1.

or through any bookseller

American Survey

AMERICAN SURVEY is pre-
the United States, partly
Those items which are writ-
United States carry an indica-
that effect; all others are the work
the editorial staff in London.

The Big Leak

Washington, D.C.

THE Secretary of State was doing his department an injustice when he implied that it was routine practice to publish diplomatic documents in uncorrected galley proofs with deletions marked lightly in pencil. The State Department usually does better than that.

The decision to publish the Yalta papers, which was made in the State Department with the knowledge of Mr Dulles, but not, it seems, on his initiative, was almost casually arrived at in an attempt to earn a respite from the perpetual badgering by right-wing Republican Senators. Senators Knowland, Bridges and Dirksen, prime movers in the agitation to expose the "shameful secrets" of Yalta, all serve on that powerful body, the Senate Appropriations Committee. Their goodwill is not to be lightly forfeited if money is to be forthcoming for overseas ventures in which the State Department is interested. They were not amused by the notion that objections from foreign governments were thwarting the express wish of the Appropriations Committee; it voted special funds during the last session of Congress to enable the State Department to publish the Yalta papers, out of sequence, before the end of the current fiscal year.

Mr Dulles's yearning to be liked by the leaders of his party involves him in a periodic search for some new shadow that can be conceded to Republican prejudice in the hope that only Republicans will take it for substance. He does not seem to have attached too much importance to the issue either way, and the American principle has always been: "When in doubt publish." Since it was contrary to international protocol to publish the documents over Sir Winston Churchill's veto, the State Department's hand had to be "forced." The idea of "lending" documents overnight to a favourite journalist has been a well-liked device ever since the press became an important factor in diplomacy.

Unfortunately, the amateur politicians who handle these matters for an overburdened Secretary of State tried to be doubly ingenious by arranging matters so that the blame should implicitly fall on Congress and more especially on Democratic committee chairmen. It was decided to send galley proof copies of the Yalta papers to congressional leaders, under seal of secrecy. In practice, of course, the contents would have leaked quickly to the press. However, Senator George, the wily old chairman of the Foreign Relations Committee, saw through the transparent device and returned his copy unopened. At this point the press stepped in and the documents were obtained by Mr James Reston of the *New York Times*, on condition that they

would be published in full if they were published at all. But before they could appear, pressure from other newspapers had ensured that the Yalta documents should be made available to everyone.

★

The net result of this undignified procedure has hardly been as gratifying to the Republican party as right-wing Senators must have hoped. Between them they had three distinct objectives in pressing for publication. First, and shared by them all, was the desire to make political capital at the expense of the Democrats. Second, and mainly a personal obsession of Senator Knowland, was the wish to prevent any more big power meetings. For this the Senator gives two reasons: that it is immoral for any small group of nations to carve up the map of the world, and that in fresh meetings the roles of Yalta would be reversed. The United States would be left in a false and isolated position because more "appeasement minded" allies would be prepared to compromise on principles. The third objective was to build up fresh steam behind the Bricker amendment to limit the President's constitutional freedom of action over foreign policy.

It is doubtful if any of these causes has been greatly aided. There is such a thing as censorship by saturation. The impact on the popular mind of a thirty-page supplement to the *New York Times* was infinitely smaller than a single sentence by the Attorney General in 1953 which accused Mr Truman of knowingly promoting a Communist spy. On the other hand, the very fact that the Yalta papers are now available for public scrutiny disperses the atmosphere of mystery with its hints of conspiracy and "secret clauses" which had been built around the name of Yalta. The documents reveal, in fact, practically nothing that was not already known from published memoirs. More Americans than the Republicans had bargained for are reacting in much the same way as the *Detroit News*, which commented:

The remarkable fact is that we gave less than was asked and nothing that it was in our power to deny. And we conceded this not to an enemy but to an ally.

In this sense, publication of the Yalta papers may have made a big power conference after the ratification of the Paris agreements more, rather than less, possible. Most Republicans, when challenged, would argue that Mr Eisenhower could do better than Mr Roosevelt, particularly when, since the publication of the report on "atomic fall-out," the mood in America has come increasingly to favour some dramatic move to lessen tension.

THE ECONOMIST, MARCH 26, 1955

It is doubly significant that, only three days after the papers, Senator George was proposing such a conference at the summit. It is significant that a leader should consider the timing of his proposal wise. And it is significant that he has decided, perhaps as a reaction to the distasteful move which tried to throw blame for the leakage on the Democrats, to respond to a demand from liberal Democrats that "loyal opposition" should play a more creative role in formulating foreign policy.

While Mr Stevenson and Governor Harriman, who is naturally enough the American who comes out best in the Yalta papers, have been urging the Democratic party to develop an independent foreign policy, Senator George has hitherto contented himself with piloting the Administration's proposals on Formosa very efficiently through the Senate. A group of young Democrats in the House of Representatives, headed by Mr Reuss of Wisconsin, have tried to seize the initiative by bringing forward a programme which includes United Nations trusteeship for Formosa. But in the Senate the liberals have realised that their position would be least assailable if Senator George could be induced to take the lead.

It is one of the cardinal principles of this Administration that Senator George should never be attacked and the President and his advisers have been responding in a more or less muffled way to his suggestion. Indeed, at his first press conference after the secrets of Yalta became public property, Mr Eisenhower went so far as to agree that, although he wants some evidence of good faith from the Russians before he will take supper with them, he does not mind much what particular evidence it is. But this concession from the President should be viewed not only in the domestic light of Senator George's prestige but also in the international light of this week's vote in Paris on the German rearmament treaties.

A Model Economy?

Washington, D.C.

THE Joint Congressional Committee on the Economic Report could hardly have been expected to produce an uncritical and unanimous endorsement of the President's latest annual review of the country's economic condition and of the prospects of achieving maximum employment and production. But even in the dissenting opinion, far longer than the innocuous statement which all the members were prepared to sign, the Democratic majority did not express any serious alarm about the economic outlook for 1955. It is evident that even the liberal Democrats in Congress are lending no more than half an ear to the depressing analyses constantly being turned out by Mr Leon Keyserling, who was chairman of President Truman's Council of Economic Advisers, and his vocal band of progressive macro-economists.

This is all the more significant because the Keyserling type of analysis is so convincing. Using the familiar tools of his trade, Mr Keyserling builds models. He starts with the fully employed economy of mid-1953, takes conservative figures for the growth of the labour force and of produc-

tivity since that time, and then produces a figure for the desirable rate of annual output if full employment is to be provided. Then Mr Keyserling and his fellows take a consensus of the estimates of what gross national product will probably in fact be in 1955 and "prove" that such a level of activity—even though 2 or 3 or even 4 per cent above 1954—will not only be far short of what is needed for full employment, but will actually result in an increase in unemployment.

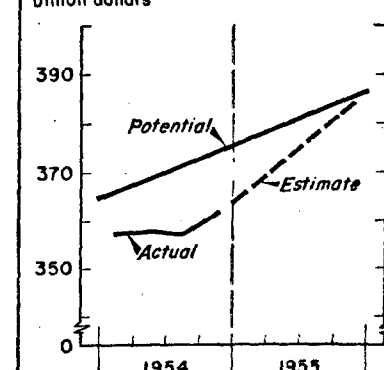
The model builders examine carefully the prospects for each of the major components of national demand and, after adding them up, conclude that there will be a deflationary gap of fairly precise—and disturbing—proportions. When challenged with the recent improvement in almost all of the economic indicators, they reply that unemployment—at about 3,380,000 in February—is still much too high and that the upturn has been artificial anyway because it is based on non-sustainable production in the automobile and housing fields.

To the present Republican Council of Economic Advisers, this sort of analysis verges on the nonsensical. True, they

GROSS NATIONAL PRODUCT

At Annual Rate

billion dollars



Figures for potential gross national product assume maximum employment of the growing civilian labour force and a continued rise in hourly output. The estimate for 1955 is based on the President's Economic Report. The staff of the Joint Congressional Committee on the Report are responsible for the calculations on which this chart is based.

too make their models—but only for internal consumption; this much annoys all the members of the Joint Committee, whose staff have now made up the deficiency by publishing the attached pictorial forecast, with the warning that such a steady expansion in 1955 would be a "substantial achievement." The Economic Advisers distrust models because they believe that the assumptions needed for model building are much too flimsy to be useful. Dr Arthur Burns, the chairman, stated in a written reply to a committee member's question that to use projections of gross national product in the President's Economic Report "would not render a useful service" and might create the impression that economists can estimate reliably such things as the output needed for full employment or the quantitative impact of government programmes on the economy; this, said Dr Burns acidly, "may become true in the future but it is not true today."

This difference in method is important because it accompanies and mirrors a profoundly different feeling about the economy and the government's role in it. Dr Burns's approach is a courageous form of modern conservatism. It was, after all, only a few months ago that he and his colleagues peered over the rim of serious recession; they continue to confront an uncomfortably long public memory of what the last Republican Administration seemingly pro-

duced in the way of economic conditions; and they are still living in a world in which full employment, despite some reassessment here and abroad, is a paramount goal of all governments. And yet they are analysing and prescribing in a spirit quite different from any the United States has known since the "modern" era began after the war.

This spirit is visible in many places and especially in the intriguing section of this year's Economic Report which deals with the role of government in maintaining economic growth and stability. The first activity on the list was not, as might have been expected, the duty to counter the business cycle or to use compensatory fiscal policy. Instead it was to "focus attention upon augmenting the number of young people who have scientific, engineering and technical skills. . . ." Then there is the remark of Dr Burns himself before the Joint Committee on the subject of tax cuts. Though Mr Keyserling (with many others) thinks it is "preposterous" to claim that a slight increase in the deficit in the federal budget could possibly be inflationary in the face of the current "slack" in the economy, and though the recent American past indicates that the economy can absorb substantial deficits without serious inflationary pressure, Dr Burns calmly said that it would be "taking a grave risk with the country's money" to increase the deficit under present conditions.

★

None of this means that Dr Burns and his Council belong to the unsophisticated group which regards all government action as evil and government deficits as always bad. But they do believe that government action is usually more evil than good, and that deficits are bad except in very unusual conditions. The Economic Report itself calls "extreme and doctrinaire" a position which it describes as follows:

Some citizens, lacking faith in the ability of the private economy to generate a high level of activity, espouse a steadily increasing role for government. They urge new public undertakings and unbalanced budgets as devices for augmenting private demand, often with little regard to the cause or magnitude of any deficiency in demand.

Further, the Report takes pains to point out as one of the key "lessons" of the 1953-54 recession that

contraction may be stopped in its tracks even when governmental expenditures and budget deficits are declining, provided effective means are taken for building confidence.

Behind this new conservatism is, quite probably, a belief not only—to use the words of the Report—that current conditions in the American economy are "peculiarly favourable to economic progress," but also that inflation is a greater possibility than deflation in the American short and long term future. A challenging analysis of this likelihood is currently being offered in *Harper's* magazine by Mr Peter Drucker, who is convinced that, on the basis of existing trends in population, the problem of the United States for the next twenty years will be to produce enough rather than to consume enough. He fears that demands from the rising number of non-workers (old people and persons in school and college) will shortly outpace the supply of goods that can be produced by a labour force that will grow only very slowly, and that inflation is the chief threat. As for the near-term future, Mr Winfield Riefler, chief assistant to the chairman of the Federal Reserve Board, undoubtedly expressed the Burns viewpoint when he told the Joint Congressional Committee that the "problems which will concern you during the months ahead

will, in my judgment, be increasingly associated with exuberance rather than lethargy in the economy."

Fortunately, perhaps, for the layman, 1955 will probably provide a fairly precise test of the merits of the Burns and Keyserling schools of analysis. Mr Keyserling is on record as believing that "we are threatened by a long-term trend of rising chronic unemployment" and that the "true level of unemployment in 1955 will be considerably higher than in 1954." The Joint Committee, while refusing unanimously to recommend major new reflationary measures, issues a warning that trouble may be ahead. Meanwhile the economy—at least temporarily—is performing more and more briskly, and among government economists the fear is that it may over-exert itself. By December the statistics may have shown who is right.

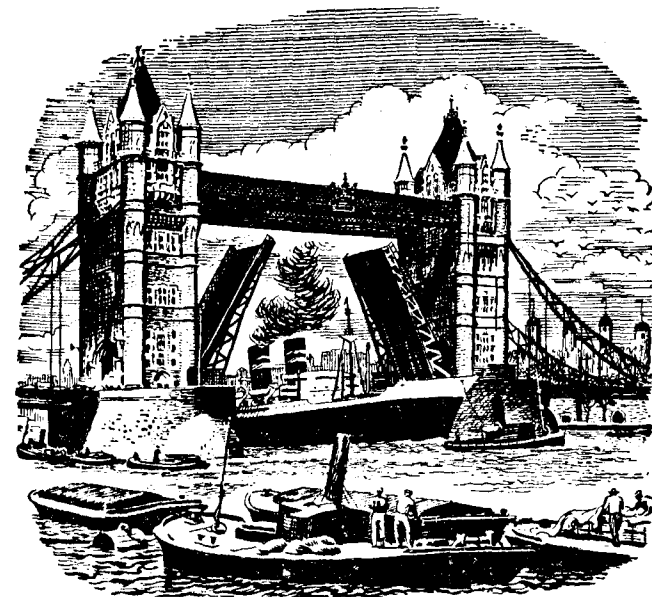
Spring in the Air

THE seasonal "exuberance" which can be detected in the American economic air arises not so much from the statistics of current activity, although these are pleasantly buoyant, as from the forecasts of future trends. These make it easy, although perhaps not justifiable, to argue that the new recession, which has been prophesied for the end of the year, may not materialise. Meanwhile the seasonally adjusted index of industrial production in February stood an encouraging 33 per cent above its 1947-49 base, with the record heights of 1953 again in sight. The most striking component of this rise is the automobile index, at 172 in February compared with 160 in January and 86 last October. Output of cars has continued to rise this month, with production nearing 175,000 units a week, and sales seem to be keeping pace unexpectedly well. The usual spring upturn has apparently not been swamped, as it was feared it might be, by the exceptionally heavy purchases of new cars during the winter months.

Automobile manufacturers are so confident that they will probably not be discouraged by the latest forecast of consumer demand prepared on behalf of the Federal Reserve Board. This annual survey shows that this year not quite so many people are planning to buy new cars as were intending to do so last year, although those who do propose to buy are prepared to pay more. Nevertheless the survey is one of the main factors in the present ebullience, for it shows that in other respects consumers are more ready to spend money than they were in 1954—and it was they who were mainly responsible for last year's recovery. Now they feel more certain of the future than they did in the early months of 1954.

Another cheerful forecast of a rise in demand is the combined effort of the Securities and Exchange Commission and the Department of Commerce. They find that businessmen are now planning to spend slightly more on new capital equipment this year than they did in 1954. As recently as December the decline in this important section of the economy, which persisted throughout last year, had been expected to continue. But now an upturn in such expenditures, to an annual rate of \$27.4 billion, is looked for in the second quarter of 1955. This rise will be concentrated, however, in retail shop building and in gas pipeline construction rather than in the heavy industries.

In London or around the world... here's what we can do for you!



... SERVING COMMERCE AROUND THE WORLD ...

HEADQUARTERS: San Francisco and Los Angeles, California.

OVERSEAS BRANCHES: Manila : Tokyo : Yokohama : Kobe : Osaka : Bangkok : Guam.

REPRESENTATIVES: New York, Mexico City, Milan, Paris, Zurich and New Delhi. Correspondents throughout the world.

BANK OF AMERICA (INTERNATIONAL)

New York, a wholly owned subsidiary; overseas branch Dusseldorf.

BANK OF AMERICA'S London offices offer you credit facilities and direct representation in the world's great trade centres... *plus* up-to-the-minute information collected and evaluated by Bank of America Officers travelling in all parts of the world. Complete information on request.

Bank of America

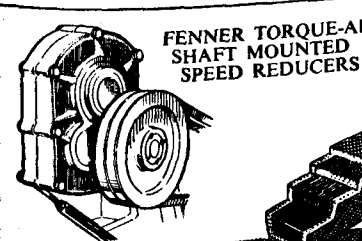
NATIONAL TRUST AND SAVINGS ASSOCIATION

Incorporated with Limited Liability under the National Bank Act of U.S.A.

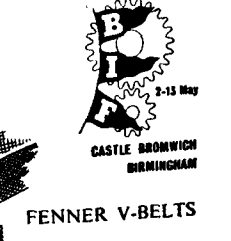
LONDON BRANCH: 12 Nicholas Lane, E.C.4.

WEST END BRANCH: 29 Davies Street, W.1.

Safe Deposit Boxes available at the West End Branch.



FENNER TORQUE-ARM
SHAFT MOUNTED
SPEED REDUCERS

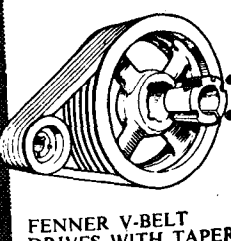


FENNER V-BELTS

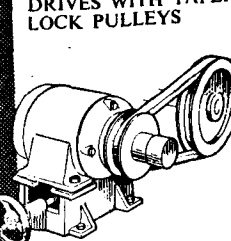
SEE FENNER FIRST
STAND D.406

FOR LATEST
POWER TRANSMISSION
DEVELOPMENTS

On Stand D.406 we shall be
exhibiting a range of power
transmission products including
the new Torque-Arm Shaft
Mounted Speed Reducers



FENNER V-BELT
DRIVES WITH TAPER-
LOCK PULLEYS



HAINSWORTH
VARIABLE
SPEED DRIVES

FENNER

OF HULL

LARGEST MANUFACTURERS OF V-BELT DRIVES IN THE COMMONWEALTH

A sherry that is sheer delight

A perfect gift to the most critical palate, Pintail is an exceptionally fine sherry, both pale and beautifully dry. Specially selected at Jerez, this proud product of Spain is available in a trial pack of two bottles at 42/7d; subsequent supplies at £12 per dozen bottles. Your orders will have prompt attention.



Pintail  **SHERRY**

Established 1800

MATTHEW GLOAG & SON LTD., PERTH, SCOTLAND

Turning Back the Clock

THE Hoover Commission, which is charged with finding ways of improving the economy, efficiency and service of the executive branch of the federal government, has issued what may prove to be one of its most controversial reports. It deals with 104 agencies which administer the government's lending, insurance and subsidising operations. Mr Herbert Hoover, the only Republican ex-President, heads the commission and takes a broad view of its terms of reference. He is a violent opponent of centralised government and feels that private business should be allowed to finance and insure the citizen. He argues that the commission's forty-eight recommendations would result in annual savings to the government of \$200 million and would restore to the Treasury something like \$6½ billion in capital funds.

Among the principal targets of this report are crop loans made by the Commodity Credit Corporation and the mortgage insurance programme of the Federal Housing Administration. The commission recommends that most of the agencies involved should raise their fees in order to cover the cost of money borrowed from the Treasury, and it asks the government to close down some of its operations altogether, in order to let them become part of the private enterprise system. Over the dissent of five of its twelve members, moreover, the commission urges Congress to abolish the Export-Import Bank's authority to make short-term loans to foreign traders analogous to those of commercial banks.

It is doubtful whether this attempt to turn back the clock to 1930 will be taken very seriously either by President Eisenhower or by Congress. In practice the commission's recommendations are aimed at the farmer and the potential home-owner and at certain categories of ex-servicemen. No one in the Administration will be eager to handle this kind of political dynamite with an election year in the offing. Representative Holifield of California, a Democratic member of the commission, wrote a vigorous minority report. In it he suggested that the commission had gone far beyond its proper scope and had injected an extremist and partisan note into what were supposed to be impartial surveys and technical appraisals. Two members of the present Administration who are serving on the commission also expressed their doubts about the value and motives of its findings. It would be a pity if Mr Hoover were to abandon the high and respected functions of his commission in order to make of it an apologia for his own past.

In Defence of Watches

New York.

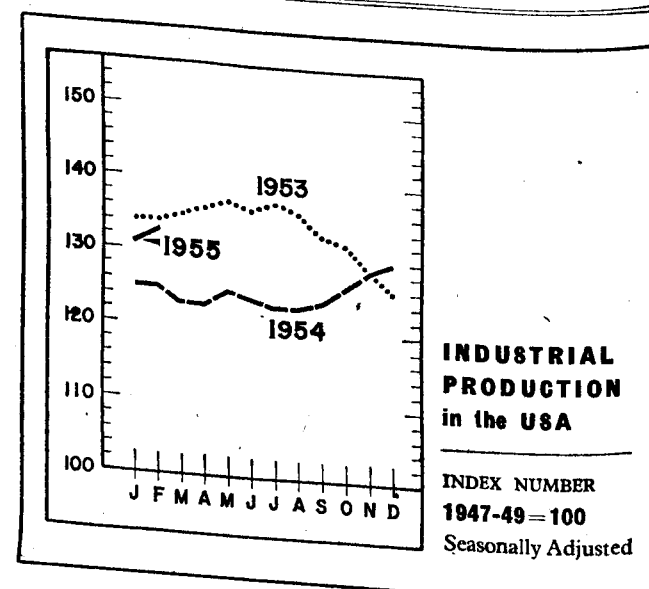
THE embattled Swiss watch industry has suddenly found an American ally in an unexpected quarter—the Department of Defence. Dealt two blows last year—the first by President Eisenhower, when, on the advice of the Tariff Commission, he increased the import duty on watches by 50 per cent, and the second by the Department of Justice, which filed an anti-trust suit against 24 Swiss

THE ECONOMIST, MARCH 26, 1955

watch importers and assemblers, the Swiss have just received a third blow from the United States Treasury. This is a change in the Customs rules so that higher duties are now levied on imported watches ingeniously designed by the Swiss for "upjewelling" after arrival in the United States. There has been a recent increase in the imports of such watches which contain metal end caps, known as "duo fix" features, to facilitate the insertion of additional jewels by American assemblers.

The main argument put forward for protection by the "big four" American watch manufacturers—and one they have found most effective—is that the safety of the country requires the preservation of their skills, which in time of war are needed to turn out precision time fuses. Even General Omar Bradley, now the chairman of the board of the Bulova Watch Company, which is in the equivocal position of being, at the same time, a major domestic manufacturer and an importer of more profitable Swiss watches, has been at pains to put national defence requirements above the financial gain of his stockholders. The Office of Defence Mobilisation, which conducted a comprehensive investigation into the "defence essentiality" of the American jewelled watch industry, concluded that a minimum of 2 million jewelled watches—rather more than were produced in 1954—should be made yearly in the United States, in order to provide employment for 4,000 vital precision workers.

Now the Department of Defence, which has never given more than lukewarm support to the arguments of the watch makers, has released a formerly secret departmental study, which concludes that no preferential treatment for the jewelled watch industry is necessary, and that manufacturers in other industries are quite capable of producing the time fuses the military services need. The Defence Department's conclusions, embarrassing though they may be to President Eisenhower, who allowed the watch tariff increase largely on defence grounds, shine a welcome beam of sanity on the whole "defence essentiality" argument, now relied on indiscriminately by ailing manufacturers of everything from lace to lead pencils. And the British bicycle manufacturers, waiting for the President's decision on the Tariff Commission's latest recommendation to raise the tariff on imported bicycles, may have cause to thank the Swiss watch importers for their fight for "freedom of assembly."



THE ECONOMIST, MARCH 26, 1955

Visit to "Aiova"

FROM A CORRESPONDENT IN IOWA

SPEAKING in Moscow in January, Mr Khrushchev made a blistering attack on the shortcomings of Soviet agriculture and extolled the hybrid maize and livestock cycle developed in the United States. Mr Lauren Soth, an editorial writer on the *Des Moines Register*, wrote a playful piece inviting

any delegation Khrushchev wants to select to come to Iowa to get the lowdown on raising high quality cattle, hogs, sheep and chickens. . . . We ask nothing in return. We figure that more knowledge about the means to a good life in Russia can only benefit the world and us.

The *Christian Science Monitor* reprinted the piece and before long a Tass representative confirmed that Moscow was interested. At his press conference on March 3rd, President Eisenhower observed that he believed "good, and good only" could come from a meeting between Russian and American agricultural experts and he recalled his own visit to Soviet collective farms. After that, it was only a matter of time and nagging before the State Department and the Department of Justice agreed to waive the usual security and immigration regulations in order to allow the Russian delegates to enter the country.

Iowa's maize and livestock farms and the agricultural research and education facilities at Iowa State College draw a constant stream of foreign visitors. As early as 1930, the Amtorg Trading Company hired eight Americans, five of whom were from Iowa, to go to Russia as advisers to the Soviet swine trust. Hybrid seed maize from Iowa and other parts of the "corn belt" has been much used in Europe in recent years, and recently a Moscow-trained official from the Yugoslav Ministry of Agriculture came to Iowa to buy hand corn planters—which are obsolete and hard to find.

The fact that the last Soviet official to visit Des Moines, at the invitation of the Chamber of Commerce, turned out to have been an atomic spy has not dampened enthusiasm for the coming exchange of delegations. Individual farmers have expressed a wish to have Soviet boarders and such organisations as the Iowa Farm Bureau Federation are preparing to put their best hog forward.

Any Old Iron?

New York

FLOURISHING European factories, hungry for metals, are bidding scarce supplies away from indignant American fabricators. Copper scrap is most difficult to obtain, but the alarm is spreading to aluminium and steel scrap users. With copper prices on the London Metal Exchange soaring to 45 cents a pound last week, 12 cents a pound above the recently increased prices of the large American integrated producers, there is every incentive for European firms to buy scrap copper in the United States even at premium prices, and for Chilean copper normally shipped to the United States to be diverted to Europe. While strikes cut the delivery of copper to American users by 16 per cent last year, exports of copper scrap from the United States, mainly to Western Europe, more than doubled. The government, anxious to keep American fac-

tories in full production, and suspicious that some copper scrap exports are ultimately destined for consumption in Eastern Europe and China, has prohibited all exports of domestic refined copper, and imposed strict licensing and quotas on exports of copper scrap. During the second quarter of 1955 only 12,000 tons may be sent abroad.

Even in the aluminium industry, where production is at record levels, the diecasters have asked for a government embargo on exports of aluminium scrap. These rose from 9 million pounds in 1953 to 72 million pounds in 1954, while imports dropped sharply. With foreign buyers paying premium rates, aluminium scrap has risen by more than 50 per cent in the last two months, even exceeding the price of the primary metal. The diecasters, who normally use scrap for 80 per cent of their aluminium alloy castings, have been forced to buy primary aluminium, thus creating a further shortage. But there is evidence that the high price of scrap aluminium is already restricting exports, without the need for government intervention.

Steel scrap stocks are higher, and in many cases adequate, but with the automobile industry's voracious appetite unassuaged, and steel output approaching record rates, aggressive foreign bidding for American scrap steel is also causing concern. Exports of steel scrap during the first two months of this year were running at an annual rate of 3.6 million tons, compared with 1.3 million tons last year and only 271,000 tons in 1953, despite a price increase of 40 per cent during 1954. Export licensing is in force but, as the licences issued far exceed even the rising exports, the government is tightening its controls.

Already deliveries of both copper and aluminium to the government stockpile have been diverted to private industry. Such diversions and export controls together may provide temporary relief, though the copper shortage remains acute. But unless the European market weakens, no substantial easing of supplies is expected until the demand from the American automobile and construction industries slackens off—probably later in the year. The danger is that this form of relief could be too drastic.

Competition by Coupon

New York

WHEN the American housewife wants a pair of nylons she may well buy a bar of soap or a pound of margarine—to collect the necessary coupon. This device, known as "cross-couponing," is becoming as common in American grocers' shops and supermarkets as are the 5 or 10 cent discounts allowed on repeat orders of the same brand of product, or purchases of other brands supplied by the same wholesaler. The instigators of the coupon craze are the manufacturers, who, in the highly competitive grocery world of fewer and larger supermarkets, must force their way on to the open shelves and elbow out competitors by every possible means. Where coupons are redeemed on the spot the shopkeeper is allowed by the manufacturer a handling fee, which is usually 2 cents a coupon. But to the shopkeeper who is forced to accept these flamboyant promotional devices in line with his competitors, coupons may bring more headaches than profit. Most retailers claim that costs of handling them exceed the allowance made by the manufacturer, and they dislike

forms of cross-couponing that force them to stock goods they normally do not carry.

Another device, but one adopted less by manufacturers than by retailers trying to attract customers into the shop, is the ubiquitous trading stamp. These stamps are sold by special stamp companies, at slightly more than their face value, to shopkeepers who give them to their customers in proportion to their purchases. The customer sticks the stamps into a book which, when full, can be redeemed with the stamp company for some nationally known product worth, usually, about 3 or 4 per cent of his original outlay; on occasion, "stamp wars" double or treble the allowance of stamps made to customers. Some shopkeepers prefer to run their own stamp schemes. Others, such as Sears Roebuck, the nation's largest mail order house, organise their own subsidiary stamp companies whose stamps are redeemable only at the parent shop. However, the larger supermarket chains, such as the Great Atlantic and Pacific Tea Company and Safeway Stores, continue to hope that the whole stamp movement will run foul of the courts. They claim that stamps merely give a spurious impression of saving, since some shopkeepers raise their prices to allow for the cost of the stamps.

The common argument that trading stamps help the small shopkeeper is inconclusive, since many of the larger chains have joined in the race. The charge that their use is illegal under the fair trade laws, although frequently made, has seldom succeeded in the courts, but many retailers now feel justified in cutting the price of "fair trade" products—those subject to resale price maintenance—by the equivalent of the stamp discount offered by their competitors.

Leverage with a Colour Bar

Washington, D.C.

WITH three members of their race in the House of Representatives, and one of them chairman of a committee, the Negroes are beginning to arrive as a political force. A recent study by Professor Carleton and Mr H. D. Price, published in the quarterly *Antioch Review*, suggests that this is even true of certain southern states, such as Florida (on which the study is based).

The starting point was the decision of the Supreme Court in 1944 which stopped the exclusion of Negroes from the primary elections at which the parties choose their candidates. In Florida, the ultimate victory of Democratic candidates is nearly automatic; hence the primaries are the decisive elections. In 1944 there were 20,000 registered Negro voters in the state, all Republicans; ten years later the figure had risen to 128,000, and of those only 8,000 were Republicans. The Negroes changed parties in order to influence the only election that counts. According to Professor Carleton and Mr Price, they form political leagues to interview rival white candidates and endorse those who make the best impression. The extreme fragmentation of the Democratic party in Florida and the high number of nominations for any important office give an organised minority considerable weight. On the other hand, the Negroes keep their endorsement secret until the night before the election, when they hand out endorsement cards to Negro voters, lest unendorsed candidates should

rally support among whites on a basis of race antagonism.

At the level of state politics, Negro voters suffer from two handicaps. The absence of a genuine two-party system in Florida robs them of the chance to hold the balance of power. Secondly, the "poor white" rural voters in the plantation areas, who are the Negroes' normal allies in national politics, are their bitter foes in local politics because they have a high social stake in white supremacy. Nevertheless, Negroes feel that they are reaping benefits from their participation in Democratic party primaries. In precincts where their vote has been large, they have received better police protection and fairer treatment from judges who may depend on them for re-election. And they are receiving the traditional symbols of emergence into political influence by a hitherto suppressed racial group: street lights, pavements and macadamised streets.

SHORTER NOTES

Five Southern Democrats who voted with the Republican opposition gave the Administration its victory in the Senate fight over the Tax Bill. The Democrats had proposed a \$20 tax deduction for every head of a household and the repeal of tax benefits granted last year to businessmen and shareholders. The Senate version must now be reconciled with that passed by the House which gives a straight reduction of \$20 to every income tax payer. In the end the President is expected to get what he wants, a continuance of excise and corporation taxes at present rates, with no income tax concessions.

★

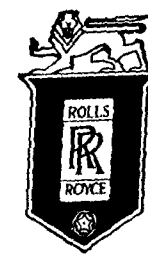
The Senate has at last confirmed the appointment of Judge John Marshall Harlan to the Supreme Court. The long delay between the President's nomination of the Justice last November and the Senate's final decision has prevented the Supreme Court from attaining a full bench to consider the implementation of its order against racial segregation in the schools.

★

The chairman of Montgomery Ward, Mr Sewell Avery, has called upon the Senate Banking Committee to investigate the "interests" supporting the efforts of Mr Louis Wolfson to gain control of the giant mail order company's rich reserves. Mr Avery is anxious that a full disclosure regarding Mr Wolfson's financial backers and his claim to control 500,000 shares of Ward stock be made available to the company's shareholders before the annual meeting next month.

★

The Department of Agriculture has taken another step to discourage farmers from transferring to other price-supported crops land which they are no longer able to plant to wheat and cotton. To check excessive production of oil-seed crops, and thus to ease the burden on the government, guaranteed prices for soyabeans, flaxseed and cottonseed have been reduced substantially.

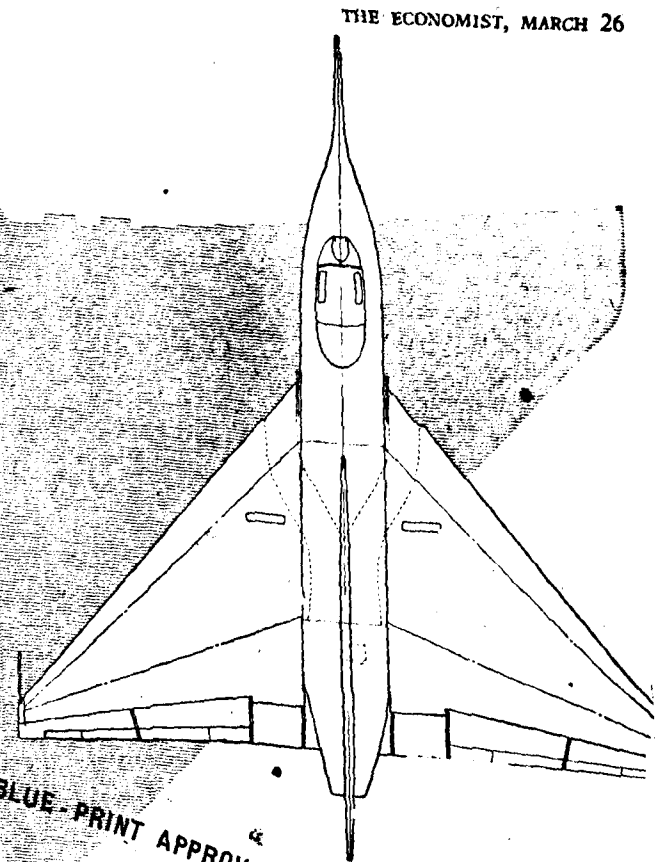


ROLLS-ROYCE AERO ENGINES LEAD THE WORLD

*A Rolls-Royce propeller turbine engine was
the first to be officially approved for civil aviation.*

AVRO
knows
how...

TO TRANSLATE BLUE-PRINT APPROVAL INTO LARGE-SCALE PRODUCTION



It was early in 1947 when the Air Staff laid down their requirements for a new Jet Bomber for the R.A.F. This top-secret specification called for a bomber with the speed of a fighter, able to carry a heavy load and quickly adaptable to a variety of new weapons. Avro's design study group immediately began to work out the problems involved. The specification posed formidable requirements which at one time seemed beyond achievement in the light of existing knowledge. The design gradually evolved from conventional studies into the familiar triangular shape of the Avro Vulcan. Throughout the development of this new aircraft, the knowledge and experience of Avro Production experts was incorporated in the prototype. That is why the whole complex operation of translating the original designs into terms of quantity production moved smoothly to completion. A steadily increasing stream of Avro Vulcans is now beginning to flow from the Avro assembly lines. Today the traditional Avro talent for quantity production (which results in a peak output of 42 four-engined Lancasters a week during the last war) ensures the successful large-scale production of the mighty VULCAN—super priority bomber for the R.A.F.

An actual photograph of an Avro Design Team studying a scale model of a research delta prototype. Throughout the development of the Avro Vulcan close co-operation between design and production engineers resulted in sound, practical solutions to production problems as they arose.



A. V. ROE & CO. LIMITED/Manchester

Member of the Hawker Siddeley Group
Pioneer... and World Leader in Aviation



The World Overseas

The Rule of Law in Pakistan

BY A CORRESPONDENT

PAKISTAN'S fate seems to be to proceed from one political or economic crisis to another. So far as the political variety is concerned, it now does so placidly enough, for the people have been thoroughly inured to political upheavals and constitutional tangles; but the latest crisis was in a sense the most serious of them all. Fortunately, however, it has this week been brought to nothing by the Federal Court's ruling that the Sind Chief Court acted without jurisdiction in holding the Governor General's dissolution of the Constituent Assembly last year to be illegal.

It was not a question of power that was involved so much as a question of principle. If the Federal Court had ruled against the Governor General's action, there can be little doubt that the government would have had to take the law into its own hands. This it could have easily done, for it has the support of the army, the civilian services, and the vast majority of the people of the country; only the professional politicians, who do not like to see civil servants in their domains, are against it. If a show-enforce were necessary, the government would not have had to move a gun, and hardly even a policeman. It is the best government that Pakistan has had and, being led by trained administrators, fulfils the needs of a country suffering from maladministration of politicians.

But—and it is a big but—action on these lines would have cut at the roots of the law. Perhaps the greatest thing that Pakistan has taken over from the British, greater even than the ideals of good administration, is a deep veneration for the rule of law. Admittedly, the past few years have seen a gradual erosion of this; but if the government had gone to the length of flouting the Federal Court openly and setting itself clean above the rule of law, it would have been regarded as the beginning of the end of Pakistan as a free and democratic society.

The government would then have been faced with a terrible dilemma. It could be argued that it should have yielded gracefully and permitted the restoration of the dissolved Constituent Assembly. But in fact it is almost impossible to contemplate this as a practical possibility. The Assembly was dominated by a block of East Bengal Muslim members who may have been fully representative of their province in 1947 but now no longer represent anybody but themselves. They were all members of the Muslim League and, in the 1954 elections to the Provincial Legislative Assembly, that party succeeded in gaining only 10 seats as compared with 223 secured by the newly formed

United Front. The successful party was completely unrepresented in the Constituent Assembly, even on the opposition benches. In fact, therefore, the restoration of the Constituent Assembly would have created a situation which would have been the very negation of democracy, and would have left the making of Pakistan's constitution largely in the hands of a group of politicians whom the country had rejected. Worse still, no one could have got rid of them; they would have been members of a sovereign body, which could not be dissolved by the Governor General and could dissolve itself only when it had completed the framing of the constitution (which had already occupied seven unfruitful years). This would have been a *reductio ad absurdum* of the law as it stood, and it can hardly be doubted that in such circumstances Pakistan's necessity would have known no law.

Happily there is now no need for such speculations. One gets the impression, however, from the terms of the Federal Court's order, that it was a narrow shave for the government and that the facade of legality was preserved only by a hair's breadth. It is significant that the Court made no pronouncement on the main issue, and set aside the Sind Chief Court's ruling only on the ground that it had been acting under a provision of law which was invalid because it had not received the Governor General's assent. Some fifty Acts passed by the Constituent Assembly now become automatically invalid, and the baby has certainly been thrown out with the bath water; but no doubt the government has an ordinance ready to give validity, with retrospective effect, to such of these measures as must be saved.

What comes next? The limelight switches once again to East Pakistan, for the Governor General has made known his intention of summoning a fresh Constituent Assembly or convention elected by the Legislative Assemblies of provinces where such bodies exist. This makes it necessary to re-establish parliamentary government in East Pakistan, even though that troubled province is much happier under governor's rule. But the problem is to find someone to form a government. Properly speaking, the leader of the United Front party, the octogenarian Mr Fazlul Haq, should be called upon, but he made such appalling blunders during his short period as Chief Minister that he would hardly be acceptable to anyone. Moreover, the United Front, which was an *ad hoc* party formed from diverse elements of the province to fight the elections against the Muslim League, has since virtually disintegrated.

Once, however, this difficulty is surmounted, the new Constituent Assembly should have little trouble in bringing the constitution to its final shape, for the trials and errors of the past years have made it plain that the federation must be formed of two more or less equally balanced states, the eastern wing and the western wing. Recent reports indicate that the government is not weakening in its determination to amalgamate the provinces and states of West Pakistan into a single unit, and in this, if it can be safely achieved, lies the solution of several of Pakistan's major difficulties. Meanwhile, an important consequence of the Federal Court ruling is that it gives the Governor General, Mr Ghulam Mohamed, a great measure of power. So long as his health holds out, he will continue to play a very important role. He will be supported by a cabinet of expert administrators which, if it can keep clear of internal dissensions, will be able to continue the good work it has begun. But with all its virtues the present administration does seem to be of doubtful legal paternity, and the best long-term interests of the country require the holding of general elections as soon as possible.

As-You-Were in Soviet Germany

THE Soviet Union's German satellite has now obediently entered its new-old course on the signal from Moscow. The main difference—and a very important one—between the East German Democratic Republic and the rest of the people's democracies is that its economic planners perform their contortions in the full view of the prosperous West Germans, and any of Herr Ulbricht's fellow citizens who find his rule intolerable can escape to the capitalist world. So far, over a million former inhabitants of the People's Democratic Republic have chosen not to live under German Communists, and the stream of refugees continues. It slackened very much after the new course was introduced in 1953, with its promise of better conditions. A trickle of refugees was actually returning to the east last year, though some of these have come back to the west for a second time. Peasants and young workers still form a big proportion of the present flow. There is now an acute labour shortage in the Soviet Zone, and the authorities are having to court more unpopularity by driving workers into the gaps that yawn most widely. Men are being sent from factories producing consumer goods on to the deserted farms and into heavy industry. And everyone is being told to work harder. In all industries, there is a new drive to raise norms, or, in other words, to reduce the wage for the job.

The new-old course means that heavy industry is given greater preference over consumer goods than under the new course. No more is heard of the orders to heavy engineering works to produce pots and pans. It means that the lag on the farms must be overcome. It also involves a fresh effort to increase productivity and lower costs, which are abnormally high. Factories that showed good profits under private ownership are working with losses that have to be borne by the state. In the urge to fulfil the plan targets laid down in East Berlin ministries, factory managers produce large quantities of unusable goods that have to be rejected by other factories which have relied on them in order to fulfil their fixed target. And so the whole system has

been digging itself further into a morass of muddle. From it the Socialist Unity Party bosses every now and then pick men and women who have not shown political zeal, and imprison them as saboteurs, whether or not they are efficient technicians whose loss to the business creates further confusion. The rest of their fellow-workers are then exhorted again to emulate Soviet technique—advice which goes down very badly among the Germans.

Plans to Reform Planning

For the first time, it seems that one inherent fault in Soviet planning is being recognised. The new-old course in East Germany includes a certain reform of the centralised system itself. At an economic conference in East Berlin in the middle of March, attended by Soviet representatives, the SED's chief theoretician, Oelssner, announced that a balanced economy would be created by new means. Rigid centralised planning would henceforth be limited to a few basic fields, and in other industries local plans could be drawn up. In this way it was hoped that production plans would no longer be upset by frequent alterations made by ministries. Moreover, the obsolete basic "standard values" on which targets are computed would be abandoned, and in future there would be no "wangling" when norms were fixed. Economic research would be used and the time needed for a job would be properly assessed.

From the point of view of the Soviet Zone consumer, the most important symptom of the new-old course is a food crisis. Meats, fats, sugar and flour are all scarce and are, it seems, practically unobtainable in some districts. The authorities are alarmed. Herr Grotewohl, the premier, had to call a conference on March 10th, at which he declared that last summer's harvest, which was admittedly poor, was to blame and that rations of sugar, flour and alcoholic drinks had been cut to ensure supplies during the year. He inveighed against the panic hoarding which is taking place. At the same time, he proclaimed that agricultural targets had been stepped up.

A 1949 Promise

This miserable performance in a largely agricultural territory, nearly ten years after the end of the war, is a poor advertisement for Communism. The abolition of rations was promised when the Ulbricht government was formed in 1949, and has been repeatedly dangled before the eyes of the public since. Supplies have, indeed, increased in the off-the-ration state shops, and prices have been lowered over the years; but the present reversal of policy will again postpone the goal of derationing. The government is obviously worried about the excess of purchasing power in the country, and it is hardly likely that prices will be cut considerably until such time as the low level of productivity rises. To combat inflation the Communist authorities are trying to prevent West Berliners from buying in the eastern sector of the city, after having exchanged their money at five-to-one (in favour of the west mark), and efforts are being made to limit the amount of notes which East Germans take out of the Zone. Soviet in the West, which lowers the rate of exchange. Yet against all the evidence the Soviet Zone authorities still insisted at the Leipzig Fair that the east and west marks

are at par, and that—still more oddly—the pound sterling is worth only 6.22 Soviet German marks. This latter rate would make the eastern mark very much more valuable than the west mark, the rate of which is 11.75 to the pound. The sheer nonsense of this juggling is not lost on West German businessmen.

The return to economic Stalinism and the new food shortages will undoubtedly cause great disappointment among the East Germans. In the past year those of the people who had known nothing but a police state and rationing for most of their adult lives were becoming more contented. "It is not so bad now. We get an orange occasionally," was the typical remark of one book-keeper refugee who fled some months ago for fear of arrest. There may be a further increase of refugees to the West as a result of the latest developments. In particular, the West may have to try to accommodate more peasants from the Soviet Zone if Ulbricht steps up the drive to collectivise the farms. Clearly the dilemma of the Communist leaders will be whether to cling to the doctrine of collective farming and risk more land going out of cultivation altogether, or to slacken the drive and risk a revival of the kulaks. It is expected in Bonn that Marxist-Leninist theory will win.

In any event, Ulbricht does not intend, it seems, to bring down the iron curtain again along the interzonal frontier if the Paris treaties are ratified. The Communists' policy is, on the contrary, to keep up the present comparative ease of travel because it suits their purpose. The open frontier smooths the way for Communists to organise their infiltration of Federal German organisations.

M Faure and the Tunisians

FROM A CORRESPONDENT IN PARIS

LAST week, when Franco-Tunisian negotiations on home rule were resumed in Paris, M. Edgar Faure was at pains to emphasise that he was entirely in agreement with the general line of policy set forth in M. Mendès-France's declaration of July 31st last to the Bey of Tunis. The talks are now happening daily and in the course of them the French and Tunisian delegations have united to issue statements about the cordial atmosphere in which they are taking place. But both delegations admit that little progress is being made: none can be expected until the Tunisian prime minister returns from the visit to Tunis on which he embarked last Saturday.

Both sides give different reasons for the fact that nothing has been achieved during a week of talks. The Tunisians say that they agreed to reopen talks at the point where they were broken off when M. Mendès-France fell, and that at that time the entire treaty was ready for initialling with the sole exception of the articles concerning the responsibility for the police force in the southern part of the country. It will be remembered that at that time both prime ministers said that negotiations were on the point of conclusion and that "a few hours of further talk" would solve the difficulty; it is possible that the immense confidence the Tunisians placed in M. Mendès-France personally caused them to take this optimistic view. Now, they say, the Faure government has redrafted and changed much of the text so that many of the important issues that had

been settled must be thrashed over once again. According to the same Tunisian sources, the subjects which need to be reopened include the whole complicated question of Tunisian nationality; that of French participation on municipal councils and on the proposed National Economic Council; the use of the French language in schools and official documents; the question of courts of arbitration and the exact timing of the transfer of the police force in certain areas from French to Tunisian control.

Economic Troubles

If it were not for the present parlous state of Tunisian social affairs, which includes the prevalence of near famine conditions, 500,000 unemployed in the country and a consequent need for immediate and long-term economic aid from France, the Tunisian delegation would already have threatened to break off the talks unless they were based on the draft agreed by M. Mendès-France. The Tunisians say that it is to discuss these points that the Tunisian Premier, M. Tahar Ben Ammar, has gone back to Tunis; he is also intending to discuss them with an influential Tunisian in exile—Salah Ben Youssef, Secretary-General of the *Néo-Destour*, who is in Geneva.

The French picture of what has been happening is not quite the same. Frenchmen freely admit that the text of the proposed treaty has been rewritten and "improved," but the argument is that these changes have only drafting significance, and that talks have reopened more or less where they were broken off. Paris believes that M. Tahar Ben Ammar has left Paris, not to hold consultations about the changed text, but to attempt to heal rifts in the much-divided delegation that he leads. It is patent to anyone, for instance, that there are deep differences between the attitude of the Bey and that of M. Habib Bourguiba, who is the *Néo-Destour* leader still in exile in France. The latter has recently made statements concerning constitutional reforms which make no secret of the fact that he questions the right of the Bey to hold the absolute powers that at present go with his high office. Frenchmen also argue that Salah Ben Youssef is kept in exile by the Tunisian delegation because they resent and fear his power. The French say that so far as they are concerned there is no reason why both Salah Ben Youssef and Habib Bourguiba should not be included in the Tunisian delegation. What is necessary, they maintain, is a delegation which speaks with one voice and represents the territory.

It seems that the main issue still at stake is responsibility for the police force in the southern part of the country. Paris has a theory that the Tunisians are making a fuss

"Motor Business"

The current issue of this quarterly research bulletin for the motor and allied industries deals with:—
The domestic and export markets for agricultural tractors.

Car ownership and purchase in Britain.
Second-hand price indices of cars and vans.
The bulletin is fully illustrated by charts.

For full particulars of this service apply to:—

THE ECONOMIST INTELLIGENCE UNIT

22 Ryder Street, St. James's, London, S.W.1
Whitehall 1511. Ext. 47

about other points, and reopening other questions, in order to fabricate bargaining counters for use in this major struggle. But despite the many important differences between the delegations, it is obvious that both sides urgently want to reach agreement. The feeling in Paris is that there is a fifty-fifty chance of success if M. Faure remains in power long enough to allow what amounts to renegotiation of large parts of the treaty.

Problems of Prosperity in Holland

FROM A CORRESPONDENT IN HOLLAND

STIMULATED by recent private proposals for a revaluation of the guilder, outside observers may have gained an exaggerated impression of Holland's super-abundant economic strength. The country is, indeed, relatively prosperous. There is no boom, but there is a solid foundation on which to be optimistic about the near future; yet an economy so dependent on its neighbours is always vulnerable. Economic development in a country like Holland can never move faster than that of the larger countries to whom it must sell its exports. For the time being, therefore, the question of revaluation is academic, since neither government nor the *Nederlandse Bank* is inclined to consider it seriously.

The suggestion is, in fact, an indication more of concern than of complacency. Wages have risen fairly steeply recently—about ten per cent in the past year. The advocates of revaluation see it, therefore, as a means of avoiding a proportional rise in costs by forcing down the cost of imported raw materials and semi-manufactured goods. Wage increases, resulting in increased costs, threaten the principal advantage Dutch exporters of industrial and agricultural goods still have over their colleagues abroad; for in comparison with other European countries, costs are low.

Dutch government officials point out that it would be difficult for a single country to launch currency changes alone. Moreover, the terms of trade are still developing favourably for them. The government, therefore, prefers to rely on other, more orthodox, ways of adjusting the wage-price ratio. Under the government-launched slogan: "Rest," an injunction aimed at both wages and prices, internal policy now aims at keeping both stable. The country's three large employers' organisations fully back the government's campaign. And meanwhile the government is warning business and agriculture against the abuses of price-fixing and unreasonable profit margins. To round the programme off, it never ceases to stress the need for raising productivity as a means of increasing real wages.

Whenever the fate of the country's export programme is at stake, the Dutch government can count on popular backing, even when it means an arbitrary restriction of consumption. Dutchmen appear to have a streak of economy in their nature; they always put aside a part of their salary as a matter of habit and rarely buy on credit—hire-purchase is virtually unknown. Nonetheless, the government has come to the conclusion that it should not indefinitely force consumption to remain at an artificially low level. Partly

THE ECONOMIST, MARCH 26, 1955

for this reason it has introduced into Parliament a bill cutting taxes by 505 million guilders.

The increase in exports continues. Last year Dutch exports were 9,500 million guilders, 1,000 million more than in 1953. Figures for the early months of 1955 are higher than in the corresponding months of 1954. Imports increased by 2,000 million guilders last year, to a total of 10,673 million. In spite of the import surplus the overall balance of payments remained favourable. On January 1st, total reserves amounted to 4,849 million guilders, 3,015 million of which was in gold and the rest in foreign currency.

The Dutch government is pushing ahead with its programme of freeing imports; liberalisation in trade with OEEC countries is now at 92 per cent. Dollar imports have been freed to the same degree and in consequence have risen rapidly. At the same time, Holland's dollar position has benefited from the listing of Dutch shares (Royal Dutch Shell, for example) in the American market.

The strengthened balance of payments position has made it possible for Holland to resume, on a modest scale, the capital export which was so important before the war. Low interest rates have made borrowing attractive. In the government sector foreign loans are so far restricted to Belgium, which borrowed 160 million guilders last year; a new loan to Belgium has just been announced. Negotiations for a loan to the European Coal and Steel Community are under way. And, in addition to this, Holland has been able to repay in full two large dollar loans before maturity.

The great dangers and the great weakness of the Dutch economy lie within Western Europe. Dutch exports go principally to European countries despite enormous private and official efforts to spread exports outside Europe. Belgium is still its best customer, with West Germany a close second. Holland, however, is still getting dollars from Indonesia by way of contractual repayments of loans granted before the transfer of sovereignty. But the proportion of total Dutch trade going to Indonesia has fallen from 8 to 2 per cent in the five years since independence. Dutch traders and exporters have adjusted themselves to the shift and are concentrating more on other Asiatic countries, especially India and Pakistan.

All these favourable factors must not, however, lead to an overestimate of Dutch economic strength. Though Holland is a creditor in EPU there are indications that it may not indefinitely remain so. It would be one of the first countries to suffer if, for instance, France was forced to retreat from its present level of liberalisation. If the German rearmament orders go to other foreign countries, one result will be that normal German trade with Holland will suffer. These are possibilities that prudence demands must be kept constantly in mind.

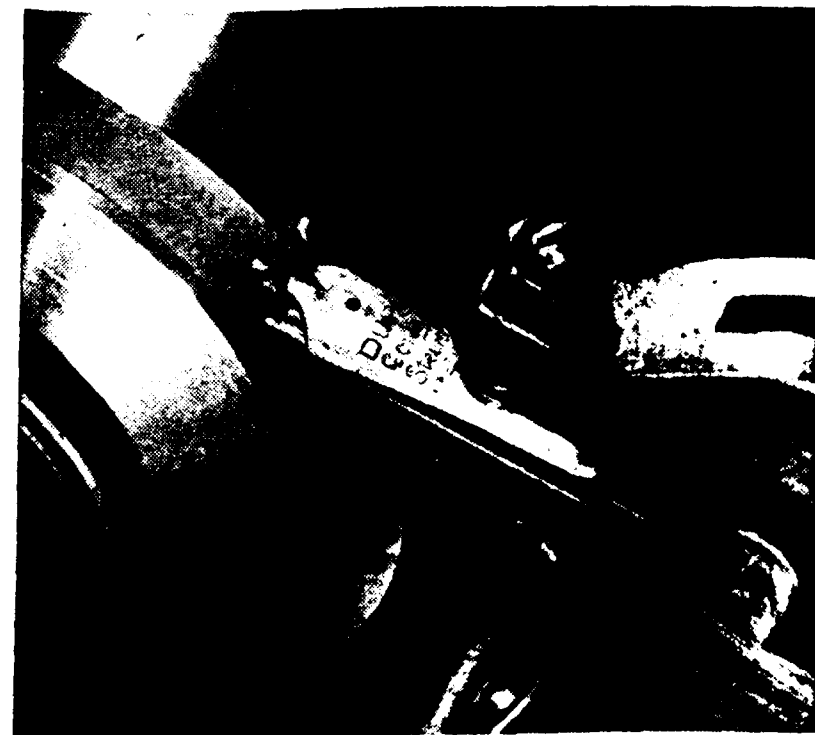
Candidates and Crisis in Brazil

FROM A CORRESPONDENT

ON October 3rd, Brazil will go to the polls to elect a new President. As the office-holding candidates must resign by the beginning of April, it is only to be expected that the politicians should now be involved in a frenzy of bargaining and agitation. But two issues of crucial importance to the country's future are adding an unusual tone of urgency to the debates. The first is whether a democracy,

THE ECONOMIST, MARCH 26, 1955

1099



This machine was photographed by kind permission of Conroy Stewart and Company Limited

Twentieth-century penknife

WHEN PENS WERE FEATHER QUILLS, penknives really were *pen* knives, but the nearest thing to a penknife that modern pen makers use is this machine in our illustration. They use it for slitting nibs for modern fountain pens. The blade of this twentieth-century penknife is an abrasive cutting wheel about three inches in diameter and one two-hundredth of an inch thick. It is made of rubber-bonded silicon carbide, and is mounted on a shaft which revolves at 20,000 revolutions per minute. When the wheel is stationary it is fragile and slightly flexible. At 20,000 revolutions per minute centrifugal force keeps the wheel perfectly rigid and steady, and the cutting edge moves at some 170 m.p.h. Gold nib blanks, stamped to shape and tipped with iridium, are presented to the edge of the wheel point foremost, and fed smoothly forward. The wheel cuts a fine, highly finished slot,

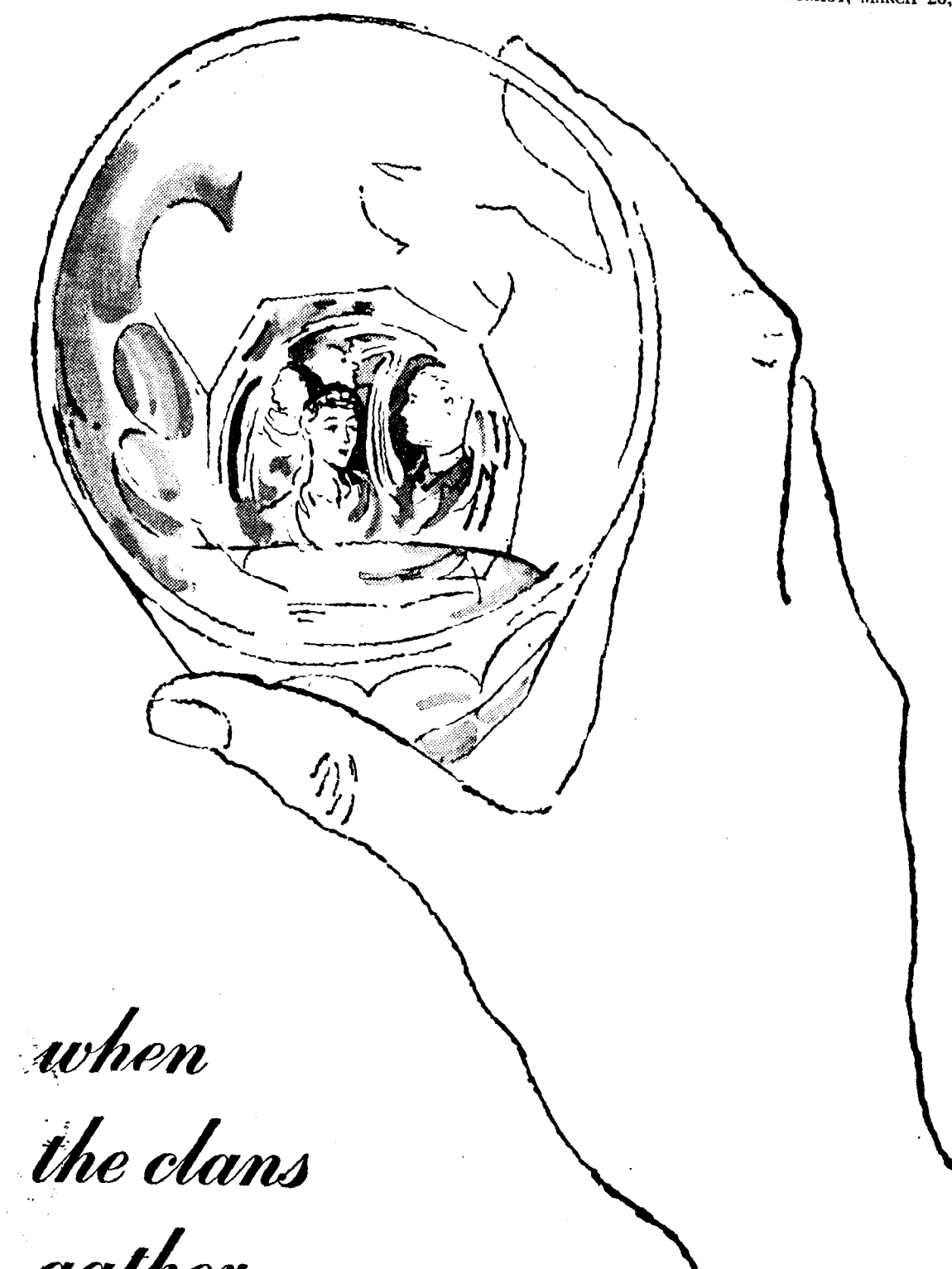
clean through the iridium tip and along the centre line of the nib.

Beside these small abrasive wheels for nib slitting, The Carborundum Company Limited make abrasive cutting-wheels of many kinds and sizes: wheels that can cut through a Nimonic-steel bar, three and a half inches in diameter, in 45 seconds; wheels that cut through red-hot sections of high-speed steel in the rolling mill at temperatures up to 1,000° Centigrade; wheels that can cut concrete; wheels that can cut plate glass; wheels that can cut an eggshell cleanly into two pieces without damaging the skin of the egg inside it.

These cutting wheels are finding new uses every year, but they are still only one small group in our much wider range of abrasive wheels for a thousand and one other industrial purposes—grinding, polishing, and honing wheels, of every kind.

Abrasive and Refractory products by CARBORUNDUM

THE CARBORUNDUM COMPANY LIMITED, TRAFFORD PARK, MANCHESTER



when
the clans
gather,

its

Grants

STAND FAST WHISKY

WILLIAM GRANT & SONS LTD. DISTILLERS. SCOTLAND

so bitterly divided against itself as a result of the suicide last August of President Vargas, can survive a free election. The second is whether the country can save itself—or be saved by others—from the bankruptcy which faces it as a result of the collapse of its coffee exports.

Most Brazilians would be very happy if it were just a question of electing the candidate of one or other of the great national parties. Unfortunately, however, the political undercurrents are not so simple. The 24th of August is rapidly becoming as symbolic to the popular press as the Ides of March were to the Romans. On that date President Vargas committed suicide. A leading group in the armed forces—led by the air force—had decided that the corruption and fraud of his regime must end and that Vargas himself must go. They hoped to give Brazil an era of honest, democratic, government and sound economics.

Old Habits Return

There was only one flaw in this crystal-gazing. The men who led Brazil's *coup*, because they justified themselves as defenders of the constitution, neither wanted nor were able to limit the freedoms guaranteed by the constitution. As the first shock of the new regime wore off, the old political habits began to reassert themselves. By last December it had become clear that the largest party in the Chamber of Deputies—the Social Democrats (PSD), who include some of Getulio Vargas's most active supporters—was planning to run its own candidate. And the Governor of the important mining state of Minas Gerais, Sr Juscelino Kubitschek, who is widely accused of surrounding himself with many of Vargas's more disreputable camp-followers, was actively promoting his own candidature. The military leaders stepped in. They wrote a letter to President Café Filho advocating the idea of a candidate of national union; and every attempt was made, both in public and in private, to suppress Kubitschek's candidature. The PSD ignored these warnings and drafted Kubitschek at its party congress in February—though a significantly large right-wing splinter group refused to go along with it.

Since then all has been confusion. There was much loose talk of a new army *putsch*. But the government has been showing more interest in finding a national union candidate capable of beating Kubitschek in open elections. The anti-Juscelino group has had great difficulty in finding a man who can both appeal to the masses and command sufficiently widely-based support from the mutually suspicious political factions. Many people hoped that General Juarez Tavora, who has come further into the open political arena than most of his colleagues, could be persuaded to stand. But an army candidate would have the disadvantage of driving many fence-sitters into the opposite camp.

Attempts have also been made to involve Sr Janio Quadros, the new Governor of São Paulo—Brazil's great coffee-growing and manufacturing centre. But this enigmatic figure has been blowing hot and cold, counting his cherry stones. He may find it better to be Governor of São Paulo than an unsuccessful Presidential candidate. Hopes are now resting on the relatively neutral—and some would say negative—candidature of Sr Munhoz da Rocha, Governor of the small southern state of Paraná. Meanwhile, Sr Kubitschek is following a sophisticated line. By standing as a strictly constitutional candidate he has been able to accuse his opponents of carrying on an anti-Vargas vendetta long after the reasons for that feud have ceased to

exist. And he has been acting on the sound principle that to be known is to be voted for; already his posters are appearing on the hoardings and his articles in the press.

The financial crisis is giving the election an unusual seriousness; and, in turn, the prospect of an election is making the government's attempt to fight the financial crisis doubly difficult. About its seriousness there can be no two views. Coffee, which last year covered 54 per cent of the total value of Brazilian exports, has slumped on the American market. In January and February of this year exports fell quantitatively by 34 per cent compared with the same period last year; and despite drastic price-cutting there is still no sign of a recovery. With the promise of a bumper crop this year, Sr Gudin is faced with the prospect (which in an election year amounts to a necessity) of buying up huge quantities of excess production which on reliable estimates will amount to about 5 million sacks (or a third of the crop) and cost the state about 10 billion cruzeiros. Inflation is rampant and the cruzeiro is tumbling to new low levels on the free market.

Sr Gudin is doing what he can on the monetary front. He still claims to be determined to balance his budget and is boldly pursuing a tight credit policy. In January, for the first time in many years, total bank loans were actually reduced; and optimists talk of inflation being eliminated in a few months. This month, in the teeth of fierce opposition, he forced through an increase in the premium on the exchange rate which has to be paid for oil imports, thus bringing the exchange rate charged on Brazil's most costly import closer into line with the real value of the cruzeiro—and at the same time providing the Treasury with increased funds to fend off the coffee slump.

Few people really expect these measures by themselves to revive exports. A more realistic exchange rate to stimulate Brazil's secondary exports on the world market could help. So would a further tightening of the already theoretically strict import regulations. But the foreign capital which alone really has the power to give Brazil a new lease of life is unlikely to flow until a very important condition is fulfilled. There must be reasonable certainty that a stable and efficient government with power to take Draconian decisions will stay in office.

The New Gatt

THE ninth session of the Contracting Parties to the General Agreement on Tariffs and Trade (Gatt) in Geneva had as its main object a review of the working of the Agreement in the light of past experience and existing circumstances. The results of this operation have now been published. The following are the main changes proposed:

(A) Amendments to the Agreement

Restrictions to Safeguard the Balance of Payments (Article 12)

Only comparatively minor changes have been made in the drafting of this article. But an important change of substance concerns the obligations of countries applying quantitative restrictions (QRs) to consult with the Contracting Parties to Gatt (later with the Organisation for

Trade Co-operation (OTC) when it comes into existence) "immediately after" applying or intensifying such restrictions. In addition, from a date yet to be specified, Gatt will review annually all restrictions being applied under this Article. If it finds inconsistencies it will advise the country concerned and suggest modifications. If "serious" inconsistencies are found it may recommend means for bringing these into conformity with the Agreement, and if its recommendations are unheeded it will advise the other parties concerned that they are entitled to take appropriate reprisals. In addition, any Contracting Party which is harmed by the action of another country in applying QRs is entitled, if it can make out a case proving that the rules are being violated, to bring it to the notice of the other Gatt signatories, who will then take action similar to that already described above.

Exceptions to the Rules of Non-Discrimination (Article 14)

There is no immediate change; but later, when sterling becomes convertible, provision has been made to ensure that the obligations and rights of a country in terms of the International Monetary Fund Agreement are consistent with those under this Agreement.

Subsidies (Article 16)

New clauses have been added. A distinction is drawn between subsidies on "primary" products and others. The clauses regulating the use of the former are mild; no subsidy on a primary product shall be applied if it causes the country applying it to secure "more than an equitable share of world export trade in that product." No definition of "equitable share" has been attempted. In the case of all other subsidies, the Gatt countries undertake not to introduce any new subsidies, nor to extend existing subsidies after January 1, 1955. As from January 1, 1958, countries are obliged to remove all subsidies, save those on primary products.

Governmental Assistance to Economic Development (Article 18)

This Article has been radically rewritten. A definition has been attempted of an underdeveloped country. In fact, two forms have been identified:

- (1) Contracting Parties which can only support low standards of living and are in early stages of economic development. (Such as India, Pakistan, Burma, Indonesia.)
- (2) Contracting Parties which do not fall into the same category as the above, but which are nevertheless in the process of development. (Such as Australia, New Zealand and South Africa.)

Countries belonging to the first category are allowed considerable latitude in regard to both tariffs and QRs. In order to protect a particular industry essential for economic development, they are allowed to open negotiations on the modification or withdrawal of tariff concessions with the other countries concerned. If agreement proves impossible, the underdeveloped country can appeal to Gatt, which in turn might, in certain circumstances, authorise the country to withdraw or modify the tariff concessions concerned, while granting adequate compensation. In the last resort an underdeveloped country can withdraw or modify a bound tariff concession; but in this case it is open to retaliation. Underdeveloped countries of the first category are entitled to use QRs for balance of payments reasons in the same

manner as other countries, but with the additional dispensation that Gatt will review these only every two years. An underdeveloped country is, in addition, entitled to use QRs to protect a newly established industry; but it must consult Gatt before doing so. Developing countries of the second category are allowed to use QRs to protect a newly established industry; but they must first secure the approval of Gatt.

Modification of Schedules (Article 28)

A new procedure has been evolved. Beginning from January 1, 1958, tariff schedules will be bound for three-yearly periods. At the beginning of each period there will be a brief "open season" during which countries will be entitled to negotiate the withdrawal or modification of concessions. And if agreement cannot be reached they will nevertheless be free to withdraw or modify these concessions; but they are then open to retaliation.

Tariff Negotiations (Article 28 BIS)

A new departure is the specific injunction to sponsor tariff negotiations in which all member countries participate.

(B) Organisation for Trade Co-operation

By a separate protocol and agreement the establishment of a new body is proposed. It is to be known as the Organisation for Trade Co-operation, and will be responsible for the administration of the Agreement. It will consist of an Assembly, made up of all the members of the Organisation, an Executive Committee comprising 17 members elected by the Assembly, and a Secretariat, under a Director-General, which will in fact be the present Gatt Secretariat suitably reinforced.

(C) Waivers

During the session waivers were granted to the United Kingdom in connection with the tariff treatment of imports from dependent overseas territories, and a minor extension of the waiver granted in October, 1953, concerning horticultural imports, and to the United States in connection with import restrictions imposed under section 22 of the US Agricultural Adjustments Act.

An important decision taken in Geneva, and contained in a separate document, concerns the so-called "hard-core" import restrictions. This refers to QRs, which though originally put on for balance of payments reasons have, incidentally, served to protect industries, and therefore cannot be removed without hardship. In this case, the country concerned must, before December 31, 1957, inform the Contracting Parties of its difficulties. Permission may then be granted to that country to retain these restrictions temporarily, but it will be under an obligation to work towards their removal within five years.

The various agreements and protocols containing these changes—five in all—are open for signature in Geneva. To become effective some require the unanimous acceptance of all the parties; others require only a two-thirds majority; while the agreement for the setting up of the Organisation for Trade Co-operation requires the agreement of countries whose trade accounts for more than 85 per cent of the total foreign trade of the Gatt countries. In effect, this last provision means that Britain and the United States must both sign before OTC comes to life; in the case of the United States, which has already signed, the Agreement must be ratified by Congress.



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.

NAPIER

Partners in Progress with The ENGLISH ELECTRIC Company Ltd.
D. NAPIER AND SON LIMITED LONDON

THE BUSINESS WORLD

Towards Competitive Railways

THE seed that was sown in the Transport Act of 1953 contained the germ of greater commercial freedom for British railways. It was a new species, developed to replace some rank and tangled growths in the railways' old-world garden—*monopoly triumphans*, over a century old, and now growing upside-down;

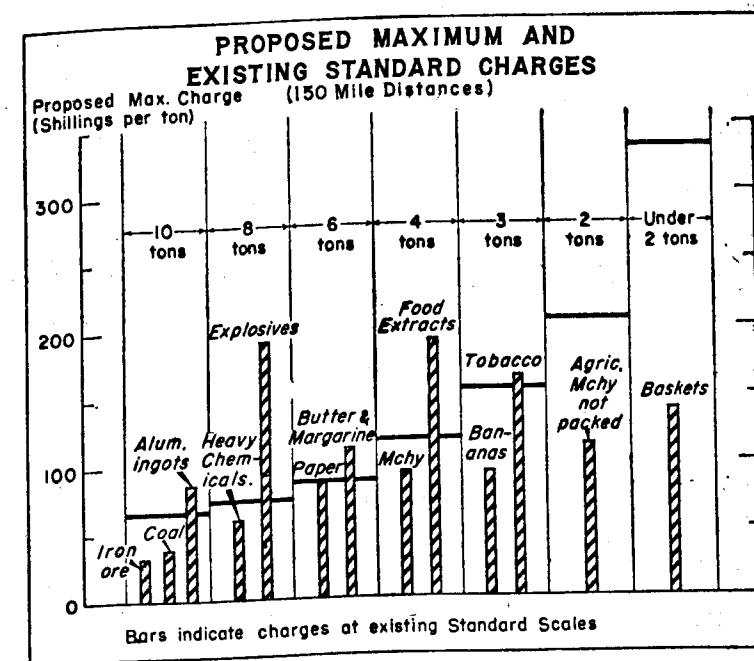
charging principle, and has naturally made little appeal to those who fear that their freight charges might go up and care little that the other man's might come down, its course before the tribunal may be hard and long.

The new principles in the scheme are two. First, it sets the maximum charges that the commission

may make for moving freight. It throws out the classification of goods and the standard charges on which the 1921 Railways Act was based. In their place, it provides a maximum charge for each consignment based on its weight and its loadability. Secondly, this is a scheme to set limits to what may be charged, and not a scheme to fix charges. The commission's memorandum, explaining the scheme, rightly declares that "in trans-

port, as in any other commercial business, the most effective price protection for the consumer is competition." There may, indeed, be cases where a trader is bound to the use of railway transport, because there is no competing carrier ready to take his traffic; in that event, section 22 of the 1953 Act protects him, for he can complain to the Transport Tribunal and get redress if he is being unreasonably charged. Within these new maxima, the commission will be able to exercise commercial discretion in quoting rates and

think that they are in danger of being roughly treated. To the Transport Commission since the idea of giving them greater competitive freedom was mooted, and they have now reached the stage of lodging with the Transport Tribunal a draft scheme for a new system of freight charges. Until a charges scheme is approved by the tribunal, the railways will not gain full power to compete effectively with road haulage. And since the scheme embarks on a new



up to 15% FASTER MOULDING with LUSTREX HI-FLOW 55

LUSTREX*, Monsanto's popular polystyrene plastic, is now available in a faster flowing form. With Hi-Flow 55, you can mould at a lower temperature — and cut cycle time by up to 15%! Thus for normal mouldings, Hi-Flow 55 can save time, increase production and cut costs. And for intricate mouldings, particularly those needing a long flow, Hi-Flow 55 greatly reduces the risk of strain and instability in the finished product. Hi-Flow 55 is also specially suitable for very thin wall applications — and thick sections too! Lustrex Hi-Flow 55 needs no special moulding technique — it can be used in standard injection moulding equipment.

Please note that it can be supplied only to commercial users in production quantities. Write now for full details.

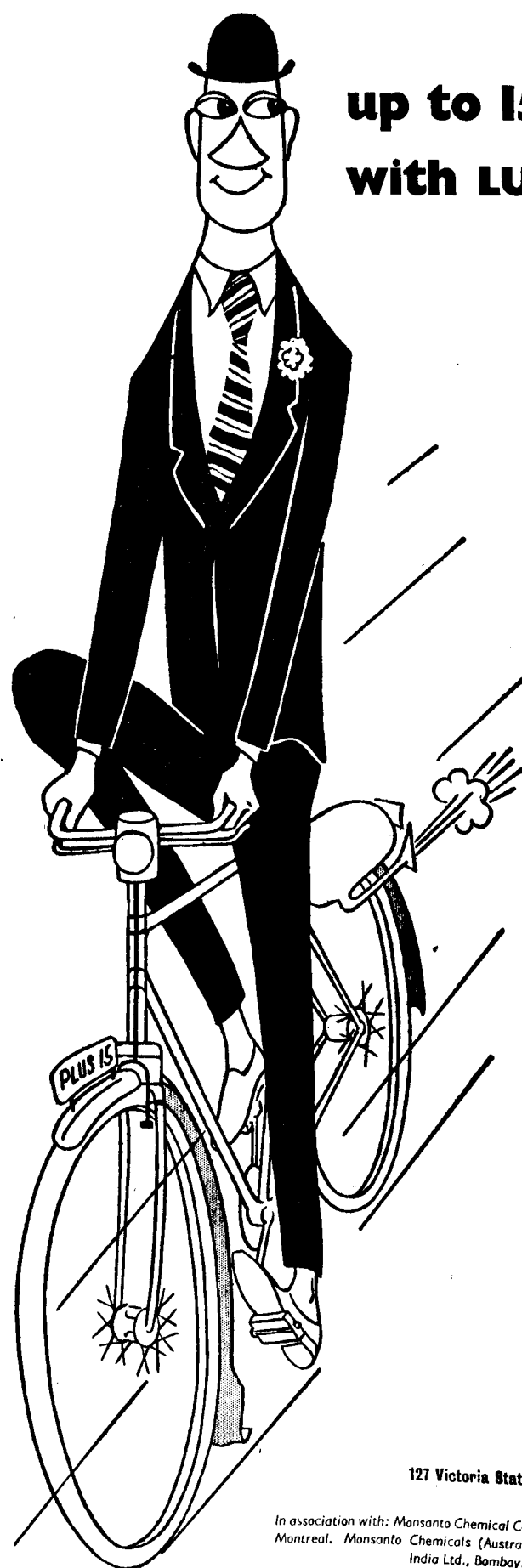
What you can make with LUSTREX*

Many different products, cheaply and well. You can make tool handles, and packages for tools. You can make filing trays, and fittings for refrigerators and radios. In fact you can make almost anything — from instrument panels and picnic sets to camera spools and small cable drums — in Lustrex polystyrene plastic.

(*Registered Trade Mark)

MONSANTO PLASTICS LIMITED,
127 Victoria Station House, Victoria Street, London, S.W.1
and at Royal Exchange, Manchester, 2

In association with: Monsanto Chemical Company, St. Louis, U.S.A. Monsanto Canada Ltd., Montreal. Monsanto Chemicals (Australia) Ltd., Melbourne. Monsanto Chemicals of India Ltd., Bombay. Representatives in the world's principal cities.



their object will be to encourage the tendering of traffic in wagon-load consignments.

These new principles command respect, and they are founded on sound economics. The present classification of commodities by value, with scales of charges for each class, averages out the total cost of movement over all the traffic, on a rough basis of ability to pay. It has no very direct connection with the relative costs of moving the different consignments, and it works only under conditions of virtual monopoly. In a competitive regime, charges must be linked to costs, and the latter are governed, to an important extent, by the weight and by the loading characteristics of the consignment. The scheme in fact adopts the ten-ton wagon as standard basis of cost (thus posing the question whether the standard basis itself ought not to be raised as the average carrying capacity of the wagon fleet is steadily improved). "Loadability" is defined in the scheme in this way:

"Loadability" means, in relation to any consignment, the greatest weight of goods identical in every way (save as to total weight) with the goods comprised in the consignment as tendered for carriage, which is reasonably capable of being loaded and safely carried in an open railway wagon with two axles capable of carrying a maximum load of ten tons and with a cubic capacity of 450 cubic feet.

Given the total weight and loadability of any consignment, the charge for carrying it is split into two parts: a fixed charge for the first ten miles; and a charge per ton for each mile beyond ten. These maximum charges for the larger traffics can be summarised thus:

PROPOSED MAXIMUM CHARGES

Weight	Loadability	First ten miles	Per mile thereafter	Average per ton at	
				50 miles	150 miles
tons	tons	per ton	per ton		
10 or more.	10	28s.	3½d.	38s. 10d.	65s. 11d.
8 to 10	8 to 10	31s.	3½d.	42s. 8d.	71s. 10d.
6 to 8	6 to 8	39s.	4½d.	52s. 4d.	85s. 8d.
4 to 6	4 to 6	54s.	5½d.	72s. 4d.	118s. 2d.
3 to 4	3 to 4	72s.	7½d.	95s. 4d.	153s. 8d.
2 to 3	2 to 3	100s.	9d.	130s.	205s.
1 to 2	...	160s.	1s. 3d.	210s.	335s.

Note: If, say, 4 tons of goods of 10 ton loadability are tendered, the trader will pay on the basis of full use of the wagon—that is, on 4-ton loadability. If the railways can put two such loads in one wagon, the advantage will be theirs. Actual rates, in practice, are likely to be below the maxima in most cases.

A scheme of this kind cannot distinguish between different traffics—for example, between raw materials and finished manufactures. If the maximum charges were in fact to be adopted by the Commission as their actual charges, some traffics would have to pay more than at present, particularly those in the lower classifications, as the chart shows. But that is not the Commission's intention:

Most of the rates in active use at the time the scheme comes into force should continue in operation for the time being to enable a progressive and systematic review of all such rates to be made. When carrying out this

review, the Commission will adjust charges, either upwards or downwards, as part of a process of evolving a new and flexible charging system based on sound business principles. It is the Commission's intention to consult with representative bodies of traders in the development of their system of charges...

There are, in fact, three safeguards against excessive charges: competition from road haulage and privately owned road transport; the countervailing power of the large industries (including coal, electricity, gas and steel) that are well able to defend themselves; and in the last resort, appeal to the Transport Tribunal if the railways should try to exploit what remains of their monopoly.

Given these conditions, there is everything to be said for supporting the new scheme in principle. It puts commercial enterprise first; it recognises that the limits of what may be charged for a consignment should reflect the relative costs of carrying it; it gives a pronounced encouragement to the bigger load and the longer haul, for which the railways' costs ought to be lower than road costs, and a pronounced discouragement to the small load and the short haul, for which road haulage is obviously cheaper and more convenient. There are some parts of the country that will not rejoice at these ideas—Scotland in particular. But it cannot be gainsaid that the railways are best fitted for the bulk load and the long haul, and that their charges ought to recognise the facts of their underlying costs.

Opposition to the scheme—and there will be plenty of it, and not confined to details—will have in the end to answer two straight questions. Are the opponents in favour of continued regulation of the railways of such a kind as to deny them any competitive opportunity in the nation's transport business? If so, do they really think it will reduce their transport costs if the railways sink into a state of complete decrepitude? There will be no sense in spending £1,200 million on railway rehabilitation unless costs are to be reduced and the reduction passed on to the trader—or to put the same point in national terms, unless the railways can contribute to a reduction in the real costs of transport that fall on the whole community. The condition for advance on the railways is the regeneration of commercial enterprise. And that, in the end, is the real safeguard for industry when it sends goods by rail. Traders should fasten their eyes on this prospect, and not on "maximum" charges. In the majority of cases the maximum charges will only set notional limits to what the railways have power to charge, whereas their actual charges will at the outset of the scheme be lower and under competition will remain lower. The passage of the scheme before the Transport Tribunal will be the less contentious if these considerations are kept in mind. It would certainly ill become any industry, nationalised or not, that bases its prices on average costs to impede a nationalised industry that is trying to put its prices into reasonable economic relation with its marginal costs.

Selling Cars in Africa

BY OUR SPECIAL CORRESPONDENT

OUTSIDE a car assembly plant at Uitenhage near Port Elizabeth one Sunday last month, employees were swimming in the company pool or lounging with cool drinks under a blazing South African sun. Inside the plant, frozen for the weekend into a purposeful clutter, various shapes and sizes and makes of cars queued on the same assembly line—pastel-coloured Austins, a rich tomato Studebaker, and Volkswagen in gayer colours than are usually sprayed at Wolfsburg. The American managing director told some English visitors that there were seldom less than three and often up to five models coming off the single final line; the mixed operation called for careful control of component stocks and for assiduous training, but it worked, with a very creditable score in standard assembly man-hours. Recently the plant had been turning out about 20 vehicles a day—or 4,200 a year, comprising 2,400 Austins, 1,200 Studebakers, and 600 Volkswagen; it is now up to 32 a day, and capacity is being increased towards about 40 a day. The Austins will be gone before the end of the year, to the company's own big new assembly plant at Blackheath outside Cape Town where the equipment is now being put in. The Uitenhage director was not worried by this move. Everyone hoped that import controls would soon be lifted, and there was a big pent-up replacement demand for cars, apart from expansion; he was thinking, in a year or two, of perhaps 5,500 Volkswagen and 2,000 Studebakers.

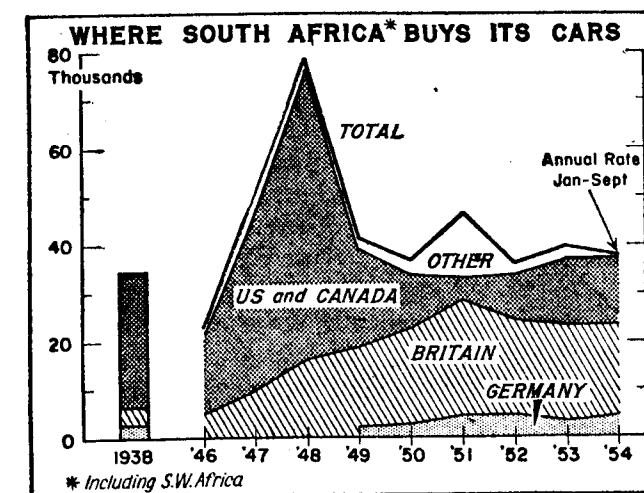
Such confidence, looking towards more cars and more competition, typifies the South African motor market today. It is a Commonwealth market, but no ordinary one. Car imports have been restricted for more than six years. There is no formal discrimination against the dollar: American cars took the brunt of the import cut, but a large number are still imported each year from the United States and Canada. South Africa is a motorists' country, with a car for every five white people and vast distances on a road system expressly designed and for motoring, not haulage. Finally, it is almost exclusively a market for cars imported "completely knocked down," with a large assembly industry to look after.

Under import control, Britain has secured a sharply increased share of a market that is still taking only about half the cars that it took in 1948. Then South African car imports were just under 80,000, and more than 60,000 of them were American.* Restrictions on exchange—in fact if not in form—pulled American cars down the next year to 20,000 out of a 41,000 total; and devaluation added its contribution to reducing their share of this price-conscious market. In 1953 the Union imported about 40,000 cars; Britain supplied just over

* Exported from America and Canada.

20,000, the United States 13,410, and the German industry, which had meanwhile arrived on the South African scene, about 3,200. Last year there appears to have been little change in the national pattern of imports: total British sales to the Union were down somewhat. Among the British makes, the order of sales in 1953 appeared to run: Austin, Ford, Vauxhall, Nuffield, Rootes and Standard; only General Motors and the American Ford approached the leading British makes in sales.

All these cars are assembled in South Africa, though only General Motors and Ford at present own the plants in which their knocked-down cars are put together; by this summer Austin will be assembling its own. All the others are assembled in plants built originally to assemble American cars, but owned for the most part in South Africa. The assemblers receive import quotas from the South African Government, and these quotas have been distributed to keep most of the plants at least fairly busy. Although Britain has considerably increased its share of the commercial vehicle market,



too, America still holds a small lead; most of these commercial vehicles, too, are assembled in the Union.

The control has virtually excluded the import of cars already assembled (except for a few token vehicles) because they suffer a sharply differential import duty; this may be six times as much for a car on wheels as for the same car "C.K.D." It has also brought about a rather odd "class structure" in car ownership. No car valued at more than £600 fob may be imported into the Union, which excludes for example the Jaguar, since this can hardly count on a volume of sales sufficient to justify local assembly. But most of the big medium-priced American cars have a "family" assembly plant to call upon—Chrysler and Packard, for example. It is broadly true that the better-off

motorist buys an American car (even the Chevrolet and the Ford are more expensive than any British make that sells widely). Britain supplies the cheaper—and hence the larger—end of the market.

Assembly in Africa, admittedly, lives under the sunshade of a differential tariff. It may be conceded that it is not greatly inferior assembly, or hugely more expensive. The standards of workmanship, on some African-assembled cars at any rate, seem slightly lower and less durable than those of vehicles brought in complete. There is not a great deal to choose between the South African materials that have to be incorporated—tyres, glass, paint, and trim—and those used in British mass production. In terms of man-hours, South African assembly compares fairly well, but with annual runs of only 5,000 or so, amortisation of capital equipment for assembly and of jigs for particular cars must run high. The actual labour costs seem likely to vary sharply with the proportions of races employed—white, coloured or African. Even with significantly higher freight charges a car assembled in Britain can be landed perhaps 5-10 per cent cheaper than the same car assembled in South Africa and using some local materials; but the differential duty much more than wipes this out. Assembly in South Africa is not an economic decision, but a condition of entry to this nationalist-minded market. The pressure for a higher proportion of local manufacture is certain to follow; but the “national car” about which certain assemblers have pipe-dreams still seems a long way off in the veld.

★

Today there is an absolute shortage of new cars, with waiting lists for most makes; among the cheaper and medium-priced cars a second-hand car a year old will fetch almost the list price. There are roughly 550,000 motor cars in the Union, and nearly half of them have been running ten years or more. There may not be much room for expansion of the market; though the British motor industry officially reckons the South African population as 18 per car, 13 of those are non-Europeans with tiny incomes. A few of these own cars; but to reckon the mass of them as a potential market that can be soon tapped for motoring is wildly unrealistic. The trade actually estimates the potential demand, for some years after imports are eventually freed, at 70,000-80,000 cars a year.

Small and medium-sized British cars now dominate new sales in this market, whereas ten years ago hardly any South African had a good word to say for a small British car. South Africa is a land of long, straight, empty roads, and ten years ago even most trunk roads had shifting dirt surfaces. The South African motorist believes that bad roads can only be taken efficiently by averaging about 50 mph along them. Up to the end of the war, therefore, this was a market for American cars; they could be driven constantly at 65 mph or more without shaking to pieces, and their springs were designed for roads often not much better than the African. They are now driven considerably faster; with the improve-

ment of American roads, their springing has become a little soft for African dirt surfaces. But the postwar British car can now hold its 65-70 mph for long periods on the South African trunk roads, many of which have now acquired a tarred surface; and it can put up good averages on the second-class dirt roads.

Where few people used to have a good word, there are still a fair number with a bad word for the British car, from private motorists to Government departments; and many more who without recriminations hope, if they can, to find the difference to pay for an American car. In the arguments for and against the two countries' cars there are elements of snobbery, larger elements of prejudice, and lumps of horse sense. Some of these may be worth recording impartially; all three may have a good deal to do with why a man buys a particular car:

Snobbery certainly has some influence with the richer motorists: with the British “class” car fenced out of South Africa, the done thing is to buy big, glossy and American.

Sheer size matters. In new American cars three people can sit side by side on front and rear seats without touching; and sitting touching anyone under South African sunlight is a warm, clammy business.

Ease of driving—both countries' cars have their advantages here. The expedients adopted to bring American gear linkages across to a right-hand drive are sometimes clumsy and weak; wrenching these big cars around on loose surfaces, or edging them in to park, can be hard work. But many drivers count American electrical gadgets as much more reliable.

Crashes in South Africa are frequent and catastrophic. If the British car survives the high-speed collisions that are commonplace, it will be a cheaper repair job. But some diehards would argue that the modern European chassis-less method of construction is not made for South African accident-prone drivers; they think the chassis that American cars retain makes for a stiffer structure.

Whatever the weight of these various arguments, price hits the American car hard. On the Rand, an Austin A.50 costs £750, a Vauxhall £780, a Volkswagen (standard) £572, a Chevrolet £1,054, and the larger Chrysler £1,850. Such “downward expansion” of the white motoring market as can be achieved, therefore, seems likely to be done with the European car—and primarily the British, since many of the arguing points against the small British car apply at least equally to the Volkswagen. At the moment, in South Africa, Britain leads America about 60-40 in sales. The British companies feel that complete freedom of the market need not pull that balance back to less than 55-45. In this competition two of the American contestants are assembling Vauxhall and Ford cars that earn sterling for the British motor industry. Before freedom arrives the biggest fully-British motor group, the British Motor Corporation, will have its own assembly plant at Blackheath, probably the most modern on the continent. The giants will meet on more equal terms.

Business Notes

Bears at Large

SHARE markets had every excuse for the renewed weakness they developed this week. The growing probability, as many thought, of an early election was added to the existing doubt whether the effects of dearer money had fully worked through the market. In the circumstances industrial ordinary shares did well to avoid breaking through the low point established just under a fortnight ago. At 179.2 the *Financial Times* industrial index still stands decently above the figure of 175.7 of March 15th. With a budget to come on April 19th, and with an early date still the favoured bet for the general election, it is far more likely that markets over the next few weeks will be narrow and will fluctuate erratically than that they will continue steadily to adjust themselves to the idea of dearer money.

But dearer money is there as a restraining influence to modify any optimism that the budget may kindle. Its effect though now evident through the range of fixed interest stocks has scarcely been felt in industry. In time industry must find that not only has it to pay more for money but that bank money is more difficult to get at the price. Gradually also industry must feel a pinch in its markets as the excess spending of the sterling area is cut out. What else than a parallel adjustment by another member of the sterling area are the recent Australian import cuts? Yet profits and prospects over industry seem good, and industry as a whole remains strongly liquid. But the business of the investor in equities is to place his money where the risks of loss are small and the chances of gain are great. The risks now are a little greater and the prizes less glittering. So some holders of low yielding industrials are moving into fixed-interest stocks with a date. The charts on the following page depict the “bull market” of the last 18 months and the fall that has now ensued.

★

A different set of conditions applies to fixed interest stocks. There, too, prices are sagging. The risk exists that the banks may need to sell some short-dated gilt-edged stocks to maintain their liquidity. Not looking for much recovery unless the budget should turn out to be not only good but better than expected, investors are still buying sparingly. And the jobbers, less certain than the theorists that the business cycle has been banished for ever, have cut their books down. The turn, when it comes, must therefore be sharp. Behind that market, too, lies the solid phalanx of money in the institutions that cannot indefinitely be left idle. It is supplemented for the moment by the trickle of other money seeking a safer haven than the industrial share market. Long-dated gilt-edged yielding a shade over

4 per cent may still look dear against short dated money governed by a 4½ per cent Bank rate. But the gilt-edged market has been adjusting itself since last November. It must have less distance still to fall than industrials, which reached their peak in February.

Keeping Bank Rate Effective

THROUGHOUT the four weeks since the increase in Bank rate to 4½ per cent, the Bank of England has been taking good care to keep its rate effective in the money market. At the tender immediately after that 1 per cent increase, the Treasury bill rate rose even more steeply than most banks had expected. It then jumped by almost 1½ per cent, to almost 3 13/16 per cent, which was nearly 2 3/16 per cent above the low point of last November, although Bank rate had risen during this period by only 1½ per cent. At this unaccustomed level Treasury bills became attractive not only to overseas holders of mobile balances but also to substantial domestic investors; the latter, in particular, are showing an increasing interest.

★

There was therefore a possibility that the increasing demand would provoke some relapse in the rate, but in fact the discount houses kept their bid price for the bills unchanged at each of the three succeeding tenders. This maintenance of rates is a measure of the firmness of official policy. Throughout the period the authorities have kept the short loan market on a narrow supply of funds, and on no fewer than nine occasions discount houses have had to supplement the market supply by taking seven-day loans from the Bank of England at Bank rate. The amount of these “penal” borrowings has never been large; there has been no repetition of the violent pressure that preceded the rise in Bank rate to 4½ per cent, when the whole discount market found itself “in the Bank.” But these tactics have left no room for doubt about the authorities' determination to keep rates firm.

One incidental result is that the discount houses are now securing a substantial “turn” on new business, which is helping them to make good the sharp losses incurred on existing bill portfolios while rates were rising. There is no corresponding cushion, however, for their losses on short bonds; the current yields from these remain relatively low—and it can only be reaped by the market when it is able to increase its portfolios and is prepared to take the risk of doing so.

Firth Brown Success

A FEW months ago almost every prophet in the market was predicting that the steel group would be among the first sections of the Stock Exchange to weaken as an election drew near. Now it happens that an election does seem near, but almost the smallest of the fears it raises is the renationalisation of steel. The few pence that steel ordinary shares dropped early this week were no more than in keeping with the general tone of markets. The investor now has other worries. If he is selling industrials steel shares will not claim his first attention. They are still a relatively high yielding group, with yields running from about 5½ per cent to about 6½ per cent—nothing like as high as when the Realisation Agency started selling steel shares to a nervous public on a basis of over 7 per cent, but still well ahead of the average of 4.9 per cent shown on the *Financial Times* industrial index.

Institutions that have been persuaded to take big lines of steel ordinaries are probably happy with them now. They have from time to time murmured that they would like a sprinkling of the prior charges as mixers. The first opportunity came last week with the offer of 5½ million £1 ordinary shares at 25s. and £3 million of 4½ per cent debenture stock 1980/85 in Thomas Firth and John Brown. Those prices gave little away, as the date of the offer approached, but the offer was a success, and the debenture stock—not the ordinary shares—had the best of that success.

The debenture offer attracted 9,000 applications for £31 million of stock. Preferential applications, including those from stockholders of John Brown and Co., received full allotment up to £5,000, the larger applications getting 40 per cent of their needs with a maximum of £40,000 stock. Public applications up to £1,200 received only £100 stock, larger applicants getting 7½ per cent of their applications, with a maximum of £3,750 stock. The ordinary shares were not as heavily over-applied for as some recent steel offers; a mere 42,000 applicants for 15 million shares came forward. The basis of allotment for preferential applicants was up to 200 shares in full, applicants for over 1,000 receiving about 34 per cent of their applications, with a maximum of 17,500 shares. The general public received a flat allotment of 100 shares irrespective of the amount

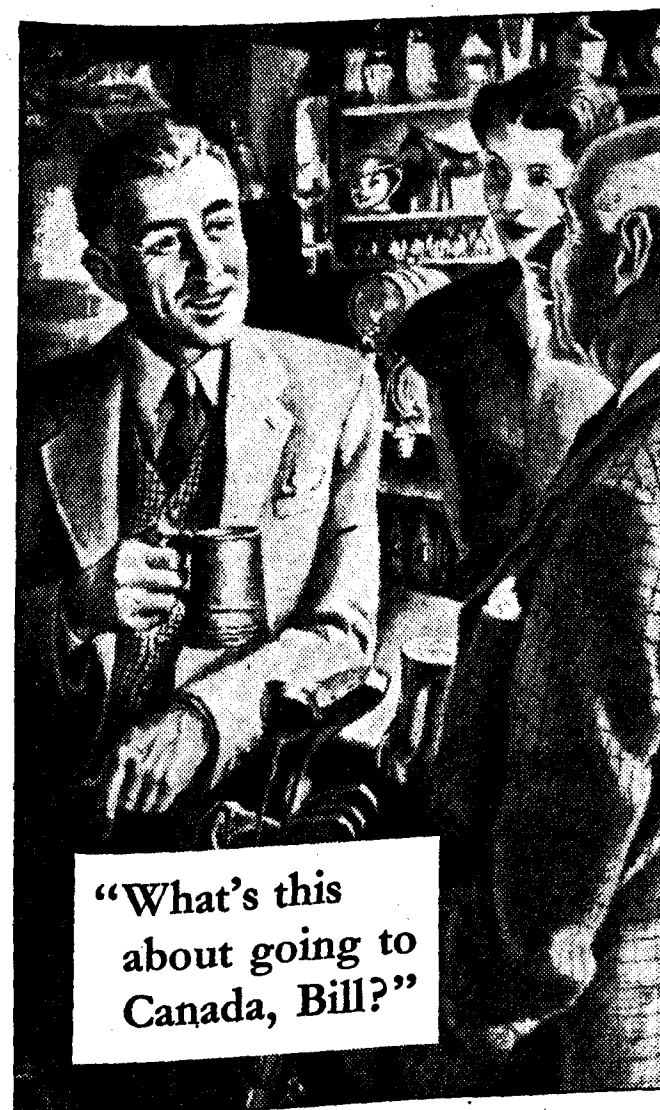
applied for. Satisfactory opening premiums were established for both stocks. The ordinary started at 9d. premium and have since held at around 6d. premium, while the debenture stock opened at 1½ premium and has since reached 2 premium.

Improving Bank Salaries

BANK salaries, as expected, are on the move again. During the past week, six of the big banks have each announced important new arrangements, and a seventh announcement is imminent. These are not concerted revisions, but all of those for which details are available have one common element: the banks are "consolidating" into basic salaries the supplementary cost-of-living payment (known within the banks as the "cash payment"), which in recent years has been at the rate of 13 per cent. The effect of this is to increase correspondingly the salary ranking for pension (and therefore to add very substantially to the burden of pensions provisions the banks are now carrying) without adding to immediate cash emoluments. The banks apparently hope to avoid any supplementary "cash payments" in future.

Apart from this, the new arrangements, like the old, differ from bank to bank. Four banks—Westminster, Lloyds, Martins and District—have introduced new and improved salary scales and have also raised the payments to staffs that are beyond the span of the scales, the so-called "appointed" and "unappointed" overscale staffs. The National Provincial and Barclays have both announced "consolidation" of the 13 per cent payment, and the former has promised an announcement of "appropriate increases" in a few days' time. The Midland's announcement is imminent, but no details have yet been disclosed. All the changes so far known operate from January 1st last.

Only the Westminster Bank has released comprehensive information, and this makes it plain that the major aim has been to improve the position of the overscale staffs. As in most other banks, the major beneficiaries of earlier postwar revisions had been the junior and other "scale" staff, since the most pressing need then was to appeal to the potential young recruit. The Westminster is now giving flat



"Firm's sending me by
TCA Super Constellation
—far the best,
you know."



Direct Service to Montreal and Toronto
TCA Super Constellations now give business firms the best service they have ever had between Britain and Canada. It's the most frequent service to Montreal and Toronto from London and Glasgow, gives you a wider choice of travelling days, and there are same-day connections across Canada and to major U.S. cities.

TCA Viscount Services within Canada
Soon TCA are introducing the famous Viscount turbo-prop aircraft on selected inter-city routes, and to some important U.S. cities as well.

FIRST CLASS
Fully-reclining Siesta Seats, superb cuisine, fine wines, attentive staff.

RETURN FARES*
London to Montreal £220.18.0.
London to Toronto £236.19.0.

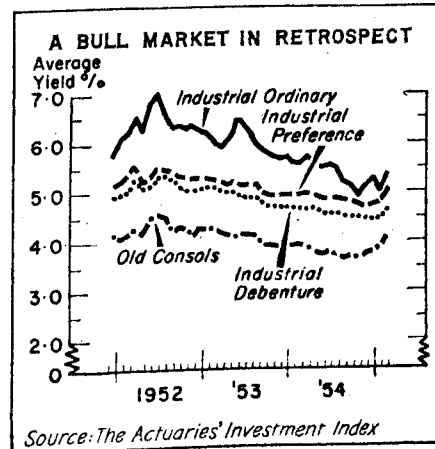
TOURIST
Exceptional comfort, all meals included in fare.

RETURN FARES*
London to Montreal £149.1.0.
London to Toronto £162.13.0.

* Approved IATA off-season fares.

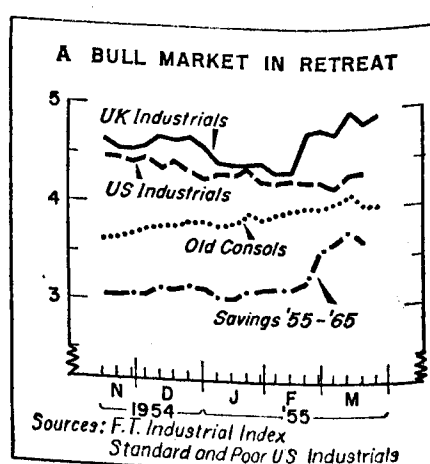
If you travel before the end of March you can get the benefit of TCA's low off-season fares. Your Travel Agent will tell you how much you save.

BEST TO CANADA  Ask your Travel Agent
TRANS-CANADA AIR LINES
ONE OF THE WORLD'S GREAT AIR LINES
Serving Europe, Canada, U.S.A., Bermuda, Nassau, the Caribbean and Mexico



Markets—Pause or Turn?

The left-hand chart shows in retrospect the shrinkage in yields during the great bull market on the Stock Exchange running from the end of 1951 up to early 1955 carrying the Actuaries' Investment Index of industrial equity prices up from 102.7 to its peak of 160.1 at the end of last January; a month later the index was down to 148.4. The right-hand chart shows the effect of the adjustment that has taken place in the weaker phase of markets that started in gilt-edged in mid-November and in industrials at the beginning of February.



A gracious welcome to your guests

20/- bottle · 10/6 half-bottle
Also Magnums 40/-

New York Agents: EXCELSIOR WINE & SPIRITS, 150 BROADWAY

FIRE FIEND V. NU-SWIFT

All Fire Extinguishers
look alike. Please tell us why
NU-SWIFT are so much better—
BEFORE IT IS TOO LATE!

Name.....

Address.....

Post NOW to Nu-Swift Ltd. 25 Piccadilly W.1.

—AHEAD OF THE FIRE FIEND'S VISIT!

In Every Ship of the Royal Navy

total, the first 15 are medium-ranged, the next 10 have greater range, and the final 8 are suitable for non-stop North Atlantic operation.

20 Comet IVs, delivery of which will begin in 1958. In performance these are not expected to differ much from the Comet IIIs, but some allowance should be made for engine developments during the next three years. On present indications this version of the Comet will not be able to operate the North Atlantic non-stop.

The 60 engines are Bristol BE 25 turbo-props for re-engining the Britannia fleet when they become available. This should substantially improve the Britannia's performance.

The total cost of this new fleet is in the region of £65 million, but the corporation has undertaken to sell its Douglas airliners when the long-range Britannias can be put into operation on the North Atlantic.

£10 Million for AEI

TO fix the terms of a big capital issue in today's uncertain markets is not easy, but the biggest issue that has come for some weeks, the offer of 5,172,413 £1 ordinary shares of Associated Electrical Industries at 40s. to raise a little over £10 million, seems assured of success. Lord Chandos, the chairman, has rightly decided that if something has to be given away, the stockholders should have it. Nearly the whole issue—4,957,000 of the shares—are offered as rights to existing stockholders, including those whose stock arises from the recent take-over of Siemens Brothers on a one for four basis. The balance of 215,000 shares are offered to the employees on the same terms.

The rights are valuable—and sufficiently so to take care of any foreseeable risk of a further market recession. At the time the issue was announced the ordinary stock stood at 66s. 6d., making the rights worth 5s. 3d. per share. Lord Chandos should have more to say about the prospects at the meeting next week. For the moment, stockholders who have heard often enough that the electrical industry has become a prey to price-cutting will still be impressed by the fact that Associated Electrical Industries' 14 per cent dividend is covered many times by earnings and will expect the new capital, too, to earn its keep. They will assume that the rate should be maintained on the increased capital.

Profits from Drugs

ONE chapter in the two-year-old dispute over drug prices between the Ministry of Health and the manufacturers has been completed with the despatch of a letter from the Ministry to the industry admitting that the prices of unbranded drugs are not excessive and the profit margins quite reasonable. The Ministry investigated the costs of 19 manufacturers over a 3-year period and decided that their profit on capital employed averaged rather less than 14 per cent—a figure that was calculated over their sales as a whole, not only on those made to the

National Health Service. This is gratifying to the industry as far as it goes, but the more serious discussions, on the prices charged and profits earned on branded proprietary drugs, are still grinding on. The standard drugs, to which the Ministry has just given a clean bill, are the bread-and-butter production of the industry; and branded drugs consist, in the main, of all the new products of research and many of the more palatable compounds (the industry's term for these is "elegant"). These are, frankly, the profit earners and their sales have to recoup the industry's heavy research costs.

Unfortunately for the industry, some manufacturers have sold branded drugs at prices that are difficult to justify. The most striking instances are those of inhalants for the treatment of asthma which have been sold for prices six and seven times as high as those of their unbranded equivalents. In its understandable anxiety to protect the National Health Service's drug bill from prices like these, the Ministry has found itself landed with a full-scale investigation of all branded drug prices, reasonable as well as unreasonable. Between the Ministry and the manufacturers there are sharp differences of opinion about how the cost of the drugs should be assessed. The industry objects strongly to the principle of calculating profit on "capital employed" on the ground that it is not working to steady bulk orders, but to constantly fluctuating demands from large numbers of customers. Drug production, it therefore argues, contains a big element of risk for which this kind of calculation does not, in its view, make fair allowance.

An attempt is therefore being made to work out some kind of costing formula that manufacturers will observe once a drug is in regular production. For the first year or so in which a new product appears (the period when the risk of failure is highest, but also the period when the manufacturer has the advantage of a virtual monopoly) prices will be left free. The formula will be applied when conditions have become more normal—probably when the drug has become sufficiently standardised to be included in the National Pharmacopoeia. But it is proving far from easy to arrive at a satisfactory formula.

Britain and Portuguese Orders

PORTUGAL today is engaged on an ambitious, but practical, development programme that calls for much heavy engineering equipment, and British manufacturers have naturally been bidding to supply this. Half a dozen large hydro-electric plants have already been constructed; an impressive bridge now spans the Tagus not far upstream from Lisbon; and the projects planned or already under way include the electrification of main railway lines, an underground railway for Lisbon, a thermal power station near the coalfields on the lower Douro, and several hydro-electric plants in the ravines of the upper Douro, where it forms the frontier with Spain. Since the early stages of the present period of development, the chief British contestants, English Electric, Metropolitan-Vickers and British Insulated Callender's Cables, have worked together as "the British group," thereby being able to put forward the complete "packaged" tenders that the Portuguese usually prefer.



Gas burns clear and clean. It does not waste its substance in smoke. By the time the gas comes to your burners the smoke has been put to work by the Gas Industry in a hundred different ways, all of them beneficial, all of them contributing to keep down your fuel costs. Apart from fighting unhealthy smog, the filthiest and the most expensive blanket in all history, gas gives you a clear

answer to the question: What is the true cost of my fuel? Your bill is for fuel used. Gas needs no special equipment for handling or storage, no replacement stocks, no extra labour to look after these things. Delivery is continuous, of legally guaranteed calorific value. Clearly, there are advantages about gas that you should consider in your plans.



Clear Guidance

THROUGH your Area Gas Board you can bring the full resources of the Gas Industry to bear on your fuel problem. The Boards' Industrial Gas Engineers are always available for consultation and their services are free. Get your secretary to fill in these details (or pin this advertisement to your letter heading) and send to your Area Gas Board or to the Gas Council, 1 Grosvenor Place, London, S.W.1.

NAME

ADDRESS

WE NEED HEAT FOR 87

The Gas Industry makes the fullest use of the nation's coal.

GC.G7A

As a result, British equipment has taken an important part in the Zezere and Cavado power systems. But a £5 million contract for the first phase of railway electrification has recently gone to a group of Swiss, French and German firms, who also worked as a team, while the Swedes carried off the telecommunications part of the project. It seems that the decision was partly accounted for by the familiar phenomenon of Continental firms anxious to secure work for their shops regardless of profit margin, partly by British insistence on maintaining high engineering standards. But it can hardly be said to provide convincing evidence that those standards should be lowered—particularly in Portugal, where confidence in British quality is as widespread as goodwill toward Britain.

DSIR Overhauls its Plans

A MAJOR review is taking place of the work of the various branches of the Department of Scientific and Industrial Research. Nearly eighteen months ago, the DSIR won two substantial concessions from the Government. The first was a 20 per cent increase in its annual grant and the second, the long-term effects of which were more far-reaching, was permission to budget for expenditure over a period of five years, instead of the annual basis previously demanded by the Treasury. When so many of the DSIR's projects spread over several years, and include substantial capital expenditure on plant, the cost and delivery of which cannot always be accurately predicted, strict yearly accounting with the return of any unspent surplus has been almost as serious a drag on the work of DSIR as actual shortage of funds.

The department's postwar programmes were held up for lack of money, and now that the department has the promise of more adequate income, those plans are partly out of date. This is the reason for the present review. The Advisory Council that governs the Department reports that it should be able before the end of 1955 to submit a new set of plans to the Lord President of the

ISSUED THIS WEEK

Our three-monthly reports on business conditions in

AUSTRALIA
EASTERN EUROPE
GREECE
JAPAN
NORWAY

Fifty similar reports, covering seventy countries, are issued every three months. The annual subscription to one country or territory is £10 and there are discounts when more than five reports are taken. Subscribers receive ANNUAL SUPPLEMENTS giving useful background data. (Single reports cost £3.)

For full information about this and other services apply to:

The Economist Intelligence Unit
22 Ryder Street, London, S.W.1. Whitehall 1511 Ext. 144.

Council. There are some hints that the balance of the new plans may be shifted from certain traditional types of research towards newer branches of science. It is plain that, as part of the new look, DSIR is going to insist that industry shoulders the cost of what might be classed as routine research. Even DSIR's increased income for 1954-55 amounted to only £6.3 million, out of which it maintained 15 research stations and made grants to 41 industrial research associations. It is important that these limited resources should be employed on work that really deserves Government support, and cannot be done otherwise.

Atomic Balance Sheet

THE Atomic Energy Authority will not present its annual report and accounts until the autumn; its financial year ends in August. But since the expenses of the Authority are met by the Government, they appear in the Civil Estimates, where expenditure during the coming Exchequer year is estimated at £50.5 million compared with £53.7 million in 1954-55. These figures give only one side of the picture—the civil work done by the authority, including its building programme. All military research and production are paid for by the Ministry of Supply and the sum is not disclosed.

The two major items of expenditure listed in the civil estimates are wages and building work. The wage bill has risen from £8.6 million to £14.7 million, which is not surprising in view of the growing scale of the Authority's operations. Building work is expected to cost £24.5 million in 1955-56, compared with £21.6 million this year. The Authority has two major projects on hand: the Calder Hall power station, which should be completed during the year at a total cost of between £15 and £20 million, and the Dounray breeder reactor in North Scotland which will probably cost about £17 million. The progress of work on both sites is reflected in the fact that building expenses during 1954-55 accounted for £12.5 million and plant are reversed: building work is expected to account for £10.9 million, while plant and machinery for the establishment will take £13.6 million. A sum of £250,000 has been allotted for the purchase of land, most of it around Dounray.

Rubber in Balance

INVESTORS in the rubber plantation industry have been treated to forecasts of the prospect from no less than three leaders of the industry this week. Sir John Hay, Sir Eric Miller and Mr F. D. Ascoli all agree on the essential point that production and consumption of natural rubber are likely to be closely in balance this year. Sir John Hay told the shareholders of Linggi Plantations that he estimated world production at 1,850,000 tons and consumption at 1,825,000 tons—each showing an advance of 75,000 tons over last year. The estimate assumes that the use of

Australia Restricts Imports

WHEN Britain's best customer is attacked by a bout of over-importing it hardly becomes this country to jib when remedies are applied. Britain is suffering from another form of the same complaint. In the case of Australia, however, the complaint seems to be endemic. As the acting prime minister, Sir Arthur Fadden, remarked laconically this week when announcing the sweeping restrictions on non-dollar imports, "the present high rate of national development necessarily imposes a strain on the balance of payments from time to time." British exporters must resign themselves to taking the fat years with the lean.

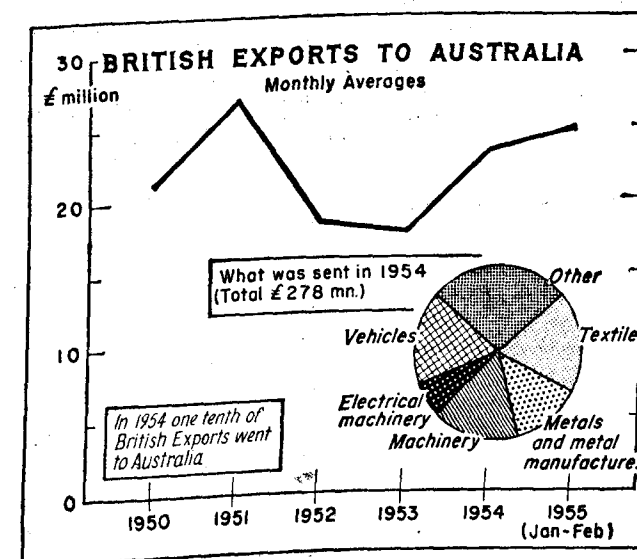
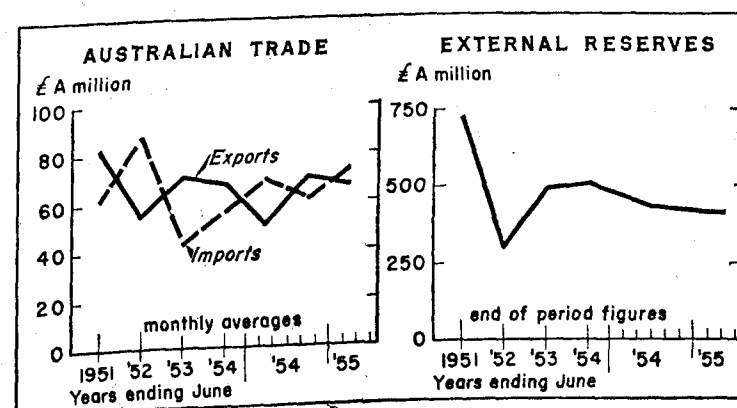
The restrictions take effect in the import licensing year beginning April 1st, and are designed to reduce imports by about £80 million in a full year. That is far less severe than the cut of three years ago. Imports from Britain may be cut by up to £40 million, not a calamitous figure compared with total British exports of £2,670 million in 1954.

Imports of items in category A, which covers raw materials and certain capital and consumer goods, will be restricted to 85 per cent of imports in the base year ending June, 1951. In 1952 imports in this category were restricted to 60 per cent of the base year. They were removed from control on April 1st last year, but on October 1st they were restricted to 100 per cent, but did not formally revert to category A. Imports in category B, which cover most consumer goods, will be restricted to 40 per cent of the base year. These items, which were cut to as little as 20 per cent in 1952, were licensed at 60 per cent from April 1st last year.

Certain semi-manufactured materials and items of capital equipment still free of restriction will be transferred to the administrative category and licensed at 100 per cent of imports in the calendar year 1954. The total value of imports—mainly capital equipment—already subject to Administrative control will be reduced by 20 per cent of imports in the 1954-55 licensing year.

In two tables an attempt has been made to estimate the effect of the restrictions on certain British exports in categories A and B. The value of exports in the second half of 1954, converted to an annual rate, has been taken as the best available datum. The estimates assume that Britain maintains its share of the market, and that importers of goods in category B spend their licences—which are valid for any item in that category—in the same proportions as

before. A similar exercise cannot be attempted for goods restricted to 80 per cent in the Administrative category, for some items will probably be cut more than others; the table merely shows the value of certain British exports which are liable to be cut by 20 per cent. The restrictions are a challenge to British exporters to find additional outlets elsewhere. The motor car manufacturers can perhaps do so with less difficulty than the exporters of textiles, carpets and pottery. But the pottery makers, among others, should be thankful that the slate is to be wiped clean of this year's excess shipments, and few can have doubted that their recent business with Australia was a hostage to fortune.



were licensed at 60 per cent.

CATEGORY A			CATEGORY B			ADMINISTRATIVE	
Description	Annual rate† (£ mn.)	Restricted to 85 per cent	Description	Annual rate† (£ mn.)	Restricted to 66.6 per cent	Description	Exports in 1954 (£ mn.)
Carpets	6.0	5.1	Cars, assembled ..	10.8	7.2	Tractors	7.0
Cars, unassembled	5.6	4.7	Cotton yarn, cloth	19.5	13.0	Petroleum	5.8
Comm., chassis, do.	5.5	4.7	Synthetic yarn, cloth	10.5	7.0	Railway vehicles	5.0
Pottery	3.7	3.1	Clothing, footwear	3.9	2.6	Machine tools	3.6
I/C engines	2.0	1.7	Tobacco	1.6	1.0	Agricultural machinery ..	3.0

† Exports, July/Dec., at annual rate

1118

synthetic rubber in America will rise from 52 per cent of total consumption last year to 56 per cent this year. Sir Eric Miller, chairman of Pataling Estates, endorsed that forecast, and added that private stocks are small. Both he and Sir John Hay emphasised that they had no anxieties about the fall in the price of rubber, from over 31d. per lb at the height of the Formosa crisis, its present level is about 24d. and rubber companies prefer steadier prices.

On his retirement from the managing directorship of Dunlop Plantations Mr F. D. Ascoli made it clear that while he agrees that supply and demand are balanced, that conclusion naturally depends on price competition with synthetic rubber at a moment when the bulk of the American synthetic industry is virtually sold to private interests. On that competition Mr Ascoli has been a good—alas too good—prophet, bringing a realistic chill to the hearts of those natural producers who hoped for a rise in the price of synthetic rubber. His parting guess now is that the price of 23 cents a lb is more likely to go down than up. If all Mr Ascoli's other chickens come home to roost—a yield on the best modern budgrafted rubber of at least 1,250 lb per acre, perfect estate efficiency with all old areas replanted, no rise in taxes and not much change in wage levels—he calculates that sheet rubber could be delivered in London at 1s. a lb without loss. But he admits that there is hardly an estate that has yet reached his prescribed standard.

New Statistics from the "House"

AFTER much toil, the London Stock Exchange has produced a new batch of statistics.* Picking up the whole corpus of securities quoted on the London Stock Exchange, the Council's tables analyse interest payments before tax as related to nominal capital at the end of each of the last five years; the analysis is sub-divided into loan,

CAPITAL AND INTEREST, 1950-54
(£ million)

	Year end				
	1950	1951	1952	1953	1954
DEBTURE & LOAN:					
Nominal capital . . .	17,372	17,943	19,136	19,766	20,296
Interest, before tax . .	506.2	526.7	555.2	584.6	609.3
Average rate of return (per cent) . . .	2.91	2.91	2.90	2.96	3.00
PREFERENCE:					
Nominal capital . . .	1,117	1,111	1,118	1,134	1,175
Interest, before tax . .	66.9	69.2	65.4	66.0	68.7
Average rate of return (per cent) . . .	5.99	6.23	5.85	5.82	5.85
ORDINARY:					
Nominal capital . . .	2,097	2,099	2,233	2,404	2,719
Interest, before tax . .	301.9	340.3	329.0	369.8	444.3
Average rate of return (per cent) . . .	14.40	16.21	14.73	15.39	16.34

preference and ordinary capital and follows the classification of securities in the Official List. A separate table shows that dividends paid in 1954 when related to market values on June 30th gave an average yield on ordinary stocks of

* Interest and Dividends upon the Securities quoted on the London Stock Exchange. 1950/54. The Secretary, The Stock Exchange, 2s. 6d.

THE ECONOMIST, MARCH 26, 1955

6.01 per cent and of 5.63 on preference stocks. Honest toil is always praiseworthy, and this analysis is honest toil indeed.

But the value of the new figures can be overstated. They may be some small help to the national income statisticians, but hardly a great step forward. The figures contain a serious element of duplication. To reduce it the compilers have excluded investment trusts from the analysis, for the trusts merely re-distribute the income derived from their own investments. But banks, insurance companies and other corporate bodies also derive part of their income from quoted investments. Another part of the interest tabulated in this analysis goes to Government departments, public authorities, boards and pensions funds, and a further part of the interest goes to foreign and overseas investors, while British residents hold many securities not quoted in London. Hence, these new sets of figures can be at best a check for the national income statisticians, who will still have to rely on other sources—such as Inland Revenue Department—for their main information.

What of the value to the general public? Sir John Braithwaite, the Stock Exchange chairman, believes in educating the public on Stock Exchange affairs. It is a courageous task, but his preface shows that he knows that this time the risk is that he will provide the politicians of the four ale bar with a rod for his own back. They will seize on the 20 per cent increase in ordinary dividend declarations last year, conveniently forgetting that these are amounts before tax. If the case for the no par value could be strengthened this document does so, for it shows that the Stock Exchange experts themselves have fallen into the trap of relating dividend payments to meaningless nominal capitals. The average percentage return for 1954 on preference and ordinary shares lumped indiscriminately together and for every sort of borrower was 4.64 per cent. Does this figure mean anything at all?

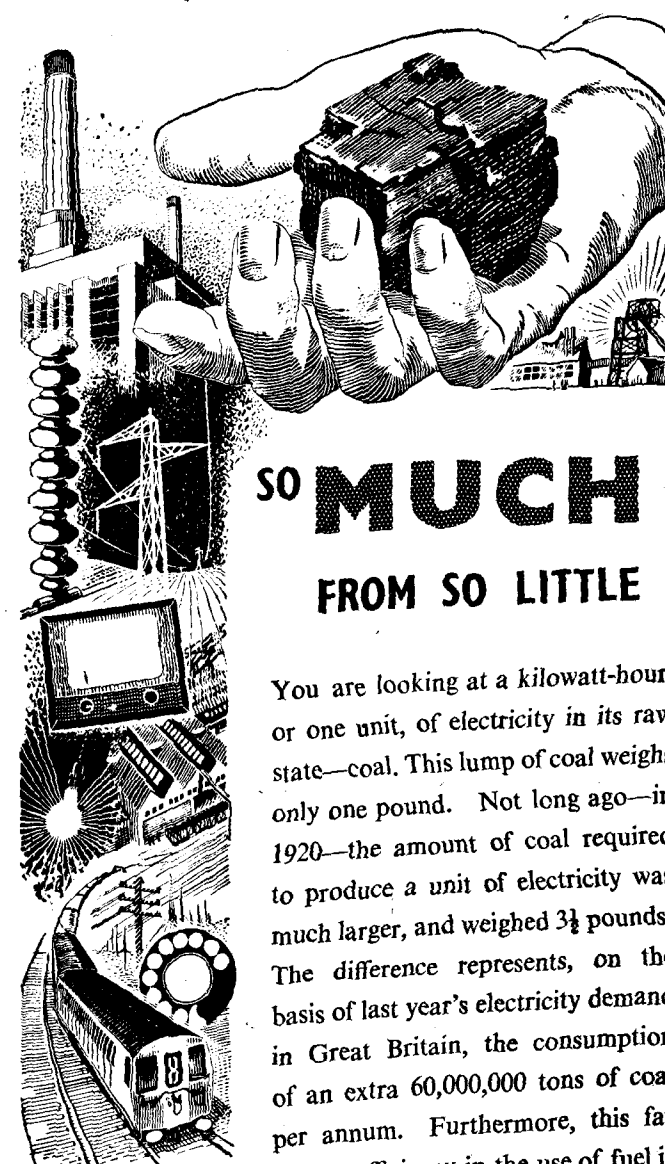
Insurance Dividend Season

THE insurance dividend season has got off to a flying start. Normally insurance companies are reluctant to move their dividends. This year out of the five first companies to announce their final dividends four have made substantial increases. Two have made other decisions that should

Company	1953 Dividend Total	1954 Dividend Total
Prudential 'A' £1	22s. 6d.*	23s. 6d.*
'B' 4s. paid	2s. 6d.*	3s. 0d.*
Legal & General 5s. paid	6s. 9d.	8s. 0d.
Pearl £1	12s. 0d.	13s. 0d.*
Northern £1 paid	20s. 0d.	22s. 0d.
Equity & Law 30s. paid	5s. 0d.*	5s. 0d.*

* Tax free.

benefit shareholders. The Legal and General is making its £1 shares fully paid instead of 5s. paid by capitalising reserves, and the Equity and Law is to split its £5 shares 30s. paid into five £1 shares with 6s. paid. It is obvious that 1954 was a highly successful year for the insurance companies in their investment operations mitigated to some



SO MUCH FROM SO LITTLE

You are looking at a kilowatt-hour, or one unit, of electricity in its raw state—coal. This lump of coal weighs only one pound. Not long ago—in 1920—the amount of coal required to produce a unit of electricity was much larger, and weighed 3½ pounds. The difference represents, on the basis of last year's electricity demand in Great Britain, the consumption of an extra 60,000,000 tons of coal per annum. Furthermore, this far greater efficiency in the use of fuel is being achieved with much poorer grades of coal, so that the better grades are released for urgent home and export needs and more effective use is made of the nation's coal resources.

To this achievement the Babcock organisation has largely contributed, for it designed and built over half the steam-raising plant in British power stations.

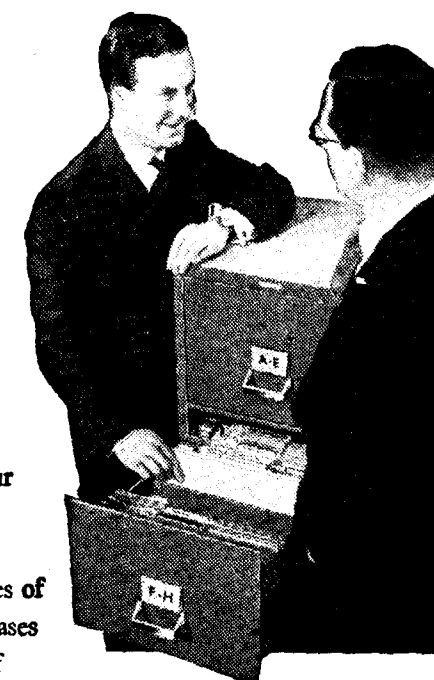
The advance continues, with new developments such as the "Cyclone" firing of boilers and the use of atomic energy for electricity generation.

In all these, Babcock & Wilcox are playing a leading rôle.

BABCOCK STEAM-RAISING PLANT

BABCOCK & WILCOX LTD., BABCOCK HOUSE, FARRINGTON ST., LONDON.

FOR NEW IDEAS* ON OFFICE FILING



Take care of your filing system; it is your business memory. Changes of filing staff, increases in the volume of business, can disorganise it quickly and completely; cost you dearly in time, labour and efficiency. If you have cause to think that your filing is slow in providing vitally needed information, call in the Man from Remington Rand for a discussion and a survey. It's free, and it carries no obligation.

***THIS IS VARIADEx** The filing system that expands naturally and easily with growing business. Variadex provides from 25 to 5,000 subdivisions for any size of installation; incorporates scientific alphabetic breakdown and a five-colour control system that automatically sets an impeccable standard of filing accuracy. Variadex already controls many of the world's largest filing systems; it would do as good a job in your office.

Send for the Man from

Remington Rand

COUPON: I would like to learn more about Variadex. Please * arrange for a representative to visit me ☐ * send me informative free literature ☐ (tick course of action required)

NAME _____
POSITION _____
ADDRESS _____

REMINGTON RAND LTD, 1-19 NEW OXFORD STREET, LONDON, WC1
Telephone: CHAncery 8888





Underground movement

African gold; Arabian oil; British coal — wherever the wealth of the earth is won steel lends a hand with the winning.

As likely as not the cutters, the winches, the drills and the engines are made in Britain, of British steel. Every year thousands of tons of mining and drilling machinery leave Britain for the Commonwealth countries.

In practically every civilised country British steel speeds alike the work of the miner and the oilman — and plays its part in the daily lives of nearly everyone.

Wherever there is steel there is British steel.

British steel leads the world
THE BRITISH IRON AND STEEL FEDERATION

extent by the downward movement in gilt-edged stocks since last November.

Buyers' Market in Rice

SELLERS are often reluctant to adjust prices to a buyers' market, particularly when the seller is a government agency. Yet to fail to do so invariably costs dear. The main rice exporting countries are painfully learning that lesson now. The seven postwar years of shortage inevitably brought their own corrective. High prices stimulated production in both exporting and importing countries, and world demand was checked not only by the high price of rice but also by competition from cheaper cereals, notably wheat. By the middle of 1953 supply had overtaken demand at prevailing prices. Burma and Thailand, the two largest exporters, then chose to be penny wise and pound foolish. Tardy reductions in price left Burma with a surplus of some 600,000 tons at the end of 1953, and Thailand with about 400,000 tons. Last year both countries began to recognise the need to change their tune. Restrictions on sales to private buyers were eased, and the Thai government decided to return the entire export trade to private hands on January 1st this year. The premiums on rice sold to private buyers were sharply reduced, and rice that had been in store for so long that it was unfit for human consumption was sold at

low prices for feeding-stuffs and for industrial purposes. But Burma held to its basic price of £50 a ton for shipments in 1954 under government contracts, and Thailand made only minor reductions.

Pressure on Burma was eased by two unexpected events. The Indian government bought 900,000 tons of Burmese rice for its reserve stock, and Japan imported more rice—with wheat and barley as well—to make up for the poor domestic harvest. Thanks to these sales, Burma's exports recovered last year by 470,000 tons to 1.4 million tons, the highest since the war, and its carry-over into 1955 fell to about 400,000 tons. Thailand was less fortunate: its exports fell further by 350,000 tons to under a million tons, the smallest figure since the war, and its carry-over rose to roughly 700,000 tons. This year the Burmese government has taken further steps to promote exports. It has reduced the price for shipments in 1955 under government contracts from £48 to £45 a ton—and to £42 a ton for shipments to Ceylon—and it is actively seeking fresh markets. Recently it sold 150,000 tons of old crop rice to China, which has again become a net importer; the price was £40 a ton, of which Burma will receive only 20 per cent in cash, and the remainder in goods from China and other Communist countries. Since then Burma is believed to have sold another 150,000 tons to China for delivery this year, and 200,000 tons to Russia. Thailand still has the advantage of a superior product to Burmese rice, and its surplus may be eased by a smaller harvest this year. But both countries may be troubled by competition from another quarter—American disposals of surplus rice and wheat.

Company Notes

BRITISH-AMERICAN TOBACCO. The shape of British-American Tobacco company's balance sheet on September 30th last is just what might be expected in a group whose preliminary profit statement and higher dividend pointed to a definite improvement in trade. For the whole group stocks have risen from £156.4 million to £165.7 million, and debtors from £32.5 million to £34.4 million. The company is an international trading group whose transfers

On September 30, 1953 1954

Cons. balance sheet:—	1953	1954
Fixed assets at cost ..	56,892,559	63,510,887
Net fixed assets	38,908,527	42,891,914
Trade investments	6,162,366	7,230,090
Net current assets	166,086,260	182,120,831
Stocks	156,379,663	165,728,047
Cash and T.R.C.'s	30,889,480	35,014,958
Debentures and loans	9,988,687	18,519,118
Capital reserves	36,834,421	34,672,921
Revenue reserves	90,309,826	104,085,357
Ordinary capital	35,573,172	35,636,641

of earnings or assets are at the mercy of exchange controls. Hence its working capital needs are usually covered by the retention of profits where they are needed, and not by bank borrowing. By the end of last September revenue reserves had risen by £14 million to over £104 million, balancing the increase in stocks and debtors. Concurrently with the expansion of trade the group is putting more emphasis on local manufacture. The in-

crease in the gross value of fixed assets from £56.9 million to £63.5 million must largely reflect that policy. The new bricks and mortar and the new equipment appear to have been financed by the local issue of debenture and loan stocks by the foreign subsidiaries; in the consolidated balance sheet these debentures and loans have gone up from just under £10 million to £18.5 million. The reverse side is shown in the parent company's balance sheet. Broadly that document relates to the company's British interests—the export business from this country. It shows no change in fixed assets and a fall in stocks and debtors. The two sides of the coin together make sense. The demand for cigarettes and tobacco is rising throughout the world, but more and more that demand has to be satisfied by local manufacture. Hence the number of markets to which the company exports from this country is growing smaller though the group's total trade is not. But that does mean that the company's total exports from this country will necessarily fall; exports may be maintained by bigger sales in fewer markets.

ANGLO AMERICAN CORPORATION. Most of the capital needed for bringing the gold mines in the Orange Free State to production has now

been found. Hence, a bigger dividend from the biggest finance house backing the new ventures, the Anglo American Corporation of South Africa, was due. But it was equally certain that that increase would be only modest, for development is not yet complete and the flow of profits from the gold and uranium mines in the Orange Free State has only just begun. Full spare is still some years away. Anglo American has now lived up to these expectations, disproving some recent reports that it might remain cautiously conservative. It has raised its ordinary dividend from 6s. to 7s. per 10s. ordinary stock unit. A dividend of 6s. has been paid since 1949—through the period when the Corporation was pouring money into the Orange Free State.

The bigger dividend is backed by higher profits, which after tax have risen from £3,265,246 to £4,025,000. There are three elements in this profit: income from rents and fees, from investments, and from share dealings. It was a good year in the markets and a good year for copper dividends.

FREE STATE GEDULD AND FREDDIES. Free State Geduld is one of the most promising and most prosperous of the new gold mines of the Orange Free State. Freddies Consolidated is a much more struggling and uncertain undertaking in the same field that has recently announced it will have to close down its two South shafts. Now F.S. Geduld is to buy the Number 2 shaft and

the price is likely to be in the region of £1½ million. Both mines are in the Anglo American sphere of influence. It looked at first as if the stronger brother was helping to bale out the weaker. But that is not the object—at least not the main object of the deal. It is mainly to provide F. S. Geduld with a ready made shaft and only incidentally to provide Freddie with funds. The transfer does not require any further direct participation in the share capital of Freddie, by either Johannesburg Consolidated or Anglo American.

The Number 2 South shaft of Freddie, one of the two shafts closed down, will be sold, together with about 1,300 claims, to F.S. Geduld—but not for cash. Instead F. S. Geduld will issue 300,000 of its 55. shares to Freddie. In turn, "Johnnies" and Anglo American will buy these shares from time to time from Freddie when that mine needs funds. The price will "have regard to" the market value of F. S. Geduld's shares then ruling; on the basis of current values the deal involves about £1½ million. The two finance houses thus secure shares in a mine in which they are doubtless more than willing to increase their stake. At the same time they help Freddie without involving themselves more deeply in the share capital in one of the least promising of the OFS developers. That is wise at a time when rumour in the Cape describes the property in even harsher terms.

What is in the deal for F. S. Geduld? Why has it taken on claims of doubtful promise? The simple answer is the shaft. In the next few years F. S. Geduld will be concentrating on its two southern shafts. But ultimately it will develop the less rich northern claims and then it will require the new shaft. Hence, the purchase of a completed shaft, from which that development can proceed, at the cost

of an additional £75,000 to its nominal capital plus a little underground driving may be a bargain. As for the Freddie claims themselves, they are not payable, but might not their acquisition by F. S. Geduld mean a loosening of the rather stringent lease terms on that company's original property?

SHELL OIL COMPANY. This company is Shell in America. Its parish is North America. Oil in North America is not always quite in parallel with oil in the world, but it sometimes happens that Shell Oil's results are a convenient trailer to the results of the two parent groups—Royal Dutch, and Shell Transport in the approximate ratio 60:40—not now far away. A sellers' market in oil, a booming chemical industry, a capital expenditure programme that disregards all short term fluctuations, and a net income which forged steadily ahead, those made up the American subsidiary's picture. They easily could fit into the broader picture of the whole group that is to come.

Net income rose from \$115 million in 1953 to \$121 million last year, net income per share from \$4.20 to \$4.41. Dividends paid from \$1.50 to \$1.87½. Crude oil production fell from 104 million barrels to 98 million and more had to be bought from outside, a factor that made the earnings of the second half of the year, \$5,745,000, worse than the first. Chemical sales passed all previous records both in value and in volume, but the rate of increase in the demand for crude oil products was well below recent years and supplies "on the excessive side." Through it all the company kept on investing heavily. Capital expenditure was \$237 million against \$238 million, and the cash resources are accordingly down from \$89 million to \$57 million.

THE ECONOMIST, MARCH 26, 1955

LONDON STOCK EXCHANGE

Next Account begins: March 30th
Next Contango Day: March 30th
Next Settlement Day: April 5th

The recovery in stock market prices continued up to the week-end, and by Friday, March 18th, the *Financial Times* index of Government securities had risen to 99.82 and of ordinary shares to 183.1. The rally was, however, brought to an abrupt halt immediately after the week-end when talk of a general election began a definite influence on the market. The markets were thin, and hence price movements tended to be exaggerated. The approach of the Budget and the Australian import cuts contributed to the uneasy tone. Gilt-edged prices came down with a run, with War Loan losing 1½ points on Monday and then another ½ in a see-saw market on Tuesday. That ½ of a point was recovered on Wednesday, and the markets gained a little more ground on Thursday. Markings on Wednesday at 7.897 bargains were the lowest for the year so far.

The heaviest losses in the industrial market came on Tuesday, when at the close the *Financial Times* ordinary index stood at 177.4. There was little increase in selling that day, but buyers were fewer. The motor and textile groups fared worst, following the Australian import cuts. Stores shares, the most volatile section of the market, also fell sharply. Steel shares, along with engineering issues, were dull at first, but a little more colour came back when dealings began in Firth Brown. An early rally on Wednesday was not fully held, but prices were firm again in early dealings on Thursday. Motor and aircraft shares recouped part of their earlier losses and textile issues were steadier. The two Unilever issues were firm on American buying and Borax put on 1s. 3d. to 100s. after the meeting.

Oil shares followed the pattern established in the industrial market. Kaffirs improved slightly but steadily as the week wore on and closed firm on Thursday after the South African budget, and copper shares responded to some Continental buying. South African industrials went up on the undistributed profits tax proposals.

FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Mar. 16...	179.4	109.27	3.98	4.85
" 17...	181.4	109.38	3.95	4.83
" 18...	183.1	109.69	3.92	4.79
" 21...	181.0	109.31	3.99	4.84
" 22...	177.4	109.18	4.02	4.94
" 23...	177.6	109.25	4.00	4.93
1955, High...	197.5	115.97		
" (Feb. 3)	175.7	107.61		
" (Mar. 15)	184.0	118.10		
1954, High...	184.0	118.10		
" (Dec. 31)	131.1	111.78		
" Low...	131.1	111.78		
1954, High...	131.1	111.78		
" Low...	131.1	111.78		
1955, High...	197.5	115.97		
" (Feb. 3)	175.7	107.61		
" (Mar. 15)	184.0	118.10		
1954, High...	184.0	118.10		
" (Dec. 31)	131.1	111.78		
" Low...	131.1	111.78		
1955, High...	197.5	115.97		
" (Feb. 3)	175.7	107.61		
" (Mar. 15)	184.0	118.10		
1954, High...	184.0	118.10		
" (Dec. 31)	131.1	111.78		
" Low...	131.1	111.78		

* July 1, 1935=100. † 1928=100.

THE ECONOMIST, MARCH 26, 1955

LONDON ACTIVE SECURITIES

Prices, 1955 Jan. 1 to Mar. 23		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Mar. 16, 1955	Price, Mar. 23, 1955	Net Yield, Mar. 23, 1955	Gross Yield, Mar. 23, 1955	Prices, 1955 Jan. 1 to Mar. 23		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Mar. 16, 1955	Price, Mar. 23, 1955	Yield, Mar. 23, 1955
High	Low					s. d.	s. d.	High	Low						
97½	94½	Exchequer 2% 1960	94½	95½	2 2 8	3 1 8	42/9	35/9	15 c	17½	STEEL & ENGINEERING	38/6	37/3	4 14 0	
99½	92½	Exchequer 2½% '63-64	93½	93½	2 2 2	3 9 8	13/10½	10/-	15 c	17½	B.S.A. £1	11/9	12/3	6 0 10	
104½	98½	Exchequer 3% 1960	98½	99½	1 15 10	3 3 3	28/10½	27/-	...	...	34½ Cammell Laird 5/-	27/-	27/-	...	
102½	97½	Exchequer 3% '62-63	97½	98½	1 19 2	3 7 7	27/1½	23/-	...	...	8 c Colvilles £1	26/3	25/9	6 4 3	
100½	96½	Serial Funding 2½% 1957	96½	97½	2 0 6	3 4 0	74/3	62/4½	10 b	5	c Dorman Long £1	63/9	64/9	4 12 8	
100½	99½	Serial Funding 3% 1955	99½	99½	1 8 7	3 10 9	50/3	42/-	...	...	5 a Guest Keen N'fold £1	46/3	47/6	5 5 3	
100½	98½	War Bonds 2½% '54-56	98½	98½	2 0 3	3 8 6	31/7½	27/6	3 a	12½	c Stewarts & Lloyds £1	30/-	30/6	6 8 11	
100½	98½	Funding 2½% '52-57	98½	98½	2 0 5	3 7 8	32/9	28/6	4 a	6 b	Summers (John) £1	31/7½	31/9	6 6 0	
100½	97½	War Loan 3% '55-59	97½	98½	2 0 7	3 7 5	43/10½	35/9	15 c	24½	c United Steel £1	37/6	37/3	4 0 60	
100½	93½	Savings Bonds 3% '55-65	94½	94½	2 4 9	3 13 8	...	...	...	...	TEXTILES				
100½	94½	Funding 2½% '56-61	95½	95½	2 3 7	3 6 5	30/4½	23/4½	4 a	6 b	Bradford Dyer £1	25/-	24/-	8 6 8	
97½	89½	Funding 3% '59-69	92½	91½	2 7 9	3 16 1	33/4½	26/10½	12 b	3 a	Brit. Celanese £1	28/3	27/3	6 12 10	
98½	90½	Funding 3% '66-68	92½	92½	2 6 7	3 15 3	29/6	23/6	10 b	24½	Coats (J. & P.) £1	24/6	24/-	6 5 0	
95½	88½	Funding 3½% 1999-2004	90½	90½	2 5 2	3 19 6	43/6	35/-	4½ b	4 a	Courtaulds £1	36/6	37/3	4 5 11½	
103½	98½	Funding 4% '60-90	101½	101½	2 2 5	4 1 6	32/6	26/6	10 a	7½ b	Lancs. Cotton £1	28/3	26/9	9 6 10½	
96½	87½	Savings Bonds 3% '60-70	90½	90½	2 8 2	3 17 0	36/0½	28/4½	15 b	24½	Patons & Baldwins £1	29/6	28/9	6 19 2½	
95½	87½	Savings Bonds 2½% '64-67	90½	90½	2 7 8	3 12 7	...	...	...	...	MOTOR & AIRCRAFT				
105½	98½	Victory 4% '20-76	100½	100½	2 2 10	3 18 10½	20/10½	17/4½	6½ b	34½	Bristol Aeroplane 10/-	19/6	19/4½	5 3 3	
94½	85½	Savings Bonds 3% '65-75	93½	93½	2 8 2	3 17 7	12/9	9/10½	4 a	8½ b	British Motor 5/-	10/4½	10/7½	5 17 8	
97½	90½	Consols 4% aft. Feb. '57	93½	94	2 7 0	4 5 8	27/3	21/10½	7½ c	7½ c	De Havilland £1	23/6	24/4½	6 3 1	
89½	79½	Conv. 3½% '61-April '61	93½	93½	2 6 3	4 4 0	90/6	74/-	5 a	10 b	Ford Motor £1	77/6	76/3	3 18 8	
103½	94½	Conv. 3½% 1969	96½	96½	2 2 5	3 16 0	57/6	43 1½	3 a	7½ b	Hawker Siddeley £1	49/-	48/9	4 6 2	
99½	95½	Conv. 2% 1958-59	96½	96½	2 2 5	3 1 9	131/-	100/6	25 c	30 c	Leyland Motors £1	120/-	120/-	5 0 0	
66½	59½	Treas. 2½% aft. April '75	73½	73½	2 4 6	4 0 11½	88/6	71/3	12½ b	5 a	Rolls Royce £1	75/7½	73/9	3 3 3½	
78½	70½	Treas. 3% aft. April '66	92½	92½	2 5 2	4 2 1	8/-	6/10½	12 c	12 c	Standard Motor 5/-	7/3	7/6	8 0 0	
98½	91½	Treas. 3½% '77-80	92½	92½	2 6 9	4 0 2	32/6	25/-	22½ c	10 a	Boots Pure Drug 5/-	25/9	27/-	4 3 4	
99½	91½	Treas. 3½% '79-81	92½	92½	2 6 9	4 0 2	45/3	36/9	7½ a	20 b	Debenhams 10/-	39/6	40/3	6 16 9	
88½	78½	Redemption 3% '86-96	82½	82½	2 6 7	4 4 6	62/6	43/9	45 b	15 a	Gt. Universal 5/-	51/-	49/6	3 15 9½	
88½	79½	War L'n. 3½% aft. Dec. '52	83½	84	2 6 1	4 4 6	97/6	97/6	17½ b	5 a	Lyons (J. & A.) £1	101/3	102/6	4 7 10	
66½	60½	Consols 2½%	88½	88½	2 3 10	3 18 0	76/-	58/6	45 b	15 a	Marks & Spen. 'A' 5/-	64/6	63/-	2 19 6½	
94½	86½	Br. Elec. 3% '68-73	87½	87½	2 9 0	3 18 0	71/9	55/3	20 a	36½ b	Woolworth 5/-	58/3	58/3	4 5 10½	
93½	85½	Br. Elec. 3% '74-77	102½	102½	2 7 11	3 17 1	...	...	...	...	SHOPS & STORES				
109½	100½	Br. Elec. 4½% '74-79	92½	92½	2 3 5	4 0 10½	88/9	68/6	37½ b	5 a	British Petroleum £1	73/9	71/3	2 7 9½	
98½	91½	Br. Elec. 3½% '76-79	82½	82½	2 6 11	4 0 10½	138/-	100/-	17½ c	7½ a	Burmah £1	110/-	106/3	3 5 9	
88½	79½	Br. Trans. 3% '68-73	88½	88½	2 8 5	3 19 0	58/6	50/6	12 b	6 a	Royal Dutch 100 s.	57½	57½	2 3 7½	
94½	86½	Br. Trans. 3% '78-88	100½	100½	2 9 0	4 1 7	132/-	109/9	10½ b	5 a	Shell Reg. £1	127/1½	126/3	3 11 11½	
105½	98½	Br. Trans. 4% '72-77	100½	99½	2 4 9	4 1 7	35/1½	26/9	5 a	15½ b	Trinidad L'holds 5/-	30/-	29/6	6 4 3	
88½	79½	Br. Trans. 3% '90-95	82½	83	2 6 6	3 17 11	...	...	...	...	SHIPPING				
102½	94½	Br. Gas 3% '69-71	96½	96½	2 5 0	3 17 8	37/3	30/-	16 a	5 a	Cunard £1	32/-	32/-	6 0 0	
105½	99½	Br. Gas 3½% '69-72	101½	101½	2 5 6	3 17 8	57/-	45/6	12 a	12 c	Furness Withy £1	46/6	48/-	6 0 0	
106½	99½	Br. Gas 4% '69-72	101½	101½	2 2 7	3 18 10½	76/-	55/-	16 b	3 a	P. & O. Def. £1	61/-	63/-	3 9 10½	

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

Prices, 1954 Jan. 1 to Mar. 23	High	Low	Prices, 1955 Jan. 1 to Mar. 23	High	Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, Mar. 16, 1955	Price, Mar. 23, 1955	Yield, Mar. 23, 1955
97½	90½	90½	94½	87½	87½	Aust. 3½% '55-69	90½	90½	4 3 0
101½	97½	97½	101½	95½	95½	Ceylon 4% '73-75	98½	98½	4 5 3
106½	98½	98½	103½	98½	98½	N. Zealand 4% '76-78	98½	98½	4 5 1
79½	71½	71½	75½	66½	66½	L.C.C. 3% aft. 1920	92½	92½	4 0 0
99½	95½	95½	99½	91½	91½	Liverpool 3% '54-64	92½	92½	4 2 6
87½	80½	80½	84½	75½	75½	M.W.R. 'B' 3% 34-2003	100½	101½	4 11 6
104½	100½	100½	102½	100	100	Agric. Mort. 5% '59-89	96½	97½	...
109½	71½	71½	102½	91	91	German 7%	152½	152½	...
168½	102½	102½	164½	149	149	German 5%	167	168½	...
170½	169½	169½	169½	160	160	Japan 5% 1907	191	193½	...
198½	167	167	194½	190	190	Japan 5½% Conv. 1930	191	193½	...

Prices, 1955 (Jan. 1 to Mar. 23)	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Mar. 16, 1955	Price, Mar. 23, 1955	Yield, Mar. 23, 1955
High	Low					$\frac{a}{b}$ $\frac{c}{d}$
BANKS & DISCOUNT						
58/6	48/9	5 a	7 b Barclays £1	53/-	53/6	4 9 d
76/7½	64/-	7 a	8 b Lloyds 'A' £5, £1 pd.	64/6	65/7	4 12 4
89/3	79/9	8 a	10 b Midland £1, fully pd.	81/-	81/6	4 10 7
87/-	79/-	8½ a	9½ b N. Prov. 'B' £5, £1 pd.	80/-	79/6	4 8 5
96/10½	87/-	8 a	8 b Westminster 'B' £4, £1 pd.	89/6	90/6	4 15 3½
69/-	52/6	7½ a	8½ b Alexanders £1	52/6	52/6	4 12 4
58/6	49/6	5 a	7 b Nat. Disc. £1	50/6	52/-	4 17 1
60/-	51/3	5 a	7½ b Union Disc. £1	52/-	53/-	4 14 1
48/10½	39/6	4 a	4 b Barc. (D.C.O.) £1	40/6	41/6	6 13 4
51/9	43/3	7½ a	7½ b Chart. Bk. of India £1	45/6*	45/-*	
INSURANCE						
17½	14½	50 a	110 b Leg. & Gen. £1, 5/- pd.	16	15½	2 10 4
23½	20½	20½ a	45 b Pearl £1, fully pd.	22	22½	5 3 11
46½	41½	112½ a	117½ b Prudential 'A' £1	43½	43½	4 14 7
BREWERIES, ETC.						
141/6	130/6	10 a	33 b Bass £1	131/3	131/3	6 11 1
			45 b Pearl £1, fully pd.	24/3	24/6	4 1 8
			117½ b Prudential 'A' £1	43½	43/9	5 6 2

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	Mar. 5th	Western Europe :	
Production and Consumption	Mar. 12th	Production and Trade.....	Mar. 5th
Manpower.....	Mar. 19th	British Commonwealth	Mar. 12th
External Trade.....	This week	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	Mar. 19th
Industrial Profits	Jan. 15th	United States	This week
		World Trade.....	Jan. 15th

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages			1953	1954				1955	
		1952	1953	1954	Dec.	Jan.	Feb.	Nov.	Dec.	Jan.	Feb.
VALUE											
Imports :											
Total	£ million	289.8	278.6	281.6	281.6 ²	282.1	242.0	333.8	313.5	332.3	309.5
Food, drink and tobacco	"	100.5	109.6	110.9	109.4	114.1	100.2	147.8	130.1	136.1	125.5
Basic materials	"	95.4	87.8	85.4	88.7	87.2	68.5	88.8	89.7	93.8	83.8
Mineral fuels and lubricants	"	28.2	26.1	27.4	23.8	26.3	22.6	29.1	27.4	30.7	29.4
Manufactures	"	64.1	53.6	56.7	54.7	52.8	48.9	67.3	65.2	70.3	69.6
Exports of UK produce :											
Total	"	215.4	215.2	222.9	224.6 ²	225.8	201.1	196.7	255.8	248.6	232.8
Manufactures	"	178.5	174.9	181.0	179.9	184.5	163.5	152.4	208.2	203.8	191.0
Re-exports	"	12.0	8.8	8.4	7.6 ²	8.1	8.2	5.5	8.6	10.3	9.0
Balance of trade (exports less imports) ..	"	- 62.4	- 54.6	- 50.3	- 49.4	- 48.2	- 32.7	- 131.6	- 49.1	- 73.4	- 67.7
VOLUME											
Imports	1950=100	103	112	114	115	117	101	132	118	130	...
Exports	"	95	98	104	102	103	92	93	119	116	...
BY AREA											
Imports :											
Dollar area—total	£ million	60.1	52.9	51.6	51.1	42.7	41.5	64.6	71.3	66.1	62.6
" USA	"	26.2	21.1	23.6	23.4	21.2	20.2	33.2	33.0	36.5	32.7
" Canada	"	26.7	25.5	22.7	21.8	16.1	16.7	27.0	33.2	25.8	24.7
Non-sterling OEEC countries	"	71.3	64.1	68.2	65.5	64.2	58.9	79.2	72.7	78.4	71.7
Sterling area	"	119.7	125.3	125.1	124.2	142.3	112.3	148.5	130.1	148.3	132.3
Exports :											
Dollar area—total	"	31.4	33.7	31.3	31.7	31.7	26.2	32.5	35.7	31.0	29.6
" USA	"	15.1	14.3	13.3	13.5	12.7	11.6	12.4	16.3	14.5	13.1
" Canada	"	11.0	13.4	11.3	10.7	10.9	9.9	12.2	11.8	9.3	9.9
Non-sterling OEEC countries	"	58.4	62.5	64.8	58.9	63.7	60.7	63.2	69.9	70.7	66.6
Sterling area	"	107.1	105.8	112.3	116.8	113.1	102.6	87.9	128.1	128.4	119.6
Balance of trade (exports less imports) :											
Dollar area	"	- 28.7	- 19.2	- 20.3	- 19.4	- 11.0	- 15.3	- 32.1	- 35.6	- 35.1	- 33.0
Non-sterling OEEC countries	"	- 12.9	- 1.6	- 3.4	- 6.6	- 0.5	+ 1.8	- 16.0	- 2.8	- 7.7	- 5.1
Sterling area	"	- 12.6	- 19.5	- 12.8	- 7.4	- 29.2	- 9.7	- 60.6	- 2.0	- 19.9	- 12.7
TRADE IN SELECTED COMMODITIES											
Imports :											
Wheat	'000 tons	325.3	335.0	289.1	336.8	238.4	208.7	377.4	371.1	438.3	407.9
Meat	"	45.5	63.1	56.4	54.8	56.8	55.3	85.6	48.2	74.8	73.6
Sugar, unrefined	"	164.6	247.4	201.5	277.6	337.2	255.7	153.0	137.8	133.0	135.4
Raw cotton (1)	"	21.8	27.5	30.8	36.4	27.3	26.4	26.3	33.4	25.1	30.0
Raw wool, sheep's and lambs' (1)	mn. lb.	51.9	63.2	51.9	57.3	70.4	40.8	58.3	48.4	69.3	62.7
Rubber, natural and synthetic (1) ...	'000 tons	16.7	18.4	20.7	18.5	23.3	24.2	28.3	26.5	26.8	26.6
Softwood	'000 stds.	85.2	119.1	122.2	93.0	80.8	56.7	138.2	127.3	124.1	87.2
Woodpulp	'000 tons	119.8	133.7	159.9	183.8	150.9	132.4	160.6	195.6	205.6	183.2
Crude petroleum	mn. galls.	494	558	606	604	603	548	596	605	614	575
Exports of UK produce :											
Coal, including bunkers	'000 tons	1,254	1,400	1,351	1,525	1,361	1,307	1,418	1,140	1,261	1,069
Woven piece-goods—cotton	mn. sq. yds.	59	59	53	61	58	55	35	58	60	52
" " wool	'000 sq. yds.	8,143	8,710	8,205	8,600	9,145	8,211	7,338	9,847	9,638	9,212
Passenger cars and chassis	number	25,824	25,181	30,507	24,288	26,408	23,582	24,051	32,523	36,229	34,085
Commercial vehicles and chassis	"	10,636	9,196	10,521	9,853	11,233	10,316	7,414	13,971	13,968	12,952
Agricultural tractors	"	8,746	7,807	8,979	7,063	8,471	7,478	6,993	8,774	8,915	9,637
Machinery—electrical	£'000	4,805	5,023	4,916	5,230	5,249	4,779	3,483	5,738	6,330	4,925
" other	"	29,758	30,003	30,412	30,984	32,901	28,543	23,696	35,561	35,852	32,824
Chemicals, elements and compounds ..	"	4,352	4,177	4,816	4,466	4,492	3,700	3,738	5,280	4,695	4,695

(1) Retained imports. (2) Revised figures.

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 1954 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	46.15
1953	110.1	97.0	114.4	112.8	104.8	117.7	117	102	115	193.3	71.69	71.91
1954	110.3	95.6	114.8	112.6	104.3	119.1	...	...	...	229.8	71.64	71.64
1954, October	109.7	93.1	114.5	111.8	104.6	119.5	120	100	120	243.6	72.22	72.44
November	110.0	93.2	114.6	111.1	104.6	119.5	120	100	120	254.4	73.57	73.42
December	109.5	89.9	114.3	110.4	104.3	119.7	...	...	...	267.7	74.12	74.42
1955, January	110.1	92.5	114.3	110.6	103.3	119.6	...	...	...	270.6	73.97	74.27
February	110.4	93.1	...	...	...	...	...	...	...	281.0	74.93	...

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rates	Total industrial production	Manufacturing production						Building New construction; seasonally adjusted	Civilian employment			
			Durable goods			Non-durable goods				Total labour force	Total employment	Unemployed as % of labour force	
			Total	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	
1953	364.9	134	153	132	189	118	107	147	2,938	63,815	62,213	2.5	
1954	357.2	125	138	108	175	115	100	148	3,098	64,468 ¹	61,238 ¹	5.0 ¹	
1954, October	362.0	{	126	139	111	169	117	102	150	3,105	64,882 ¹	62,141 ¹	4.2 ¹
„ November			128	142	118	175	118	103	151	3,192	64,624 ¹	61,732 ¹	4.5 ¹
„ December			130	143	121	187	119	104	154	3,262	63,526 ¹	60,688 ¹	4.5 ¹
1955, January	...	131	145	127	192	120	105	...	3,379	63,497 ¹	60,150 ¹	5.3 ¹	
„ February	...	133	147	132	194	121	...	...	3,393	63,321 ¹	59,938 ¹	5.3 ¹	

TRADE

	Personal consumption Annual rates	All business ¹		Total retail ²		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manufactures	Total	Finished goods	Imports	Exports
	\$ billion; seasonally adjusted					\$ million					1936-38=100	
1939	67.6	10.80	20.05	3.50	5.53	190	62	41	260	139	94	113
1953	230.1	48.84	81.07	14.23	22.66	898	217	224	1,304	911	158	262
1954	234.0	47.31	77.34	14.22	22.09	853	...	...	1,245	...	...	...
1954, September	234.8	46.99	77.79	14.21	22.43	777	198	195	1,101	725	133	226
October		46.22	77.54	14.07	22.00	761	181	187	1,252	731	132	258
November		47.99	77.60	14.36	22.08	832	185	203	1,231	718	144	251
December	237.7	49.49	77.34	15.12	22.09	931	...	...	1,300	...	...	...
1955, January		49.28	77.39	14.87	22.21	...	...	...	...	...	...	...
February	...	...	...	14.84	...	...	...	...	...	...	...	...

Financial Statistics

EXCHEQUER RETURNS

For the week ended March 19th there was an "above-line" deficit (after allowing for Sinking Funds) of £39,245,000 compared with a deficit of £14,827,000 in the previous week and a deficit of £68,768,000 in the corresponding period of last year. This brought the cumulative account to a surplus of £456,058,000 (compared with a surplus of £145,408,000 in 1953-54). Net expenditure "below-line" last week reached £13,564,000, bringing the total cumulative deficit to £15,072,000 (compared with a deficit of £278,211,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to Mar. 20, 1954	April 1, 1954 to Mar. 19, 1955	Week ended Mar. 20, 1954	Week ended Mar. 19, 1955
Ord. Revenue					
Income Tax	1800,000	1670,896	1788,835	24,878	32,889
Sur-tax	132,000	126,400	127,900	3,700	3,500
Death Duties	164,375	158,500	182,200	3,300	4,700
Stamps	55,000	54,600	71,970	1,200	1,400
Profits Tax & E.P.T.	172,000	181,200	166,900	1,800	5,000
Excess Profits Levy	60,000	65,150	74,650	1,100	1,000
Special Contribution and other Inland Revenue	1,000	1,320	1,180	100	...
Total Inland Rev.	2,384,375	2,256,066	2,413,635	35,078	48,489
Customs	1062,500	1019,628	1065,915	19,743	18,134
Excise	719,000	711,040	758,187	3,625	4,025
Total Customs and Excise	1,781,500	1,730,668	1,824,102	23,368	22,159
Motor Duties	77,000	72,805	78,588	...	...
PO (Net Receipt)	...	3,659	6,820	4,241	6,180
Broadcast Licences	21,000	15,080	20,100	...	...
Sundry Loans	24,000	37,935	23,024	516	80
Miscellaneous	245,000	110,827	187,013	2,321	683
Total	4,532,875	4,227,010	4,553,281	58,042	65,230
Ord. Expenditure					
Debt Interest	570,000	579,024	566,884	6,112	8,504
Payments to N. Ireland Exchequer	51,000	47,496	47,552	...	...
Other Cons. Fund	10,000	9,012	8,490	2	...
Supply Services	3859,739	3,410,724	3,438,980	120,137	95,607
Total	4,490,739	4,046,257	4,061,706	126,251	104,111
Sinking Funds	36,000	35,345	35,517	558	364
"Above-line" Surplus or Deficit	145,408	456,058	68,768	39,245	...
"Below-line" Net Expenditure*	423,619	471,130	27,717	13,564	...
Total Surplus or Deficit*	278,211	15,072	96,485	52,809	...
Net Receipts from:					
Tax Reserve Certificates	43,530	8,757	197	2,966	...
Savings Certificates	19,000	44,950	300	2,500	...
Defence Bonds	37,380	20,417	576	140	...

* Since end September the capital expenditure of the Post Office has been charged directly on the Exchequer (instead of being financed from the Savings Funds) and is consequently included in "below-line" expenditure and the total deficit As at March 19th this item stood at £41,560,000.

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts	Bank of England	
1954					
Mar. 20	3,100-0	1,359-7	369-6	...	4,829-2
11	3,450-0	1,672-7	256-4	3-8	5,382-8
18	3,440-0	1,727-1	262-2	...	5,429-3
31	3,420-0	1,823-5	263-4	...	5,505-9
1955					
Jan. 8	3,400-0	1,771-4	264-7	...	5,435-0
15	3,350-0	1,719-2	260-4	...	5,330-0
22	3,310-0	1,662-7	262-3	...	5,235-0
29	3,270-0	1,642-2	243-2	...	5,155-4
Feb. 5	3,240-0	1,575-9	236-8	...	5,052-7
12	3,190-0	1,557-1	251-8	...	4,998-9
19	3,160-0	1,674-1	286-4	...	5,120-4
26	3,150-0	1,691-5	268-0	...	5,109-5
Mar. 5	3,160-0	1,709-4	286-2	...	5,153-9
12	3,170-0	1,710-8	274-6	...	5,155-4
19	3,180-0	1,731-3	297-4	...	5,208-7

THE MONEY MARKET

Rather more special aid was given to the money market in the past week than has been usual since the increase in Bank rate. Last Thursday week, and again on Friday one or two houses had to borrow at the Bank. On the two ensuing days, however, moderate purchases of bills (made indirectly through the banks) saved the market from further Bank borrowing. On Tuesday and Wednesday market supplies of credit were adequate, and there was a fair turnover in May and June maturities at 3½ per cent. Earlier in the week June bills had been sold at 3½ per cent.

At the Treasury bill tender on Friday last the market maintained its bid unchanged at £99 1s. per cent for the fourth successive week. Outside tenderers also appear to have maintained their bids (whereas at the two previous tenders they had reduced them) so that the average rate of discount fell back fractionally to £3 15s. 11.64d. per cent. The upshot was that although applications fell (for the first time since mid-February) by £8.7 million, the market's allotment was reduced from 61 to 56 per cent.

The price of silver in the London market fell back slightly from 77½d. to 77¼d. an ounce on Monday, following earlier the reduction in the New York price from 89½ cents to 88½ cents.

The Bank return shows an outflow of notes of £3.0 million.

LONDON MONEY RATES

Bank rate (from 3½% 24/2/55)	%	Discount rates	%
Bank bills: 60 days	3½	Bank bills: 60 days	3½
3 months	3½	3 months	3½
6 months	3½	6 months	3½
Money Day-to-day	2½-3½	Fine trade bills:	
Short periods	2½-3½	3 months	4½-4½
Treas. bills 2 months	3½	4 months	4½-4½
3 months	3½	6 months	4½-4½

*Call money

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates : Spot						
		March 23	March 17	March 18	March 19	March 21	March 22	March 23
United States \$.	2-78-2-82	2-79-2-79	2-79-2-79	2-79-2-79	2-79-2-79	2-79-2-79	2-79-2-79	2-79-2-79
Canadian \$		2-74-2-75	2-74-2-75	2-74-2-75	2-74-2-75	2-74-2-75	2-74-2-75	2-74-2-75
French Fr.	972-65-987-35	976-977	977-977	977-977	976-977	976-977	977-977	977-977
Swiss Fr.	12-15-12-33	12-27-12-27	12-27-12-27	12-27-12-27	12-27-12-27	12-27-12-27	12-27-12-27	12-27-12-27
Belgian Fr.	138-95	139-65	139-65	139-62	139-55	139-50	139-57	139-57
Dutch Gld.	141-05	139-70	139-70	139-67	139-60	139-55	139-57	139-62
W. Ger. D-Mk.	11-67-11-84	11-79-11-79	11-79-11-79	11-79-11-79	11-79-11-79	11-79-11-79	11-79-11-79	11-79-11-79
Portuguese Esc.	79-90-81-10	80-00-80-25	80-00-80-25	80-00-80-25	80-00-80-25	80-00-80-25	80-00-80-25	80-00-80-25
Swedish Kr.	14-37-14-59	14-54-14-55	14-54-14-55	14-54-14-54	14-54-14-54	14-54-14-54	14-54-14-54	14-54-14-54
Danish Kr.	19-19-19-48	19-39-19-39	19-39-19-39	19-39-19-39	19-39-19-39	19-39-19-39	19-39-19-39	19-39-19-39
Norwegian Kr.	19-85-20-15	20-01-20-01	20-01-20-01	20-01-20-01	20-01-20-01	20-01-20-01	20-01-20-01	20-01-20-01
One Month Forward Rates								
United States \$.		2-78-2-82	2-79-2-79	2-79-2-79	2-79-2-79	2-79-2-79	2-79-2-79	2-79-2-79
Canadian \$		2-74-2-75	2-74-2-75	2-74-2-75	2-74-2-75	2-74-2-75	2-74-2-75	2-74-2-75
French Fr.		972-65-987-35	976-977	977-977	977-977	976-977	976-977	977-977
Swiss Fr.		12-15-12-33	12-27-12-27	12-27-12-27	12-27-12-27	12-27-12-27	12-27-12-27	12-27-12-27
Belgian Fr.		138-95	139-65	139-65	139-62	139-55	139-50	139-57
Dutch Gld.		141-05	139-70	139-70	139-67	139-60	139-55	139-57
W. Ger. D-Mk.		11-67-11-84	11-79-11-79	11-79-11-79	11-79-11-79	11-79-11-79	11-79-11-79	11-79-11-79
Portuguese Esc.		79-90-81-10	80-00-80-25	80-00-80-25	80-00-80-25	80-00-80-25	80-00-80-25	80-00-80-25
Swedish Kr.		14-37-14-59	14-54-14-55	14-54-14-55	14-54-14-54	14-54-14-54	14-54-14-54	14-54-14-54
Danish Kr.		19-19-19-48	19-39-19-39	19-39-19-39	19-39-19-39	19-39-19-39	19-39-19-39	19-39-19-39
Norwegian Kr.		19-85-20-15	20-01-20-01	20-01-20-01	20-01-20-01	20-01-20-01	20-01-20-01	20-01-20-01
Gold Price at Fixing								
Price (s. d. per fine oz.)		251/04	251/04	...	251/1	251/04	251/04	251/04

Price (s. d. per fine oz.)

BANK OF ENGLAND RETURNS

	1954		1955	
	Mar. 24	Mar. 16	Mar. 16	Mar. 16
Issue Department*				
Notes in circulation	1,565-8	1,680-3	1,683-42	1,683-42
Notes in banking dept.	59-6	45-1	45-1	45-1
Govt. debt and securities*	1,621-9	1,721-2	1,721-2	1,721-2
Other securities	0-7	0-7	0-7	0-7
Gold coin and bullion	2-9	3-4	3-4	3-4
Banking Department				
Deposits:				
Public accounts	17-0	14-7	14-7	14-7
Treasury special account	1-0	6-5	6-5	6-5
Bankers	281-0	274-6	271-1	271-1
Others	64-6	65-1	65-1	65-1
Total	363-6	360-9	358-4	358-4
Securities:				
Government	293-8	297-8	308-1	308-1
Discounts and advances	7-5	18-5	18-5	18-5
Other	18-5	15-6	15-6	15-6
Total	319-8	331-9	342-2	342-2
Banking department reserve	62-2	47-4	47-4	47-4
"Proportion"	17-1	13-1	13-1	13-1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,775 million to £1,725 million on January 20, 1955.

TREASURY BILLS

Date of Tender	Amount (£ million)		Average Rate of Allotment	Allotment at Max. Rate %
	Offered	Applied For		
1954				
Mar. 19	260-0	365-6	260-0	42 36-4
Dec. 17	270-0	396-2	270-0	35 10-51
" 24	270-0	382-4	270-0	36 11-56
" 31	260-0	973-5	260-0	37 3-82
1955				
Jan. 7	230-0	375-5	230-0	58 4-29
" 14	230-0	344-1	230-0	58 17-97
" 21	220-0	351-1	220-0	40 5-46
" 28	210-0	376-8	210-0	46 7-33
Feb. 4	220-0	387-4	220-0	46 3-17
" 11	230-0	363-0	230-0	46 3-57
" 18	250-0	366-9	250-0	46 3-97
" 25	260-0	381-9	260-0	75 5-32
Mar. 4	260-0	390-7	260-0	75 8-93
" 11	270-0	393-9	270-0	76 0-65
" 18	270-0	385-2	270-0	75 11-64

* On Mar. 18th tenders for 91 day bills at £99 1s. 0d. secured about 56 per cent of the sum applied for. Higher tenders were allotted in full. The offering yesterday was for a maximum amount of £280 million.



INCORPORATED BY

ROYAL CHARTER 1720

In the wide field of Insurance at Home and Overseas the Corporation of the Royal Exchange Assurance offers a valuable service as one of the oldest and most progressive of the British Insurance Offices.

Governor:
THE RIGHT HON. LORD BICESTER.

ROYAL EXCHANGE ASSURANCE

HEAD OFFICE AT THE ROYAL EXCHANGE, LONDON.

Branches and Agencies throughout the United Kingdom and Overseas

SAFETY-FIRST INVESTMENT

2½%
per annum

Income Tax paid by the Society

Equal to £4.10.10 per cent to investors subject to income tax at the standard rate

The current rate of interest on share accounts is 2½%, and on ordinary deposit accounts 2%, with income tax paid by the Society in each case. Sums up to a total holding of £5,000 are accepted for investment in Abbey National. For further particulars apply for a copy of the Society's Investment Booklet.

Total Assets £213,461,000

ABBEE NATIONAL BUILDING SOCIETY

HEAD OFFICE: ABBEE HOUSE, BAKER STREET, LONDON, N.W.1

For address of Local Office see Telephone Directory



CVS-343

If you are exporting to CANADA or the WEST INDIES



THE BANK OF NOVA SCOTIA

(Incorporated in Canada in 1832 with Limited Liability)

with a background of over 120 years' experience would welcome the opportunity of serving you

LONDON OFFICE
108 OLD BROAD STREET, LONDON, E.C.2

CREDIT SUISSE ZURICH

(ESTABLISHED 1856)

Capital and Reserves
Swiss Francs 225,000,000

With Branches in all parts of Switzerland and also at 25 Pine Street, NEW YORK, and with Correspondents throughout the World the CREDIT SUISSE, one of the oldest and largest BANKS of Switzerland, provides an efficient service for all kinds of banking transactions.

Please address your enquiries to the Head Office in Zurich, or to:-

THE UNITED KINGDOM REPRESENTATIVE
Robert J. Keller
4 Tokenhouse Buildings, Kings Arms Yard, London, E.C.2

AFFILIATED COMPANIES

SWISS AMERICAN CORPORATION
25 Pine Street, NEW YORK

CREDIT SUISSE (CANADA) LIMITED
1010 Beaver Hall Hill, MONTREAL

The affairs of men . . .

When it comes to appointing an Executor or Trustee you cannot do better than place your affairs in the hands of National Provincial Bank. The Trustee Department is staffed by specialists in the administration of Wills and Trusts and has the benefit of all the Bank's experience in financial and business matters.

No matter how complex your affairs may be, you may be sure that they will be handled courteously, sympathetically and efficiently.

Enquiries will be welcomed at any Branch without obligation.

NATIONAL PROVINCIAL BANK LIMITED

Head Office: 15 Bishopsgate, London, E.C.2. Trustee Department: 1 Princes Street, London, E.C.2

SPECIALIZING IN CANADIAN INDUSTRIAL FINANCE

Businessmen who are interested in establishing or expanding Canadian industrial facilities might find it worthwhile to consult with the Industrial Development Bank, a wholly owned subsidiary of the Bank of Canada. I.D.B. has wide experience in Canadian industrial problems and specialized knowledge of business practices, markets and many other factors affecting the success of a Canadian venture. Should term financing be required for a plant and equipment of a type not available through regular commercial channels on reasonable terms and conditions, I.D.B. may be able to suggest a practical answer. If you would like more information we suggest you communicate with:

INDUSTRIAL DEVELOPMENT BANK

Office of the General Manager
901 Victoria Sq., MONTREAL, CANADA.



BAYERISCHE VEREINSBANK

Every description of Domestic and
Foreign Banking Business transacted

Munich Office: 14, Kardinal-Faulhaber-Strasse
Cable Address: "Vereinsbank" Phone: 28401. Telex No. 052/3321

Nuremberg Office: 21, Lorenzerplatz
Cable Address: "Bayverein" Phone: 27741. Telex No. 06/2217

Augsburg Office: 37, Maximilianstrasse
Cable Address: "Vereinsbank" Phone: 4681/84. Telex No. 053/820

77 Branches
Correspondents throughout the World

COMPANY MEETINGS

LINGGI PLANTATIONS, LIMITED

INTERNATIONAL TENSIONS THE PRIMARY
CAUSE OF RECENT PRICE MOVEMENTS

NEED FOR STABILITY AT A REASONABLY PROFITABLE LEVEL

SIR JOHN HAY'S STATEMENT

The fifty-ninth annual general meeting of Linggi Plantations, Limited, will be held on March 30th at 19 Fenchurch Street, London, E.C.3.

The following is the statement by the chairman, Sir John Hay:

The period under review terminated on October 31st last and we, therefore, gained little benefit from the recent rise in the price of rubber. The main contributing factor to the welcome increase in our profits was the higher prices received for our production in the form of liquid latex and other premium grades. The plant necessary for the processing of concentrated latex is jointly owned by us and associated companies and although this new enterprise has only been in operation for less than three years we have already succeeded in establishing a reputation for a consistently high quality product, a valuable achievement in a highly competitive specialised market. It will be our continuing aim to maintain this position to the benefit of this company and its associates. An increase in crop and a slight decrease in estate cost per pound were supplementary contributors to our greater profit. But the increase in our profits, such as it is, would not in itself justify our recommending a dividend which is double that of the previous year. In coming to this decision we are influenced by the better prospects for the current year and fortified by a strong financial position, as disclosed by our balance sheet. This position has been reached by following consistently over a long period of years a progressive replanting policy and a prudent financial course. The major benefits of such enterprise and restraint go to the taxing authorities. Moreover, such residue as is left to us is never free from recurring threats of further taxation and it is in these circumstances that we feel a more liberal distribution might well be made, lest the possession of ample funds in the hands of the company should be made the pretext for further exactions. The following table showing the division of profits since November 1, 1950, is illuminating:

	£	Per Cent
Taxation, including Export Duty, Malayan and UK taxes	1,175,282	64.50
Ploughed back into the business	381,632	20.94
Dividends	265,327	14.56
Total profit	£1,822,241	100.00

You will observe that, over that period, for every £1 received by stockholders, governments have taken approximately £4 10s. On the principle that appetite grows what it feeds upon, it would seem, according to some reports, that the Malayan authorities are greedy for still more and are prepared to follow a course seriously detrimental to the progress of the country is upon which the prosperity of the country is so largely dependent. To the foregoing I should add that the average net return to the stockholders on the capital employed in the business over the postwar years was equivalent to less than 4½ per cent and in the pre-

ceding five years, owing to the misfortunes of war, they received no return at all. In considering the significance of these figures one should bear in mind that they relate to a company which might claim to have been outstandingly successful. Unless there is greater incentive and fairer reward it can hardly be expected that more capital will be forthcoming for long-term investment in Malaya.

REPLANTING

You will observe from the schedule on page 4 of our report that no less than 85 per cent of our total planted area consists of high-yielding stock. There is, however, this qualification, that the earliest replantings are reaching the stage when they will have to be replaced, but before we can undertake that operation we must first of all deal with the residue of seedling rubber of nearly 2,000 acres. Of this, 800 acres will be replanted within the next three years. The balance will be dealt with in the manner described in the paragraph which follows this. Since replanting is at times referred to as if it were a recent official discovery which can only be efficiently carried out if put under bureaucratic control, perhaps I may be permitted to mention here that more than 30 years ago we started experimental replanting and some of our estates have reached the stage of replanting to the second generation. Replanting is not an operation to be carried out by a rule of thumb method designed by some official who has acquired a nodding acquaintance with a rubber tree. The selection of the ground suitable for such an operation, the timing and the extent in relation to the probable economic and financial consequences, are all matters for careful consideration and for the exercise of a judgment based on knowledge and experience. Given an adequate incentive, there will always be a sufficient number of estate owners who on their own initiative and in their own interests will undertake replanting to the extent that is deemed necessary and prudent.

SUBSTITUTE PLANTING

I now come to the matter of how to deal with our remaining 1,200 acres of seedling rubber. On this particular area we propose to substitute tea for rubber. The necessary preparation of the soil and other practical considerations render the fulfilment of this programme a slow and gradual process. If we can carry out this programme it will add variety to our operations and, we hope, give an increased stability to our fortunes. Perhaps I should issue the warning that if we are discouraged in this long-term development by further taxation or by any other impediments we shall always feel free to reconsider our plans and, if judged desirable, to amend them.

RICE

In my last statement to stockholders I made a brief reference to the subject of rice, the staple diet of our workers. I then

contended that since the period of shortage had ended and supply was abundant there was no longer any necessity for the continuance of Government control over purchase and distribution. This view did not find official acceptance and control continued. But the pressure of increased supplies could no longer be resisted and Government was forced eventually to abandon a control which had been carried on well beyond the necessary period. Since my last statement there has been a significant fall in price, bringing a welcome relief to the consumer.

PRICE OF RUBBER AND OUTLOOK

In the last few months we have seen the price of rubber following one of its characteristically capricious courses, disconcerting producer and consumer alike, and upsetting the most carefully drawn forecasts. In this instance the main feature was an upward trend bringing one of those rare periods of more liberal profits to the producer. Agreeable as such unwonted prosperity may be, the producer no less than the consumer would prefer a stable price at a reasonably profitable level. In February, the price of rubber rose to 31½d, but fell sharply to 26½d. The price is now 27d. Although at the time the causes for such unexpected movements might have seemed obscure, in retrospect they clearly emerge. International tension respecting Formosa, with its threats of open hostilities to which no precise limit could be set, not unnaturally caused apprehensions regarding the free flow of rubber supplies from the Eastern producing territories already the centres in varying degrees of internal disturbances and political confusion and rendered exceptionally sensitive to any threat of conflict between the larger powers regarding an Eastern territory. This occurred at a time when manufacturers' stocks were low and when US tyre manufacturers were called upon to step up their supply of tyres to match the abnormal output of cars being built against the threat of a strike. Secondary causes were the dock strike and a temporary delay in overseas transport, impeding the delivery of rubber urgently required in this country and overseas. International tensions, the primary cause of recent price movements, have been little relaxed. Past history has demonstrated the extent to which forecasts regarding the probable course of rubber can be falsified by events. I hope, therefore, that what I am about to say regarding the outlook for the current year will be received with a becoming caution and with a realisation that the most carefully compiled statistical data may be seriously upset by events that cannot be foreseen. Subject to such qualifications and all the usual uncertainties, our statistical forecast is that production and consumption of natural rubber should be in close balance with production at 1,850,000 tons, and consumption at 1,825,000 tons, each side showing an increase over 1954 of 75,000 tons. We anticipate that Malayan production will remain at round about 600,000 tons, the greater part of increased production coming from Indonesia and other countries. Despite some disorganisation in Indonesia, the mar-

ginal producer in the form of the small-holder in outlying districts continues to respond to good prices. On the consumption side we look to the USA to increase its total use of natural rubber and synthetics, but under the influence of present prices it seems prudent to expect a more liberal use of synthetics in the ratio of 44 per cent to crude and 56 per cent to synthetics. The proportions last year were 48 per cent and 52 per cent. What the countries behind what is termed the "iron curtain" will take must be very much of a guess, but we assume an increase there of 20,000 tons bringing their purchases up to 145,000 tons. With consumption and production thus calculated, so nearly in even balance, the scales can easily be tipped either way.

COMPANY'S PROSPECTS

I have earlier stated here that the greater part of our output is now shipped in the form of latex which can seldom be sold forward advantageously at a fixed basic price. Out of the remainder of our output we have made some forward sales, with the result that we have sold or contracted to sell 1,979,281 lb. at an average of 31.10d. per lb.

STAFF

It would be the wish of all stockholders that we should accord to our managers and all who serve under them our thanks for their services. Their duties have been performed with high competence. We should specially remember those whose lot is cast in difficult places. Johore, where our Sembrong property is situated, is still much disturbed, and all measures for the protection of person and property have still to be maintained in all their former rigour.

OIL PALMS OF MALAYA, LIMITED

Sir John Hay's statement on the twenty-fourth annual report and accounts is as follows:

The market price of palm oil remained steady throughout the year at between £75 and £80 per ton c.i.f. Palm kernels, on the other hand, declined gradually from £65 to £45 per ton. The net result was that our total income from the two commodities was a little less than last year. There was no material change in the crop and cost of production. Once more export duty, income tax and profits tax take from us over 70 per cent of our profit, after which we are able to transfer £15,000 to general reserve and again recommend a dividend of 15 per cent. This leaves a small sum to be added to the balance carried forward.

Production of palm oil in the first three months of the current year was 2,174 tons, compared with 2,299 tons last year. Harvesting was interrupted in December by very severe storms and floods, which swept away sections of the estate's road and railway system. At the same time our costs are affected by the general rise in agricultural wages which results from the higher price now being obtained for Malaya's major commodity—rubber. Fortunately, an upward movement in the price of palm oil and kernels has so far compensated us for the increase in our cost of production. I can hazard no guess about the future price of palm oil, but if it remains reasonably steady, I hope the results for 1954-55 will not be far out of line with those for the year under review.

MAINTENANCE OF THE ESTATE

Our planting adviser reports that he is highly satisfied with the cultural conditions

on the estate. One-third of our mature area now consists of palms planted since the war. When the trees reach their full growth the yield of oil per acre from these young plantings is confidently expected to exceed that of the older areas.

The oil palm, however, does not give substantial yields until eight or nine years after planting out, and last year only one eighth of the total oil produced came from these young areas. The young palms, because of their meagre outputs, are also more expensive to harvest. The benefit of our new plantings has, therefore, still to be felt, but should increasingly be realised in the results of the next few years.

At the same time we have to continue the replanting of the rest of the estate. Half of these older areas have already passed their twenty-fifth year, after which age the yield of oil declines steadily. An instalment of nearly 1,000 acres has been successfully carried out in 1954. The need to cut out and replant such large areas forbids us to anticipate any great increase in production in the near future. We shall do well to maintain a balanced programme, which will enable us to complete the necessary rejuvenation of the estate without loss of crop.

TERRORISM

Although Government forces have been active and killed a number of bandits in the neighbourhood, life on the estate is still more reminiscent of fictional stories relating to a past age than of a sober business enterprise in the second half of the twentieth century. In addition to the murder of W. J. Berry, of which I wrote last year, the most serious incidents were the murder of an estate labourer on the suspicion that he had given information to the police, two attacks upon the houses of members of the staff and three attempts to shoot others in the fields. In a private report from Malaya we have the situation in this part of Johore well described as a state of uneasy equilibrium between the communist terrorists on the one hand and the representatives of law and order on the other.

These outrages have not deterred the staff from their duties, and in acknowledging their fortitude we must not forget to include their wives, one of whom was slightly injured when her home was attacked.

Security measures, which include the maintenance of defended perimeters, running of armoured cars, and payment of special allowances to give the staff the respite of a regular brief holiday away from the estate, cost us £20,000 last year, and the total spent by the company to date on such measures now falls little short of £200,000.

STAFF AND LABOUR

In these difficult conditions the company has the responsibility of looking after over three thousand workers and dependants. On my visit last year I authorised the construction of a new staff club, which will permit those who bear the greatest strain to relax and entertain friends without leaving the property. I hear that this amenity is much appreciated. A special ward for the Asian staff has just been added to the hospital. Separate Chinese, Indian and Malay schools are maintained on the estate, and religious worship is arranged for all communities. The estate football teams compete in local leagues, and a thriving cinema club exists. I have no doubt that the pursuit of an enlightened policy in these matters is beneficial to the company, and I am glad to record here a commendation by the general manager in his annual report of the team-spirit and loyalty of his staff, which in his words "leave nothing to be desired."

MARCONI'S WIRELESS TELEGRAPH

RECORD TURNOVER

The fifty-seventh annual general meeting of Marconi's Wireless Telegraph Company, Limited, was held on March 17th in London.

Sir George H. Nelson (the chairman), in the course of his speech, said: Last year's record turnover has been exceeded this year. The net profit for the year is £420,373, which shows an increase of £124,384 on the net profit of the previous year. Your directors recommend a dividend of 10 per cent, less tax, on the ordinary shares.

Radio Communications: Your company is, in certain fields, the largest single manufacturer and supplier of radio communication equipment in the world, for more than sixty overseas territories have installed Marconi radio communication equipment.

In collaboration with the Canadian Marconi Company, the control of which we acquired in 1953, we have obtained a very important telecommunication order which will make a valuable contribution to the country's dollar receipts. The new stations will give Canada a greatly improved radio telephone service with Australia, New Zealand and the Far East, and will give Britain an alternative to existing radio telephone links with Australia when the new Trans-Atlantic cable is completed.

Television: It is heartening to be able to say that we have received orders for black-and-white television equipment far exceeding anything received in previous years. Export orders include the first three transmitting stations in Denmark, additional equipment for Pisa and Rome in Italy and an installation in Brazil. Work has also been completed on the Vancouver station of the Canadian Television service.

We feel greatly complimented that the recently created Independent Television Authority and the Programme Companies have, from their very inception, looked to your company for equipment and technical experience, and I am pleased to be able to tell you that a large amount of transmission equipment, for both vision and sound, and studio equipment has already been ordered.

Colour Television: An event of major importance took place in May last year when your company gave the first public demonstration in this country of a fully electronic compatible colour television system. It must be apparent to all who have studied the technical and economic problems involved that the ultimate choice of a system of colour television for any country must rest with those authorities whose responsibility it is, but I would say, however, that Marconi's Wireless Telegraph Company has, by extensive research, gathered a wealth of experience and is ready to advise and co-operate with the authorities who have this problem to face, and to develop and manufacture equipment to comply with the standards they choose.

Sound Broadcasting: While television has captured the public interest, it is a fact that the great majority of people throughout the world will for many years to come still rely on sound broadcasting for their entertainment and enlightenment. Our high-power broadcasting transmitters, which have this year gone into operation in Norway and Denmark, and will soon be in service in Cyprus, the Sudan and Argentina, now bring the total of these large transmitters sold throughout the world to forty-one.

Defence Radar: When the story comes to be told of the part your company has played in re-equipping the radar defences of this country it will be a revelation.

The report and accounts were adopted.

STANDARD LIFE ASSURANCE COMPANY

PROGRESS AT HOME AND OVERSEAS

INTERMEDIATE BONUS 42/- PER CENT COMPOUND

MR A. HARRISON'S ADDRESS

The one hundred and twenty-ninth annual general meeting of The Standard Life Assurance Company was held in Edinburgh on March 22nd with Mr A. Harrison, CA, in the chair.

The general manager and actuary having read the auditor's report, the chairman said:

My Lord, Ladies and Gentlemen,—May I take it to be your wish that the directors' report, which is in your hands, be held as read?

In the first place, it gives me much pleasure to welcome to his first annual meeting of the company Mr J. G. S. Gammell, who joined the board just after the annual meeting a year ago. Mr Gammell's financial experience has been of great assistance to us during the past year, and we count ourselves fortunate in having secured his services. His name will be submitted to you later at this meeting for re-election in the usual way.

It is with deep regret that I have to inform you of the death in June last year of Mr A. F. Baillie, who until a few months previously had been acting as chairman of our Canadian board, of which he had been a member for nineteen years. His wise and far-seeing judgment was of the greatest help to the company throughout that period. To fill the vacancy, Major General George P. Vanier was invited to join the Canadian board, and we are confident that this will prove to be a most valuable appointment.

NINTH SUCCESSIVE RECORD

You will see from the report that the new life assurance business written last year amounted to £39,577,000, an increase of almost £4 million over the previous year's production. This is now the ninth successive year in which the new business written has constituted a record for the company. Included in this year's total is a sum of £16,683,000 of group life assurances. The new annuity business, namely, £10,587,000 per annum, is also a record figure.

It is pleasing again to be able to report a substantial increase in premium income, which you will see from the revenue account of the life assurance and annuity fund has risen by almost £2,500,000 to just under £20 million. The expense ratio, at 8.5 per cent, shows a reduction for the sixth successive year.

IMPORTANCE OF PROFITS

Our income from investments, amounting to over £5,600,000, represents a net rate of interest on the life assurance and annuity fund of £4 8s. 4d. per cent, an increase of 3s. 5d. over the previous year's rate. In this connection I would recall the remarks of my predecessor at this meeting a year ago when he pointed out that the Standard had a substantial sum invested in ordinary stocks. He reminded you that the efficiency and profitability of industry generally, and in particular of the companies in which we have invested, are of great importance to all Standard policyholders as any increased dividends paid by these companies improve the rate of interest earned on our funds. The rate of interest earned on our favourable rate of interest earned on our funds provides a major source of the bonuses accruing to our with profits policyholders and enhances the security behind all our contracts. I shall have more to say later on the

question of bonuses to policyholders; but in the meantime, in view of what was said a year ago, it will no doubt be of particular interest to you to know that almost the whole of the increase in the rate of interest earned on our funds has been due to the greater profitability of industry, which has permitted of higher dividends being paid.

BALANCE SHEET STRENGTH

Before we leave the accounts, I would ask you to turn to the balance sheet from which you will see that the book values of our total assets now amount to over £143 million, an increase of £18 million over the previous year's total. In view of the substantial rise in the prices of Stock Exchange investments generally in 1954, the margin between the market values and the book values of our assets at the date of the balance sheet was considerably greater than it was in November, 1953. As a result of the recent changes in this country's terms of trade and balance of payments and the salutary financial measures taken to restrain inflationary influences, Stock Exchange prices in this country have fallen, on balance, since November 15, 1954, but, on the basis of today's prices, the above margin is still very substantial. Moreover, the fall in security prices means that the new money received by the company can be invested more remuneratively.

WIDE RANGE OF POLICIES

Life assurance thrives on competition. The aim before all companies is to reach the public and make available the most satisfactory contracts to meet all types of life contingencies, and the friendly rivalry between individual companies is a guarantee of a high standard of service. It is significant that at the present time when record amounts of new business are being written the competition between the offices is probably keener than it has ever been and the range of policies offered to the public has never been wider.

It is not possible in a review of this nature to describe all the types of contract which we have available but particular mention should be made of the fact that the company was one of the first in this country to specialise in the provision of group life assurance and pension schemes. Among those whose pension schemes we administer are to be found many of the largest and best-known companies in addition to many hundreds of smaller concerns from among which the giants of the future may arise. A growing interest is now being shown in provision for "Works" employees, and we were one of the first to meet this demand with a special scheme drafted to suit the particular circumstances of their employment. This scheme has already been adopted by a number of companies, and I am confident that there is an important field for development in this direction.

I should like to draw the attention of members also to two other types of contract in which we specialise in this country—the in which we specialise in this country—the House Purchase Scheme and the Minimum Premium Plan. The House Purchase Scheme is run in conjunction with our subsidiary company, The Heritable Securities Association, and in appropriate cases advances up to 80 per cent of the valuation of a house may

be granted and the annual cost to the borrower can be reduced under an arrangement whereby a certain proportion of the loan is allowed to remain stationary, the balance being repaid by means of an endowment assurance policy. The Minimum Premium Plan, which was reintroduced in a new form last year, is an admirably suitable contract for the repayment of a house purchase loan. It gets its name from the fact that, although premiums are only slightly more than the corresponding non-profit premiums, policies under the plan share in bonuses which the policyholder may elect to take in cash, thus reducing his net outlay to a minimum.

CANADA

All our overseas branches continue to make satisfactory progress. Our Canadian organisation now produces a considerably higher proportion of our business than formerly. The figures for the past year show a gratifying increase and the amount of new ordinary life assurances written in Canada in 1954 was about one-third of the total for the whole company. As was stated by my predecessor a year ago, we are developing our business among French Canadians, and it is our intention to open two new branch offices for this purpose in the near future.

The development of natural resources and the industrial expansion which is taking place in Canada are most impressive. The outstanding project is the great St. Lawrence Seaway. This will carry ocean-going ships into the heart of the country and will provide additional sources of electrical power; but it is only one of many indications of the great future which lies ahead of Canada. The investment of our own growing funds, with the assistance of our skilled and experienced Canadian board, enables us to play our part in the expansion of the economy.

WEST INDIES

Our business in the West Indies has also been prospering. We have been established in the islands of the Caribbean for more than a century so that many of our connections there are of long-standing. Although old in time, however, they are youthful in vigour. West Indies affairs generally have come into great prominence during recent years and we look forward to our connections there becoming even more fruitful as the general economy develops.

URUGUAY

Although our branch in Uruguay is the smallest of our overseas centres, its rate of growth at present is larger than that of any other, as the new business obtained in 1954 was almost double that for the previous year. It is now 65 years since we first commenced operations in that country and I am very glad to take this opportunity of congratulating specially the members of our organisation there on the excellent results for 1954 and of expressing the pleasure it gives us to be carrying on business in Uruguay which for so long has had friendly relations with this country.

BONUS PROSPECTS

The year upon which we have now entered is the third year of a triennial period so that

a full investigation falls to be made as at November 15, 1955, with a view to a bonus declaration for the three-year period ending on that date. Two years ago a triennial compound reversionary bonus at the rate of 37s. 6d. per cent was declared, and it was announced that until further notice the rate of intermediate bonus on policies becoming claims by death or maturity would also be 37s. 6d. per cent. A year ago the directors, with the results of the first year of the present triennium before them, decided that the rate of intermediate bonus should be raised from 37s. 6d. per cent to 40s. per cent, and, as you will see from the report, the directors have now decided on a further increase in the rate of intermediate bonus to 42s. per cent.

The declaration of an intermediate bonus of 42s. per cent is a particularly happy event because for many years prior to the last war the name of the company was closely associated with a bonus at this rate. With so many obscurities prevailing in world conditions today, you will not expect me to look forward with any certainty to the future. But I should like to say this. The measures which have been taken in the past, and which are still being taken, to serve the interests of members, have yielded excellent results, and, unless particularly adverse circumstances arise, we see no reason why these should not continue.

I am led to express this view not only because of the strong position of the company, but also because of the excellent spirit of co-operation in our organisation. Between officials and staff, between those working outside in the field and those working indoors, between the head office and branches both at home and overseas, the team spirit is in evidence to a quite remarkable degree, and I am sure you would wish me to express on your behalf, as I do on behalf of the directors, our thanks to the officials and staff for the excellent service they give to the company.

I now move the formal adoption of the report, revenue accounts and balance sheet submitted.

Mr W. E. Davies, in seconding this motion, said: My Lord, Ladies and Gentlemen,—I have listened with admiration and intense satisfaction to the remarks of our chairman. The impressive figures which he has spread before us must be a source of gratification to all who have had anything to do with them, and it only remains for me on behalf of the policyholders to thank you, sir, and your colleagues on the board for the eminently successful direction of our affairs and to express our confidence in the continued prosperity of the company. I have much pleasure in seconding the adoption of the report and accounts for the past year.

The report and accounts were adopted.

DUNFERMLINE BUILDING SOCIETY

FURTHER EXPANSION: FUNDS NOW APPROACH £10 MILLION

The Society's eighty-sixth annual general meeting was held in Dunfermline on March 22, 1955, Bailie Andrew Crocket, chairman of the Society, presiding. The chairman welcomed the Society's president, the Right Honourable The Earl of Elgin and Kincardine, KT, CMG, who then addressed the meeting.

LORD ELGIN'S ADDRESS

His Lordship prefaced his address with congratulations to members on the results for the past year. Building societies generally had found the previous year a very successful

one, large additions having been made to the funds held by them on account of shareholders and depositors. More new houses for owner-occupation were now being built, and this revival in private house building would be encouraged when appropriate by all members of the movement. Concluding, his Lordship said that this was, perhaps, a time when societies might properly stress the need for good design in private enterprise building.

THE CHAIRMAN'S SPEECH

In proposing the adoption of the report and accounts, the chairman said that the Society had had a very successful year. Many more people had joined the Society and total assets, at £9,897,849, had increased by £1,220,783. Advances, at £1,397,497, were slightly greater than in 1953, and mortgage assets now totalled £7,460,097. Total liquid resources, including cash on hand of £326,231, came out at £2,381,884.

The surplus for the year amounted to £243,132, and after paying interest to shareholders, £20,000 was added to general reserve. The carry forward was increased by £7,235. The Society had at present ample funds available for sound house purchase loans and they could regard the future with some confidence. The report was adopted.

THE SCOTTISH LIFE ASSURANCE COMPANY, LIMITED

FIFTH SUCCESSIVE RECORD YEAR

Mr Charles R. Munro, CA, chairman of the board of directors, presided at the annual general meeting of The Scottish Life Assurance Company, Limited, held in Edinburgh on March 23.

In moving the adoption of the report and accounts for the year 1954, the chairman said:

For the fifth year in succession, I have to report that the new life assurance business is a record for the company. The gross new business for 1954 has increased by as much as 40 per cent over the amount completed in 1953; while the net new business, after deducting re-assurances, has risen by 33 per cent. This increase, to which both ordinary life and pensions business have contributed, is, I think you will agree, a remarkable achievement.

New deferred annuities, which are mainly associated with superannuation schemes, have increased by 329 per cent over the 1953 figure; this very substantial increase, coupled with an increase of over 200 per cent in life assurances under pension schemes, measures the success achieved by the pensions manager and his assistants.

New business in the current year has already started well, and I have every hope that in this, the final year of our quinquennium, a further record may be achieved, even though the increase may not be as great as last year.

LIFE AND ANNUITY REVENUE ACCOUNT

At the record total of £1,651,000 our premium income for the year was 15 per cent more than in 1953. This substantial increase of £218,000 is itself a record. The gross annuity fund have again risen, the gross rate being £5 5s. 4d. per cent, against £4 19s. 3d. per cent for 1953, while the net rate, after deducting income tax, was £4 9s. 3d. per cent, as compared with £4 6s. 11d. per cent for 1953. Claims by death, at 70 per cent of the

expectation by the mortality table used in valuing the company's liabilities, are higher than the exceptionally low figure of 44 per cent recorded last year, but the ratio is still more than satisfactory.

BALANCE SHEET

The increase during the year in the life and annuity fund has, for the first time, exceeded £1 million. The main additions to our investments during the year are £523,000 in ordinary stocks and shares, £251,000 in debentures and debenture stocks; and among the non-marketable securities, £419,000 in mortgages on property within the United Kingdom.

There was again a very considerable increase in the market values of our stock exchange securities during the year, especially in the section "ordinary stocks and shares," and the total market value of our investments is now much in excess of the figure at which they stand in the company's books.

PENSION SCHEME WITH PARTICIPATION IN PROFITS

Until comparatively recently almost all pension schemes were written on a non-profit basis, so that both contributions and benefits were fixed throughout. While this method has its advantages, the history of life assurance has shown the superiority of a policy with profits in a good bonus-paying life office, and there is no reason why pension schemes, as well as life assurance policies, should not be issued with profit rights. We have recently, therefore, made available a participating contract to meet the case where pensions arrangements are made individually; and we intend in the near future to bring out a plan under which group pension schemes can be issued with participation in profits, as an alternative to the present non-profit plan.

TAXATION TREATMENT OF PROVISIONS FOR RETIREMENT

Last year I referred to the main proposals of the report of the Millard Tucker Committee, which was published shortly before our last annual meeting. It was hardly to be expected that, in the short time at his disposal, the Chancellor of the Exchequer would be able to take any action on this report in his 1954 Budget. A year has now elapsed and it must be hoped that at least some of the recommendations will be dealt with this year. The principal injustice of the present state of the law is of course that self-employed persons must, as things now stand, provide for their old age out of fully taxed income. The proposals of the majority of the Committee, while carefully thought out, are both for the Inland Revenue and for the Life Offices; while the minority proposals, though cases quite inadequate to remedy the present injustice. This question is one of the greatest urgency and it is to be hoped that the Chancellor will be able to solve it in his 1955 Budget.

QUINQUENNIAL INVESTIGATION

The fifteenth quinquennial investigation and distribution of profits falls to be made as at December 31st next, and in view of the progress made by the company since the last investigation in 1950 the directors are confident of satisfactory results, which to a certain extent have been anticipated by an increasing last year the rate of interim bonus to policyholders and also by increasing the dividend to shareholders. The motion was duly adopted.

ENGLISH ELECTRIC COMPANY

SIR GEORGE NELSON ON THE EXPANDING SCOPE FOR BUSINESS

The thirty-sixth annual general meeting of The English Electric Company, Limited, was held yesterday at Marconi House, Strand, W.C.2.

Sir George H. Nelson, FCGI, MIMechE, MIEE (chairman and managing director) presided, and in the course of his speech said:

The trading surplus before deduction of depreciation, taxation and other charges is £7,289,334, which, when subjected to the deduction of usual depreciation at income tax rates of £1,557,676, and addition of dividends on trade investments, less tax of £73,423, shows, after interest and provisions, a balance on the consolidated profit and loss account before taxation of £5,371,281, compared with £4,779,920 in 1953 accounts. The sum of £225,600 received as taxation relief on investment allowance has been allocated to capital reserve. The group profit remaining after deduction of tax of £3,134,415 is £2,104,219, of which £2,098,609 is applicable to the members of this company.

The board recommends that a final dividend of 8½ per cent, less income tax, be paid on the ordinary stock for the year ended December 25, 1954, making, with the interim dividend, a total of 12½ per cent for the year, and that £750,000 be transferred to general reserve. The carry forward will then be increased to £635,757.

I must point out that this slight increase in dividend over 1953 is not the result of higher percentage of group profits on turnover. On the contrary, due to the increased competition in the export market, the percentage earnings on turnover show a decline from 6.15 per cent in 1953 to 5.85 per cent in 1954, which is appreciably lower than in 1939, when it was 9.81 per cent. I give below a breakdown of every £100 that The English Electric Group received for its deliveries in 1954 and 1953:

	1954 £	1953 £
Materials, including bought and finished articles	48.10	50.00
Wages and salaries	31.50	29.60
Depreciation, maintenance, power, heat, light, rent, rates, insurance, etc.	13.75	13.25
Interest on debentures, bank overdraft and bills	.80	1.00
	94.15	93.85
Taxation	3.20	4.00
Retained in the business ...	1.75	1.35
Net dividends on preference and ordinary stocks	.90	.80
	5.85	6.15
	£100.00	£100.00

Increased profits available for distribution as compared with 1953 arise from increased turnover and relief of excess profits tax.

INCREASE IN AUTHORISED CAPITAL

The company made an offer to acquire the ordinary capital of the Vulcan Foundry Limited and its subsidiary, Robert Stephenson and Hawthorns Limited, which has been accepted by the requisite majorities. As a result, 800,248 new ordinary shares of this company will be allotted to the stockholders of Vulcan Foundry and Robert Stephenson

and Hawthorns, and with the exception of 947,715 ordinary shares, the whole of the capital of The English Electric Company will then have been issued. In view of the great potential development throughout the world in the applications of electric power and other developments in the many fields in which your company is engaged, the directors feel it is necessary to have facilities available to deal at short notice with such expansions that may be open to them, and they therefore recommend that the authorised capital of the company be increased to £25 million by the creation of a further 10 million ordinary shares of £1 each.

OUTPUT AND ORDERS

I am again able to tell you of a further substantial increase, both in volume and value of the production and turnover of the group. This increase in our rate of production has enabled us to keep pace with our expanding order book.

I am also pleased to say that the volume of export orders in 1954 shows an improvement over 1953 (which itself was lower than 1952), but the competition in some countries from European manufacturers has been intense. We hope that both those controlling world manufacturing facilities, and Governments who are providing direct or indirect export subsidies will return to sane world trading conditions as quickly as possible, as the present conditions they are supporting are, in the long view, unhealthy for all parties.

COST OF PRODUCTION

Our greatest forward problem is that associated with the continued raising of basic wages in so many industries and services, which are not associated with any obligation to increase output or improve efficiency.

Take the present position in this great group of companies. The profit on our turnover last year had actually fallen from 6.15 per cent to 5.85 per cent and our workers, paid by results, have received extra rewards for their additional output. A general increase in wages for our industry has just been agreed nationally with no obligation for further extra output. This award will ultimately increase the cost on our present turnover by about 3½ per cent, which, at existing prices, means that our present profit of 5.85 per cent would fall to 2.35 per cent; obviously, we could not continue to trade on this basis and our prices must be increased which will, in the long run, increase the cost of living.

RESEARCH

Our great research laboratories in electric power fields at Stafford; on steam turbines, hydro turbines, diesel engines and atomic energy at Rugby and Whetstone; aerodynamics at Warton; on aero engines at Napier, London and Liverpool; on all fields of radio communication, television and electronics at Marconi's, Baddow and Chelmsford; on electronic instruments at Marconi Instruments and on radio instruments, valves, magnetrons, etc., at English Electric Valve Company at Chelmsford, are making a great contribution to our present fields of engineering activity which will ensure us retaining our appropriate position in these fields in the future.

The report was adopted.

GENERAL INVESTORS AND TRUSTEES

INCREASED GROSS REVENUE

The forty-eighth annual general meeting of the General Investors and Trustees, Limited was held on March 24th in London, Mr Sidney S. Lamert (the chairman) presiding.

The following is an extract from his circulated statement:

The mounting prosperity of the country, after four years of firm and stable government, is fully reflected in the accounts which we present to you today. Our portfolio of investments, as the analysis published with the balance sheet shows, is widely spread over every section of industry, and at valuation over 80 per cent of the whole consists of equity interests. Gross revenue at £235,726 is nearly £40,000 higher than in the previous year and the end-year valuation shows an increase in the appreciation during the period of rather more than £1 million. We recommend payment of a total dividend of 16 per cent on the ordinary stock for the year, after placing to reserve £29,580, bringing that fund up to the comfortable figure of £280,000. We also propose to issue at par new ordinary capital in the ratio of one new unit for every five held. The resulting cash will enable us to carry out one of the principal functions of an investment trust company, namely the provision of new capital for industry.

The report was adopted and the board's proposal to issue for cash at par 143,748 ordinary shares of £1 each in the proportion of one share for each £5 of ordinary stock held was approved.

SCOTTISH AMICABLE BUILDING SOCIETY

INCREASES IN ALL DEPARTMENTS

The sixty-third annual general meeting of the shareholders of the Scottish Amicable Building Society was held on March 21st in Edinburgh. The Right Honourable Lord Inverclyde, KSTJ, DL, president, occupied the chair. In the course of his speech he said:

The figures show that the society has maintained the confidence of investors and continues to attract new investors. Once more I am in the happy position of being able to report increases in all departments.

New subscriptions in the shares and deposit departments amounted to £6,024,901, a net increase of £2,026,026.

The total at the credit of shareholders and depositors is now £21,685,087.

The board has had under consideration the introduction of a new share department for regular savers. Subscription shares would be issued to be paid up by monthly payments of from 10s. to £5, with a maximum holding of £500, thereafter being repaid or transferred to a normal shares account. If subscriptions are paid regularly, interest would be at the rate of 3 per cent, income tax paid by the society. It is hoped to have this scheme operating as from April 15, 1955.

Following their policy, the directors have granted mortgages only on property which they considered suitable security. We do not encourage anyone to purchase a property which is beyond his ability to maintain. The sum advanced during the year amounted to £2,878,938, bringing the total mortgage assets to £16,476,274.

The society's investments in trustee securities purchased at par or under, together with cash at bank, amounts to £6,018,205, equivalent to the value of the assets.

The report was adopted and the dividend distribution of 35 per cent for the year was approved.

REVERTEX LIMITED

RECORD SALES AND PROFIT

The thirty-first annual general meeting of Revertex Limited was held on March 17th in London, Mr D. H. Scott, chairman and managing director, presiding.

The following is an extract from the chairman's statement circulated with the report and accounts for the year ended September 30, 1954:

I am happy to be able to report once again a very satisfactory year's progress for our company. The volume of sales and the net profit have both established new records.

PRODUCTION AND SALES

Demand for Revertex and Revultex—the trade names for the types of concentrated rubber latex we make in Malaya and Ceylon—has been well maintained throughout the year and sales showed a healthy increase over the previous year. Although there has been some further general improvement of security in Malaya, the area of Central Johore, in which we are mainly interested, is still unsettled.

Sales of Emultex—our polyvinyl acetate emulsion—have also shown a satisfactory increase. Our principal customers in the paint trade are optimistic about the prospects for their new emulsion paints and as a result of the installation of additional plant in our Harlow factory we are in a position to meet all likely demands for our products for some time to come. The erection of our second factory at Harlow is now nearly completed. The development of Alcotex—our trade name for polyvinyl alcohol—has proceeded steadily although rather slowly. We are now in regular production on a small scale and hope to increase our output substantially during the course of this year.

ACCOUNTS

Profit before tax amounted to £438,577 as compared with £302,493 for the previous year, and £120,907 for the year before that. The net profit after making full provision for taxation was £190,077 as compared with £101,993 and £43,407 for the two preceding years. Our liability to excess profits levy for the quarter ended December 31, 1953, amounted to £15,000.

DIVIDEND AND PROSPECTS

The directors recommend a final dividend of 15 per cent, less tax, making with the interim dividend of 10 per cent, less tax, a total of 25 per cent, less tax, for the year. The total dividend of 25 per cent, less tax, will absorb the sum of £37,813 net, and after allowing for the £25,000 capitalised last year, unappropriated profits will be increased by £127,264 to £352,677.

In addition, subject to the necessary increase in the authorised capital, the directors propose to issue to the present shareholders 550,000 new ordinary shares of 5s. each, credited as fully paid, in the proportion of one new share for every two shares held. This will involve the capitalisation of £137,500 of the unappropriated profits of £352,677. HM Treasury has given its consent to this issue.

As regards prospects, I am glad to say that our business continues to increase in volume despite growing competition but the margin of profit is becoming somewhat less. The results for the first quarter of our current financial year compare favourably with the corresponding quarter of the previous year.

The report was adopted and the proposed increase of capital and share issue were approved.

HASTINGS AND THANET BUILDING SOCIETY

RESERVE AND LIQUID STRENGTH

At the annual meeting at Ramsgate on March 24th, the chairman, Mr H. J. D. Fuller, in moving the adoption of the directors' report and statement of accounts for 1954, said:

The year 1954 saw a great improvement in two important aspects of the nation's affairs in which the Society was interested; first the building of more houses for sale and, secondly, the increased rate of personal saving.

HOME OWNERSHIP

Through a variety of schemes, building societies could bring home-ownership within the means of a very wide range of people who should be encouraged to accept a valuable stake in the country for the benefit of the nation and themselves. During the past year, more than £3½ million was advanced by this Society, chiefly to people buying houses for their own occupation, many of them being new homes to be occupied for the first time by newly-married couples, on the basis of a small cash deposit and a monthly repayment which they could comfortably afford.

NEW SAVINGS

Savings in Great Britain showed a marked improvement in 1954 to the benefit of the nation and the individual. And it could not be said with too much emphasis that saving through building societies was in the national interest. New savings with the Society in 1954 exceeded £3½ million, the bulk of which was channelled into home-ownership loans, a century of experience of which had provided security to investors of unquestionable calibre. "Safe loans in good homes" might well be the Society's motto.

STABLE INTEREST RATES

By their nature, building societies were mutual institutions serving on the one hand the needs of the prudent investor, with convenient facilities for making deposits and for withdrawing them, plus a fair income return; and, on the other hand, the house-purchaser, who expected to borrow the money provided by the investors at the cost of such money to the Society, plus the income tax, management expenses and a little margin for reserves. Neither investor nor borrower would welcome frequent changes in interest rates, but rather did they expect long periods of stability. Any attempt to adjust building society rates in conformity with Bank rate changes would not only be basically wrong, but would create confusion and instability in a movement which had a reputation for a good degree of constancy. The profit motive simply did not exist within the building society framework.

The directors were at all times desirous of promoting and extending the benefits of home-ownership and they gave particular encouragement to young people who often required small deposit terms and a longish period in which to repay the loan. These young people were being assisted by the Society each day and every day and the Society welcomed the opportunity to serve them. But, the repayment term should not be so long as to make people lose sight of their goal of complete redemption of their

security and it was important to curb unwarranted enthusiasm and ambition and encourage people to buy a good house within their financial orbit.

In seconding the adoption, Mr E. Barber, LRIBA, said:

It was interesting to note that the total assets at over £18 million had more than doubled since 1947; such growth having been natural and accompanied by an all-round increase in strength. Reserve and surplus funds at £952,774 had been well maintained and their importance to any sound business could not be over-estimated. Nor, in an institution like this, could too much care be exercised to ensure an adequate degree of liquidity, that is cash at banks and trustee securities. These together now totalled £2,662,769 and allied to a fine reserve position they were a bulwark of strength, as would be apparent to the most astute scrutineer of balance sheets.

The report and accounts were adopted, the appointment of auditors confirmed, and a vote of thanks accorded to staff, solicitors and agents.

BENEFIT FOOTWEAR

RECORD TURNOVER

The fifty-eighth annual general meeting of Benefit Footwear Limited was held on March 23rd in London, Mr Edward Hill, FCA (the chairman), presiding. The following is an extract from his circulated statement:

Trading profit has advanced from £260,252 in 1953 to £294,382 in 1954. The increase of £34,130 is due to a considerable increase in turnover, which constitutes a record. The larger profit necessarily involves larger taxation provisions totalling £138,500, and after the deduction of these and other items there is left a taxed profit for the year of £104,523, an increase of £10,937 over the corresponding period for 1953.

A professional valuation was carried out in 1954 of the company's freehold properties, and leaseholds with over 800 years to run, the bulk of which were acquired many years before the last war. This valuation amounted to £913,055 and has been adopted in the company's balance sheet. Of the resulting appreciation of £475,769, we are writing off the item of goodwill, £111,711, which has appeared in our accounts for many years. The balance of £364,058 has been carried to capital reserve, bringing that reserve up to £414,081.

During the year our new warehouse and garage at Westland Road were completed, and we have been established there since April. These buildings, adjacent to the company's offices, have provided ideal working conditions, and have added to the efficiency and economical running of this important part of the company's activities.

The new Leicester store, referred to in the last review, was opened in October, and has already contributed satisfactorily to the company's earnings. Our policy of modernisation of the shops continues, and several were refitted during the year under review. Costs are high for this work, but we consider our money well spent in thus ensuring the future high standard of the company's retail establishments.

It is hoped to continue our expansion by the opening of further stores in central positions, but the high cost of freehold property, and the high rentals asked, necessitate caution.

The report was adopted and the final dividend of 19 per cent, making 25 per cent for the year, was approved.

SCOTTISH AMICABLE LIFE ASSURANCE SOCIETY

A MOST SUCCESSFUL YEAR

MR JAMES T. DOWLING ON

FAVOURABLE BONUS PROSPECTS

The one hundred and twenty-ninth annual general meeting of the Scottish Amicable Life Assurance Society was held in Glasgow on March 23rd, Sir Lynden Macassey, KBE, QC (president of the society), presiding.

In moving the adoption of the report and accounts, Mr James T. Dowling, CA (chairman of the ordinary directors), said that once again the directors were in the happy position of being able to report the results of a most successful year. Individual assurances for net sums assured in excess of £9 million had surpassed the previous year's record by more than £1 million. New group pension and life assurance schemes had been written at the rate of approximately one per week and "group" sums assured in force had increased over the year by £3 million, while deferred pension benefits had increased by more than £1 million per annum. The society's premium income had increased by £700,000 to £5,600,000 and had doubled in amount during the first four years of the present quinquennium. The society's total funds amounted at December 31st last to more than £39 million—having risen by £4,750,000 in the course of the year. The year's mortality profit had reached a record level; a very considerable profit had also resulted from interest earnings. In the result, the year's profit from all sources had been eminently satisfactory and had enhanced the favourable prospects for the current quinquennium. The society's compound rate of interim bonus had been raised to 37s. 6d. per cent per annum on claims arising during 1955 in respect of all premiums paid since January 1, 1951, and the directors look forward with justifiable confidence to the bonus declaration at the end of this present year.

STRONG INVESTMENT PORTFOLIO

The year's increment in the society's funds had been invested mainly in first-class fixed interest securities. The market value of the society's stock exchange investments had shown a further substantial appreciation during 1954—and the margin of appreciation was still substantial despite the sharp setback in markets in the early months of the present year. With a strong investment portfolio and with fresh opportunities to invest new money on profitable terms, the investment outlook was by no means discouraging. For many years past, the society had held substantial interests in the Scottish Insurance Corporation Limited and in the Standard Property Investment Company Limited—interests which offered the society's members facilities for fire and accident insurance and for obtaining loans on the security of property. A further facility was now available to members wishing to anticipate expectations under trusts and settlements as the society had recently purchased the whole capital of Atlas Assets Company Limited—a company dealing in reversions and life interests by way of purchase or loan.

NEW WITH-PROFIT PENSION SCHEME

The society's "Double Bonus Policy," introduced a few years ago, had been an outstanding success and keenly competitive rates were now quoted also for non-profit whole life and endowment assurances. In addition, an attractive form of group pension scheme had now been launched on a with-profit basis, having all the advantages of the society's

traditional bonus system. The ordinary with-profit policy had, by its excellent results throughout the society's long history, justified confidence in the society's bonus earning capacity and there was every reasonable expectation that equally satisfactory results would be achieved under this with-profit group pension plan. A scheme arranged on this basis became, in effect, an integral part of an old-established mutual society—being entitled to share in all the distributable profits of the society while, at the same time, benefiting from the stability and security which flowed from the pooling of risks in a large financial institution. The society was also prepared to issue group life assurances on a with-profit basis, which should provide by way of compound reversionary bonuses a substantial increase in life assurance cover for employees with long service.

The report and accounts were adopted.

THE PATALING RUBBER ESTATES, LIMITED

DIVIDEND OF 30 PER CENT

SIR ERIC MILLER'S SPEECH

The thirty-fifth annual general meeting of The Pataling Rubber Estates, Limited, was held on March 23rd at the Registered Office of the company, 1-4, Great Tower Street, London, E.C.

Sir Eric Miller, the chairman, in the course of his address, said: At our last meeting I said that as there was more than enough rubber pressing on the market we had decided upon a more conservative tapping policy; in the event our crop of 8,801,300 lb was some 1,350,000 lb less than that harvested in the year ended October, 1953. Our sale price, inclusive of lower grades, works out at approximately 1s. 11½d. per lb. London landed terms—about 1½d. per lb less than that obtained for our 1952-53 harvest, but well above the average London market price for sheet during the period. In face of lessened demand we reduced our production of sole crepe; however, economies effected in estate working together with a lower export duty helped to bring the all-in cost of production down by about 1½d. per lb.

The profit before taxation, but after charging export duty and cess, was £371,845. It will be observed, however, that this profit includes a refund of £121,521 from replanting cesses levied by the Malayan Government since January, 1951, of which £65,857 relates to the years 1951 and 1952. The profit of £315,961 for the previous year included a cess refund of £20,276. Taxation in Malaya and the UK on the year's profit absorbs £176,381. We have transferred £63,758 to capital general reserve and £93,570 to cultivation and replacement reserve, and propose a dividend of 30 per cent, absorbing £122,659 net, leaving £159,661 to carry forward to next year.

ESTATES

During the year 940 acres of old rubber were replanted. In the current year we propose to replant 1,100 acres, and we have earmarked a further 2,700 acres for replanting in the calendar years 1956 and 1957.

I have now to inform you that we have recently been approached with a view to agreeing terms which might lead to part of Bikam estate being prospected for tin, and if found payable being sold or sub-leased for dredging to a well-established Tin Company. I have no wish to raise hopes prematurely, as it will necessarily be some considerable time before we know what the prospects are, but

you may rely on receiving prompt advice on any material developments one way or the other.

RUBBER OUTLOOK

The chart of rubber prices shows that at the time of our last annual meeting a year ago the curve was at a low point with No. IRSS quoted in London at about 16½d. per lb. When the then current fears of a serious recession in USA business activity were succeeded by gathering confidence, the price of rubber took a turn for the better and moved upward, first gradually and then rather steeply as tension mounted in the Formosa area, when speculators in Singapore pushed the price for a brief moment up to the equivalent of 31d. London terms. This highly feverish condition could not last; the inevitable reaction was started by the GSA announcement of a slight revision in their rotation policy, of which little notice would have been taken under ordinary circumstances, had it not coincided with an easing of the tension in the Far East. We are now back to 25d.-26d., at which level the market is much healthier—but although both producers and manufacturers would be thankful for a period of steady prices around this level, further movements, up or down, are inevitable.

Current crop is estimated at about 4,000 tons. We have booked forward sales of 234 tons for January-June shipment at an average price of 23.6d. per lb, and 396 tons for July-December shipment at an average price of 25.8d. per lb, both converted to London landed equivalent. We are also participating in some forward sales of sole crepe at satisfactory prices.

USE OF NATURAL AND SYNTHETIC

The pace at which automobiles are being turned out, particularly in the USA, has surprised the prophets, stemming from present ultra-keen competition and the possibility of a struggle with labour in the months ahead. The rise in the price of natural rubber has automatically led to a gradual reduction in its proportional use relative to synthetics in the USA, though not in aggregate use. Taking the world as a whole, supply of and demand for natural and synthetics together are in very near balance with only moderate stocks outside Government stockpiles. We should know by the 26th of this month whether the sale of synthetic plants to private enterprise has passed the Congress of the USA and the nature of their competitive power under new ownership will emerge in the second half of this year.

The use of latex, in the sale of which we are also interested, is going ahead by leaps and bounds in upholstery and carpets, and whatever the short-term fluctuations in the off-take of rubber may be, it is impossible to be other than optimistic about the long-term expansion in its use.

The competitive position of the Pataling Company is, as you know, improving each year as replantings come into bearing and backed by our financial strength we face the future with every confidence.

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.*

BROOME RUBBER PLANTATIONS

CURRENT TRADING IMPROVEMENT

The twenty-first annual general meeting of Broome Rubber Plantations Limited was held on March 23rd in London.

Sir Lionel Smith-Gordon, Bt (the chairman), presided, and in the course of his speech said:

Owing to unfavourable weather there was

a fall in output during the year covered by the accounts. During the same period, the average selling price of our product fell from 22d. to 17½d., London equivalent. The final result was that, in spite of a reduction from 19d. to 17d. per lb. in production cost, our trading profit fell from £51,702 to £33,337.

While it is obvious that a dividend cannot be paid in respect of the financial year under review, the directors feel that they are justified in declaring an interim dividend of 5 per cent in respect of the year we are now in, ending on June 30th next, as stockholders have received no return on their investment since September, 1952.

In respect of the six months July/December, 1954, the crop of rubber was 1,534,400 lb, which realised the London equivalent of 22d. per lb. The cost of production was the equivalent of 16½d. per lb landed in London. After providing for depreciation, debenture interest and replanting, the profit for the six months on the issue capital of £245,304 is at the rate of 18½ per cent per annum, subject to taxation. Although the price of rubber has fallen from the new high of 31½d. to about 26d. per lb, provided the present price holds the result for the year 1954/55 should be satisfactory.

The report was adopted.

MILK MARKETING BOARD FOR NORTHERN IRELAND

Applications are invited for the post of General Manager to the Milk Marketing Board for Northern Ireland. Candidates must be of British nationality and preference will be given to ex-Service applicants.

Applicants must have had considerable experience, in a senior administrative capacity, of the problems undertaken in a large-scale marketing organisation, preferably in connection with milk. The successful applicant will be responsible, subject to the directions of the Board, for the general control of the Board's activities.

Salary will be on the scale of £2,000-£2,500 per annum, but the Board may pay a commencing salary above the minimum to a specially qualified applicant. The post will be pensionable—on a contributory basis.

Applications must be made on the prescribed form, copies of which may be obtained from the Acting Secretary, Milk Marketing Board for Northern Ireland, Castle Hill Road, Belfast, Northern Ireland.

The latest date for the receipt of applications will be April 14, 1955.

MARKET RESEARCH

Precision Engineering Company in London requires Senior Assistant for newly formed Market Research Department. Preference will be given to graduates in Economics, with Statistics as special subject, aged 26 to 30, who have industrial or commercial experience. The post calls for analytical skill combined with a practical outlook, and provides an outstanding opportunity to build a career in a progressive firm.—Write, giving full details and quoting Ref. M.R., to Box 874.

MONSANTO CHEMICALS LIMITED will shortly have two vacancies for Graduates in the Sales Development Group in London.

- (1) A Chemist, Physicist or Engineer, aged 23-33 years, having an interest and preferably some experience in technical selling to a variety of industries.
- (2) An Economist, aged 24-30 years, with some industrial or commercial experience, preferably in the chemical industry, to establish a Forecasting Section within the Group.

Both positions are permanent and pensionable and may involve travel. Substantial salaries will be offered and there are excellent opportunities.—Apply in writing in the first instance, giving full details of age, education, training and experience, to the Chief Personnel Officer, Monsanto Chemicals Limited, 8 Waterloo Place, London, S.W.1.

AMERICAN OIL COMPANY with world-wide affiliations desires male addition to the staff of its small London office. Some travelling, and ultimate career rests largely with individual's ability. Duties will be general, concerned with statistical reports, oil movements, financial arrangements and representation. Principal qualities required are dependability, initiative, judgment, diplomacy and accuracy. Graduate 25-35, experience valuable but not essential in oil, accounting and/or statistical studies. Preliminary to interview, write name, age, address and brief background to Box 873.

WORKS MANAGER required for a light/medium Engineering Factory in the Home Counties employing 1,500. The successful candidate will be a trained Engineer, with previous executive responsibility and knowledge of negotiating procedure as applying to an industrial establishment, and he will also be able to lead a mixed team of Production and Administrative personnel with energy and enthusiasm. The post is a senior one and offers considerable future prospects in a virile and expanding organisation.—Please send full particulars of age, qualifications and experience, with salaries earned, to Box 870.

SALES EXECUTIVE required in a medium-sized company manufacturing accessories for the vehicle trade. The company has Sales and Service Branches throughout the country, and the successful applicant would be required to control the activities of Salesmen and Representatives calling on manufacturers and operators. The position offers an excellent opportunity for progress in a virile and expanding organisation, and the successful candidate should preferably have experience in the industry.—Please send full particulars of age, qualifications and experience, with salaries earned, to Box 869.

A FIRM of stockbrokers with a mainly institutional business has an opening for a graduate, age below 28, with a good Honours degree in Economics and financial experience in industry or commerce. Commencing salary £600 per annum, with participation in a bonus scheme. Initially the work would be of a "research" character, but the right man would have considerable freedom to work out his own contribution to the firm, with corresponding rewards.—Replies to Box 876.

TO STOCKBROKERS, INVESTMENT MANAGERS.—A former member of the Stock Exchange with 20 years' experience, including 10 as senior member of small broking firm, fully conversant with writing investment letters and handling clients' and institutional business, offers his services in similar capacity. Available after business.—Write Box 8, 397, C/O Streets, 110 Old Broad Street, E.C.2, E.C.2.

EXPER. T. SALES MANAGER required by Kayser Ponder. Applicant must have held executive position and be experienced in selling textiles to European and Overseas markets. Write Managing Director, 24 Albemarle Street, London, W.1.

RAPID TRANSLATION in and from all languages at only 2s. 6d. for 73 words. SECTRA, 20 Buckingham Street, London, W.C.2.

GENERAL INSPECTOR

£5,000 a year, rising yearly by at least £1,000 to at least £10,000. The John Lewis Partnership's General Inspector is about to succeed its founder as Chief Executive. His health has made unavailable two members, to whom the General Inspectorship might have been offered, and there may be advantage in fresh eyes and ideas. The post is one of ten forming the Partnership's cabinet but has no executive functions outside the General Inspector's own department. The General Inspector is purely a Chief Executive who himself and an adviser responsible solely to the Chief Executive who himself has life tenure up to seventy-five, except that in certain circumstances he can be displaced by a council two-thirds elected yearly by secret ballot of the whole Partnership.

Qualifications: conscientiousness, kindness, industry, shrewdness and in sufficient measure the others required for public affairs. Functions: to watch all Rules are properly kept; to advise upon their cancellation or amendment; to investigate and report upon any matters that seem to deserve such attention and generally to contribute to the Partnership's health and vigour in all respects by constant but to the Partnership's health and vigour in all respects by constant

discerning vigilance and by prompt, judicious criticism. The Partnership is a 40-year-old rapidly growing experiment in co-operative production, the establishment and demonstration of a technique for labour's hiring capital and management and achieving satisfactory team-work and discipline. Present membership: 12,000. Pay-sheet above £4 million. Non-contributory Pension Fund already published at 8s. 6d. by Staples Press Ltd.

Appointments will be by the retiring founder and his prospective successor, O. B. Miller, M.A. Oxon, who on the suggestion of the University's Appointments Board joined the Partnership in 1927. Consideration will begin three weeks hence. Filling of the vacancy will be announced here. Applications will not be acknowledged before April 16th.

Candidates must be between 35 and 50. Non-contributory pension from 65 but continuance possible for 10 further years. Beyond that age partners are retained on the Active List only as consultants or in other work involving no executive authority.

Position might suit senior officer contemplating retirement from public service, politician disliking electioneering, successful member of learned profession or occupant of important academic or Trade Union post desiring fresh interests and larger income. Of the Partnership's many similar appointments the majority have succeeded.

Though the remuneration named is below the Partnership's prospective limit for its most important posts, its supreme aim is the advantage of those of its members whose earning-power is lowest. Genuine partnership for all should by its effect on production and social peace be good for almost everyone.

Interviews by appointment only. Please write fully. General Inspector, John Lewis and Co. Ltd., Oxford Street, London, W.1.

NUFFIELD COLLEGE, OXFORD

FELLOWSHIP IN POLITICS

Applications are invited from graduates, men or women, for a Fellowship in Politics.—For further particulars apply to the Warden, to whom applications should be sent by May 20th.

THE B.Sc.ECON. DEGREE of London University is open to all without University residence. It is a valuable qualification for ambitious men and women engaged in accountancy, secretarialship, banking, finance, commerce, public services. Wolsey Hall (est. 1894) provides postal tuition of a high order for the three (in some cases two) examinations, at reasonable fees. More than 1,000 Wolsey Hall students have passed London B.Sc.Econ. (Final) exams, since 1925.—Prospectus from C. D. Parker, M.A., LL.D., Director of Studies, Dept. P17, WOLSEY HALL, OXFORD.

THE COLLEGE OF AERONAUTICS

CHAIR OF AIRCRAFT ECONOMICS AND PRODUCTION as PROFESSOR AND HEAD OF THE DEPARTMENT OF AIRCRAFT ECONOMICS AND PRODUCTION at the end of the current academic year. It is hoped to make the current range for professorial salaries obtaining in Universities, with superannuation under the Federated Superannuation System will be dependent upon the qualifications and experience of the successful candidate. A house at a reasonable rent will be available if required. Further details can be obtained from The Recorder, The College of Aeronautics, Cranfield, Bletchley, Bucks. Applications for the post should be received not later than April 30, 1955.

THE LEVERHULME TRUST

RESEARCH SCHOLARSHIP IN MANAGEMENT ACCOUNTING in Management Accounting. The value of the Scholarship will be £2,000, plus travelling expenses as indicated below.

The successful applicant will be required to devote one year to the study of the subject, selected by himself, of the development of accounting contribution to industrial or commercial management, and at the end of that period to have produced a thesis suitable for publication.

Arrangements will be made by the Trust for the successful applicant to be given general guidance and direction during the period of the research. The Trust will pay the expenses of any travelling which they consider it necessary for him to undertake in the course of the work.

Applicants should hold a recognised qualification in accountancy and preferably should be aged not more than 35 and have had a wide professional experience.

Application forms may be obtained from the Secretary, Leverhulme Research Awards, St. Bridget's House, Bridewell Place, London, E.C.4. The closing date for applications is May 31, 1955.

SPANISH Summer Course in San Sebastian, Aug. 1-18. The Hispanic Council, 2 Belgrave Square, S.W.1. SLO 7186.

The Economist: Annual Air Subscription Rates

Europe (except Poland): £4.15s.
Gibraltar, Malta: £3.15s.
Hongkong: £7
India & Ceylon: £6
Iran: £6
Iraq: £6
Israel: £6
Japan: £9
Malaya: £6.15s.
New Zealand: £9 (sterling)
Nigeria, Gold Coast: £5.5s.
Pakistan: £6
Rhodesia (N. & S.): £5.10s.
S. America and W. Indies: £7.15s.
Union of S. Africa: £5.10s.
U.S.A.: \$21.50 or £7.14s.

Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: inland 2d.; Overseas 2½d.—Saturday, March 26, 1955.

OXFORD UNIVERSITY INSTITUTE OF STATISTICS

Applications are invited for vacancies on the research staff. Candidates will be expected to undertake work in the field of applied economics, and should have a good degree in economics and statistics. Previous research experience will be an advantage, but is not essential. The appointments will be for two years in the first instance; the salary will be on the scale £550-£900, according to age and experience. Closing date for applications April 30. Forms can be obtained from the Secretary, Institute of Statistics, St. Cross Road, Oxford.

UNIVERSITY OF CAMBRIDGE

Applications are invited for the Directorship of the Department of Applied Economics which will shortly become vacant following the election of Mr J. R. N. Stone to the P. D. Leake Professorship of Finance and Accounting.—Further particulars may be obtained from the Chairman of the Committee of Management, The Department of Applied Economics, Downing Street, Cambridge. The closing date for applications is May 16th.

UNIVERSITY OF LONDON

The Senate invite applications for the Readership in Social Statistics tenable at the London School of Economics and Political Science (salary £1,300-£1,550-£1,800 a year).—Applications (10 copies) must be received not later than May 10, 1955, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars may be obtained.

THE UNIVERSITY OF LIVERPOOL

Applications are invited for a Leverhulme Post-Graduate Fellowship in any Department in the Faculty of Arts. The Fellowship will be tenable for one year at a value of £500, but may be renewed for a second year at a value of £550.

Applications, stating age, qualifications and experience, proposed field of research, and the names of two referees, should be received not later than May 1, 1955, by the undersigned, from whom further particulars may be obtained.

STANLEY DUMBELL, Registrar.

THE UNIVERSITY OF LEEDS

MONTAGUE BURTON CHAIR OF INDUSTRIAL RELATIONS

The Council will shortly proceed to an appointment to the Montague Burton Chair of Industrial Relations, which will become vacant on September 30th next, on the retirement of Professor J. H. Richardson. The salary will be not less than £2,100 a year and the appointment will be effective from a date to be arranged with the successful candidate; it is hoped that this date may be October 1, 1955. Candidates should have academic qualifications and practical experience in the fields of human relations in industry or industrial management. Applications (fifteen 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 May 14, 1955; candidates overseas may apply in the first instance by cable, naming three referees in the United Kingdom.

THE UNIVERSITY OF SHEFFIELD

Applications are invited for the newly created post of DIRECTOR OF BUSINESS STUDIES. Salary £2,000 a year with F.S.S.U. provision and family allowance. The appointment is a new one: the Director will be required to take over and develop University studies in the field of Business Administration and Management.—Further particulars should be obtained from the Registrar, The University, Sheffield, 10, to whom applications (16 copies) should be sent by May 14, 1955.

UNIVERSITY COLLEGE, IBADAN

Applications are invited for (1) Lecturer (Grade I) or (2) Lecturer (Grade II) in Agricultural Economics and Farm Management. Salary scales: (1) £1,300 x £50 — £1,500 p.a. (2) £900 x £50 — £1,200 p.a.

Point of entry determined by qualifications and experience. Child allowance £50 p.a. per child (maximum £150 p.a.) for children resident in Nigeria, or £100 p.a. per child (maximum £300 p.a.) for children resident elsewhere. Outfit allowance £60 on first appointment. F.S.S.U. Passages paid for member of staff, wife and children (under 11 years) on appointment, annual leave and termination. Part furnished accommodation at rent not exceeding 7.7 per cent of salary. Applications (six copies), naming three referees and stating full qualifications and experience, to be received by April 15, 1955, by Secretary, Inter-University Council for Higher Education Overseas, 1 Gordon Square, London, W.C.1, from whom further particulars may be obtained.

SALZBURG SEMINAR IN AMERICAN STUDIES

SCHLOSS LEOPOLDSKRON, SALZBURG, AUSTRIA
Scholarships are offered for the following sessions:
American Studies (Seminars in History, Philosophy, Music, Art and Literature), June 12 to July 9, 1955.
Labour in America, August 21 to September 17, 1955.
Lectures and Seminars at the postgraduate level. Admission is granted for evidence of ability and accomplishment. General age range 23 to 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.

EXPERT POSTAL TUITION

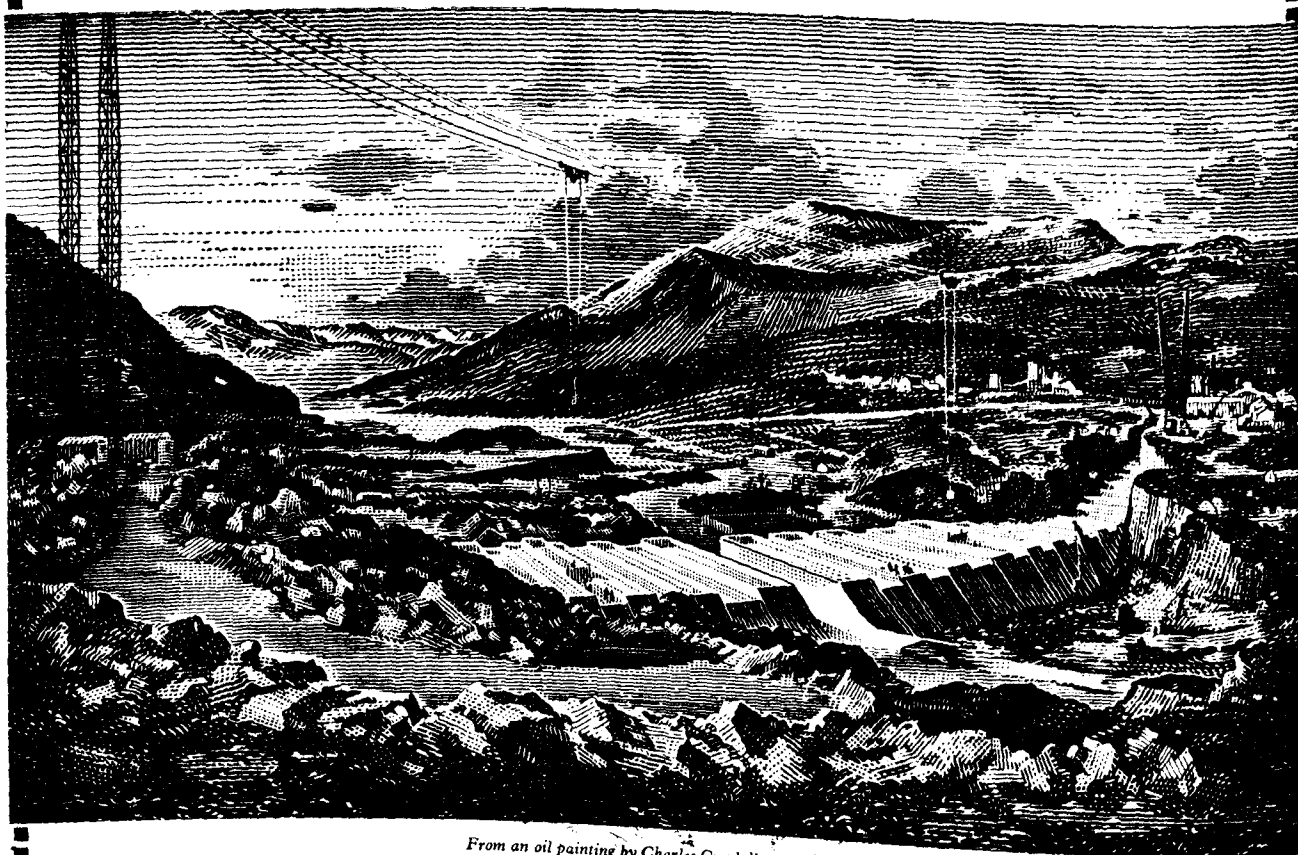
For Examinations—B.Sc.Econ., LL.B. and other external London University Degrees: Law Society, Bar, Accountancy; Banking; Secretarial; Civil Service; Commercial; General Certificate of Education, etc. Also many non-examination courses in business subjects.—Write today for free prospectus and/or advice, mentioning examination (if any) or subjects in which interested, to the Secretary (G 9/2).

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4.

THE NEW CEMENT

TRIEF *at work...*



From an oil painting by Charles Cundall, R.A., of the Cluanie Dam in the course of construction

Some of Britain's newest hydro-electric construction projects—the Cluanie and Loyne dams for instance—are being built with TRIEF, the new cement that makes high-grade concrete with many advantages.

TRIEF is a low-heat cement which successfully resists atmospheric attack; it gives a strong, dense, impermeable concrete which is easily placed, and has low volume shrinkage. It contains very little free, or freely-combined lime, making it resistant to aggressive waters. These are some of the reasons why TRIEF is now being increasingly specified.

For more information about TRIEF's advantages, write to **MITCHELL**
Mitchell Engineering Group Limited, 1 Bedford Square, London, WCI
Sole concessionaires for TRIEF in the United Kingdom

INDIA

PROGRESS & PLAN

The Indian Scene

1. Poverty and Population
2. The Political Framework

The First Five Year Plan

1. Dynamism and Planning
2. The Rural Sector
3. The Industrial Sector

The Plan In Action

1. Agriculture
2. Industry
3. Finance

The Next Two Years

1. Domestic Saving
2. Foreign Capital
3. Foreign Aid

The Indian Scene

1. Poverty and Population

THE Indian economy today is the subject of what is, without doubt, the world's most fateful experiment. Its problems may be expressed in economic terms—in so many millions of investment, in such and such a percentage of the national income—but the outcome is nothing less than the demonstration that underdeveloped economies can—or cannot—achieve progress by Western and liberal means.

It is not easy to establish what are the world's comparative standards of prosperity. Mr Colin Clark, taking as his unit of comparison the amount of goods and services one rupee would have purchased in 1948-49—a so-called oriental unit—gives India a place towards the bottom of the world's scale and about half-way between Asia's upper and lower limits of poverty. While countries such as the United States or Canada enjoy a *per capita* national income of some 7,000 oriental units, the vast bulk of Asia—and Africa—makes do on an income varying from 400 to under 100 oriental units. India—with Iran, Pakistan and Thailand—is in the 150 to 200 units group. South East Asia as a whole and China are even further down the scale.

Expressed in real terms, India's poverty translates itself into inadequate incomes at every level. A science demonstrator in a university may get £2 a week, a lecturer £3 or £4; a school teacher in Orissa has to make do on 10s. The agricultural labourer earns in some states as little as 1s. 6d. a day, and nowhere, even at harvest, will he earn more than 4s. or 4s. 6d.; and he only works perhaps two hundred days a year. The cottage industry worker and the village artisan do little better, a carpenter or blacksmith will make 3s. to 6s. a day, a handloom weaver with a throw shuttle loom sometimes as little as 1s. Only the worker in modern industry does reasonably well; an unskilled labourer in a good firm may get (including his dearness allowance and bonus) £2 a week, a skilled worker £3 or more; but he quite often pays for his relatively high wage with impossibly bad housing. Clerks do no better. In Government service they may begin at £1 a week and do well ever to rise above £3. The big firms, however, pay considerably more.

These figures cover only half India's population. The other half are peasant farmers, often owners, sometimes tenants and a large and growing army of landless labourers. In the main, India is a land of working peasants rather than capitalist farmers. The traditional organisation of India's rural economy is changing with the progressive elimination of *zemindari* and intermediary landholders and other agrarian reforms. But small holdings, subsistence farming and a precarious dependence upon the monsoon



mean pitifully low incomes for all engaged in agriculture. Thus the National Sample Survey recently showed that only 16 per cent of the countryside spent more than £200 a year; fully one-half of all families had less than £100, one-fifth had less than £50 (though this would include many landless labourers). In the great city of Bombay, India's wealthiest urban centre, only 50 per cent of the people have about £100 a year, only 8 per cent above £300.

Such are the figures. In actual standards of life they mean, first of all, for much of the population the wrong sort of food and not enough of it. In a good year, such as 1954, the average Indian gets about two-thirds as many calories as an average Englishman. In a bad year—1950, for instance—he may get little more than one-half, and most of these calories are cereals, wheat or rice or millet. Indians eat more cereals per head than Americans. Accord-

ing to the area, flat grilled cakes made of rice and pulse, or wheat or millet, form part of every meal. But of everything else the Indian diet is painfully short. Average consumption of fat is one third of what it should be, of milk one-half, of vegetable protein one-quarter. Animal protein is little eaten, though in part for religious reasons.

For most of the population, poverty also means few clothes, although people are wearing more than they used to, especially in the south. Another factor is very inadequate housing. In the big towns a clerk considers himself lucky if he has two rooms, a worker usually has to manage with one; in the countryside most villagers' huts are of mud, or bamboo and thatch. Only the well-off can afford wood or brick. Poverty also means an utter lack of amenities. All except the biggest towns are inadequately lit and unprovided with main drainage. Side-streets are usually unpaved. Many towns and nearly all villages still rely for water upon unprotected wells. Most villages still have no culverted road, and may be cut off for days at a time in the monsoon. Not even one per cent of the villages have electricity.

Above all, education and medical services are exceedingly short. Not more than half the children of school-going age are at school, and some of them leave after two or three years, barely literate. Except for untouchables and aboriginals, moreover, there are few scholarships for higher education, so that, on the one hand, fees are pitched so low that few high schools or colleges ever have enough money for proper salaries or laboratories or libraries, yet, on the other hand, in order to pay even these fees, many parents must make a major sacrifice. So, too, with medical attention, country doctors are few and widely scattered and every hospital is so overcrowded that admission is frequently a matter of influence or corruption.

It is not only that people cannot pay fees. It is also

that the state, reflecting the poverty of the community, can help so little. There is little surplus to tax. Only 800,000 have incomes above the income-tax minimum, and two-thirds of the tax comes from 5,000 assessees, many of them corporations. The taxes are high. Income tax and super tax, when one allows for the fact that there are no wives' or children's allowances, are almost at British levels, though the state does much less for the taxpayer than in England. There are as yet neither old-age pensions nor a National Health Service. Indirect taxes weigh heavily on many necessities. There are excise duties on matches and kerosene and cloth, and on the poor man's few luxuries—tea, coffee, tobacco, betel-nut. The taxpayer is squeezed to the utmost, yet taxation represents no more than seven per cent of the national income, and all the taxation of India, central and state put together, adds up to less than half Britain's bill for defence.

Nor is the fact of inadequate resources the core of India's problem. Hitherto the steady rise of population combined with a relatively static economy has planted a dynamism of decay in the heart of the community. Like the Red Queen, India has to run fast even to stand still. The *status quo* means decline. Between 1941 and 1951 the natural rate of increase was 13.4 a thousand and the absolute increase in numbers in the Indian Union (including the influx of refugees from Pakistan) was some 42 million. On a quite moderate estimate, it seems certain that India will add at least a further 35 million souls to its population in each of the next two decades, and that by 1970 the population will have risen from 356.9 million to some 425 million.

This surge of population has been due above all to a steady decline in the death rate, brought about by the control of famine and the growing effectiveness of medical treatment. India's rate of natural increase has been no greater than that of many European countries during their industrial revolution. It is no greater than that of the United States today. The difference is that it has occurred in an economy which has not so far been basically reorganised to meet the increase. It is true that the great irrigation and transport systems built up under British rule, together with the development for export of large-scale rice production in lower Burma, secured an expansion and mobility of food supplies which was adequate until the turn of the century and was, indeed, the main reason why India enjoyed—up to 1943—a unique half-century without major famine. But there was no fundamental rural revolution and only inadequate development of industry. The huge increase was superimposed upon a largely stagnant economy.

The basic unit of the Indian community, the Indian village, in which seventy per cent of the people still live, is a resistant institution and has withstood some thirty centuries of war and conquest and drought and famine. It used to be a self-sufficient community, the peasants producing enough crops to cover subsistence, payments to the village artisans, and the land tax. But while it was remarkable for stability, it was not economically adaptable. The only answer to increased population was a disastrous frag-



mentation of the peasant's few acres and the gathering of more and more unproductive mouths to be fed from static supplies. Rural unemployment—and under-employment—today may be as high as 80 million.

It is true that the density of rural population is not so great as in Java or the Philippines, but the general figure—422 people to the square mile—is misleading. Nearly half the population live in 14.5 per cent of the total area with a density of 755 to the square mile. Even if the village economy of India had not been profoundly shaken in the 19th century by the impact of Britain's commercial and industrial system, a crisis seemed certain since the physical limits of agriculture had apparently been reached.

The figures for the past are not always reliable, but it is probable that from 1925 to 1939 the standard of life of the countryside declined slowly but steadily, though in the 1930s this trend may have been counterbalanced by the increasing numbers and wealth of the towns. Nevertheless, when the first independent Government of India took power in 1947, it faced as a first task, and indeed as the only guarantee against failure, the need to achieve a new dynamism and to secure an expansion of resources greater than the inexorably rising tide of population.

2. The Political and Social Framework

Nothing inherently impossible is involved in India's aim to secure economic expansion. Indian poverty is a fact, but it is probably no more dire than was that of many Western nations on the threshold of the Industrial Revolution. Pressure on the land is great, but India is one of the first governments in the world to give official backing to programmes for controlling population. Moreover, the country has large, unrealised resources. The very low level of agricultural productivity is itself a source of hope, for it suggests how rapidly advances might be secured if better techniques in farming were widely adopted. The country's hydro-electric potential is enormous—one of the largest in the world—and its minerals include iron ore of the highest grade, manganese, bauxite, coal and reserves of atomic materials. India has a developed, Union-wide system of railways and in the West Bengal-Bihar-Orissa triangle it possesses a concentration of resources for development unequalled in the East. Manchuria alone in the rest of Asia has a comparable combination of coal, iron ore, a large labour force and developed communications to serve as a base for industrial development.

India is fortunate, too, in possessing an administrative framework unique in Asia. The Indian Civil Service—the old “steel frame” of the sub-continent—has passed on its officials and its high standards to its immediate successor, the Indian Administrative Service, and the achievements of the last seven years have been herculean. Order restored after Partition, administration provided *de novo* in the old princely states, an election organised with over 100 million voters—these are but a part of the tasks carried through since 1947. Some critics, it is true,

doubt whether these standards can be fully maintained in the future. In many areas, incoming Congress politicians distrusted the Civil Service as first the servant and then the successor to the British *raj* and this distrust, coupled with political interference, impaired administrative efficiency. Reductions in salary and status discouraged some of the better type of recruits. The Service may suffer, too, from the decline in educational standards observable in some university centres. In spite of these forebodings, the Indian administrative services have proved their quality in the last decade and if momentum can be achieved in the economy and higher standards of living introduced, civil servants will share in the growth of wealth and confidence. As in so many other spheres of Indian life, the effective maintenance of the administrative structure is something of a race against time, the growing dynamism of the economy measuring itself against possible counter pressures of disruption.

The political scene follows a similar pattern. India has a federal constitution, and although the bulk of the power is held at the centre, the states not only have their own reserved fields, but they act over a wide area as the executive agents of the Central Government. The achievement of expansion depends essentially upon the willingness of state governments to shoulder their share of the expense and to use their local initiative in carrying out the various projects. Co-operation has been close and fruitful, in large measure because the unchallenged leadership of Mr Nehru and the Congress Party has given an element of unity to the federation. Until this year, Congress controlled every provincial government in the twenty-seven states (to which Andhra has now been added) and India was thus spared the frictions and frustrations which federal systems experience when parties of a different political outlook are in power at the centre and in the provinces.

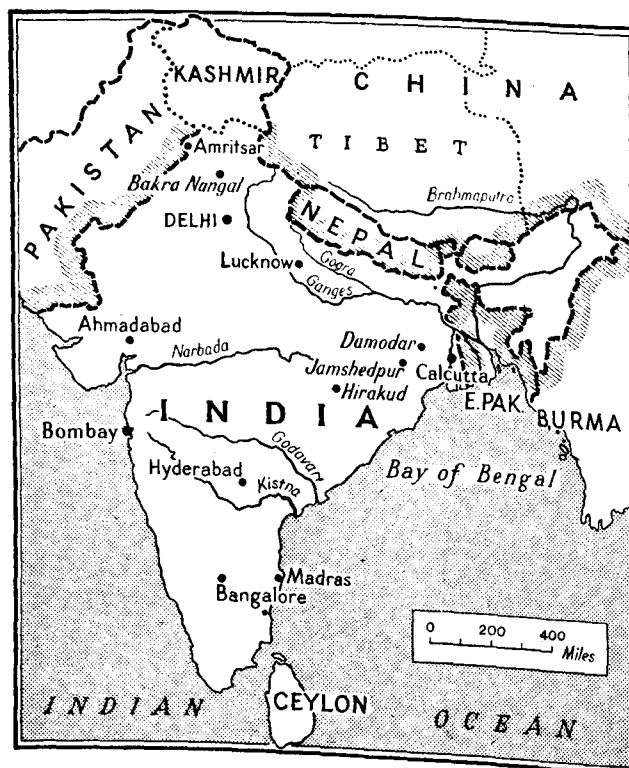
But the situation is changing. The unchallenged position achieved by Congress as the champion of national independence is beginning to be fretted away by the continuance of economic and social problems to which independence as such is no answer. These social problems reveal the extent to which Congress has been a coalition of differing interests united by the ideal of independence. Now that the aim is achieved, a Congress businessman, landlord or local party boss displays an approach to politics very different from that of a land-hungry peasant or an unemployed graduate. Certainly enthusiasm and recruitment seem to have declined. Party membership is said to stand today at 70,000, compared with 300,000 only a year ago. Mr Nehru's hint last summer that he would abandon the Premiership and the leadership of the party expressed this concern at Congress's growing rigidity. The

recent appointment of a young leader, Mr U. N. Dhebar as President, is designed to stop the drift of youth and enthusiasm away from the party.

Meanwhile, the peasant waiting for land reform, the mill-worker living in a wretched hovel, above all, the young intellectual vainly in search of a job are looking for other outlets to express their impatience, and inevitably they look to the Left. Owing to divided leadership and inadequate resources, the Praja-Socialist party does not appear to be offering an alternative attraction. The field is thus left more or less open to the Communists, who have undoubtedly made progress in the last two years. In the elections of 1952, in spite of contesting elections only in certain areas, they emerged as the second largest party in the country, with 23 seats in the Lok Sabha (House of the People) and 161 in various provincial assemblies. In recent by-elections

the Communist party has increased its strength and in Andhra and Travancore-Cochin it has become numerically the largest party, although in Travancore-Cochin a Praja-Socialist Ministry enjoying the benevolent support of Congress is in office. The Communists have also won 4 out of the 9 seats in Pepsu. At the same time, they have strengthened their guerilla hold on parts of the frontier state of Nepal and in Tripura. But perhaps the most dangerous example of a possible shape of things to come is to be found in Calcutta, with its high rate of intellectual unemployment and its urban misery. The Communists hold four out of the city's five parliamentary seats in the Lok Sabha and can apparently use any local excuse—such as a peaceful sit-down

strike by teachers—to unleash rioting in the streets. The fact that public opinion shows signs of moving to the Left could be a cause of some embarrassment to the Government. Mr Nehru is himself a Socialist and from time to time Socialism is proclaimed to be the ultimate aim of Congress policy and India's plans. In a statement on industrial policy, issued in 1948, it was laid down that the state would be responsible for basic development and would exercise control over all key sectors of the economy. But the Ministers who have been directly responsible for India's economic development—the Finance Minister and the Minister of Commerce and Industry—are well aware of the limits of state action in a community whose administrative resources are strained to the limit. In the last three or four years, realism and pragmatism have become to some degree the basis of official policy. At the end of 1954 the aims of economic policy were restated by the Prime Minister and the Minister of Finance. Their emphasis was placed upon the need for expansion in both public and private enterprise if they are to reach the objective of doubling the national *per capita* income in a generation and



1870 — THE BENGAL IRON WORKS, KULTI

1918 — THE INDIAN IRON & STEEL CO. LTD., HIRAPUR

1937 — THE STEEL CORPORATION OF BENGAL LTD., NAPURIA

now amalgamated and forming

THE INDIAN IRON & STEEL CO. LTD.

BURNPUR, WEST BENGAL

producing

SPUN IRON PIPES	BILLETS
VERTICAL CAST IRON PIPES	BARS
GENERAL IRON CASTINGS (4 OUNCES TO 30 TONS)	RAILS
MACHINE CAST PIG IRON	JOISTS
BENZOLE	ANGLES
TOLUENE	CHANNELS
COAL TAR	BLACK SHEETS
AMMONIUM SULPHATE	GALVANISED SHEETS
SULPHURIC ACID	CORRUGATED SHEETS



Managing Agents: MARTIN BURN LTD
12 MISSION ROW, Calcutta, India

The place of Tatas in India's economy



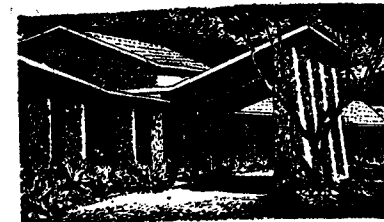
The Tata Iron and Steel Company, largest integrated works in the Commonwealth, produces 1,067,000 tons of steel, 70% of India's annual output



Tatas started with textiles. Now the four Tata mills each year produce cloth worth £8,500,000, enough to clothe more than ten million people



Tatas are the chief Indian manufacturers of washing and toilet soaps, toilet preparations, glycerine and edible oils (hydrogenated or otherwise)



At the Tata Institute of Social Sciences, graduates study social organisation and new scientific methods of welfare work in many different fields



Nearly 20% of all the electric power now being produced in India comes from the Tata Electric System, still the largest working in the country



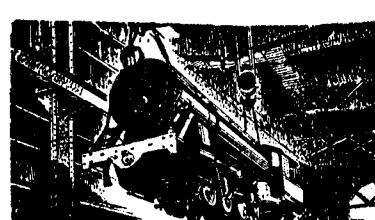
More than 65% of India's soda ash is made by Tatas. Caustic soda, zinc chloride, sodium bicarbonate are other important Tata chemical products



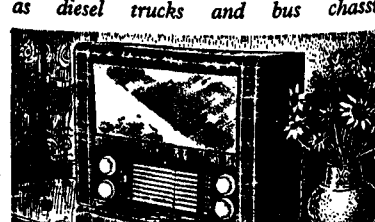
About 85% of the capital of Tata Sons is held by charitable trusts. Grants for education and other philanthropic objects are made annually



At the Tata Institute of Fundamental Research, scientists conduct research in physics and allied sciences, and impart training in nuclear techniques



The Tata Locomotive and Engineering Company Limited manufactures steam locomotives and boilers as well as diesel trucks and bus chassis



One in every eight radio sets produced in India is made by Tatas. Their plant, in Bombay, has the highest installed capacity in the country



The Indian Institute of Science, endowed by Tatas, is a living force in scientific training and research; it is now largely financed by the Centre



The Taj Mahal Hotel is the leading hotel in the East, having every modern amenity. It recently celebrated the 50th anniversary of its opening

BY providing three essentials of civilised living — basic materials, manufactured goods and scientific know-how — the House of Tata, one of India's largest industrial groups, is making a significant contribution to that country's advancement.

Tata enterprises today cover:

Steel	Textiles	Electric Power	Chemicals
Locomotives and Engineering	Soaps, Glycerine and Edible Oils	Hotels	Machine Tools
Insurance	Cement	Industrial Investment	Radios
Social Sciences	Scientific Research		

TATA INDUSTRIES LIMITED

Bombay House, Bruce Street, Bombay

Accredited Representatives:

TATA LIMITED, 18 Grosvenor Place, London, S.W.1.

providing, over the next twelve years, 24 million new jobs outside agriculture. The public sector might grow relatively more rapidly than the private sector, but the government recognised the need and the place for both.

The Indian government has to reckon with the fact that this realistic attitude towards the necessity of private enterprise—which the Communists denounce as a "retreat from Socialism"—can become a serious electoral disadvantage save on two conditions. The first is the obvious condition—the success of the government's efforts to expand resources and wealth. The second is the growth of a wider sense of responsibility among India's business leaders. In the last forty years, a new generation of Indian leaders has risen to influence in Indian business. They reflect the growth in Indian capital and the expansion of purely Indian management beside the old resident British houses. The development of such indigenous leadership is naturally essential to India's growth. Yet the pattern of Indian business also demonstrates the defects of the new business men. Many members of the business community, particularly in the Marwari and Gujarati sectors, have come to influence and success without any tradition of industrial management. Many of them originally made their money in commodity trading or speculation. Largely as a result of this background, they have shown some tendency to seek profits quickly and to withdraw from long-term ventures. There has even been justified criticism of the financial methods employed by some houses and legislation designed to check irregularities is pending. Some firms, foremost among them the house of Tata, have been notable exceptions to the speculative outlook. The Tata group has undertaken all manner of long-term industrial investment, including India's pioneer iron and steel industry. There are some signs that their example is being increasingly followed by other firms. Such a development is essential, if a solid, progressive, socially acceptable business leadership is to emerge in India.

Two significant processes may be hastening it on. The extension of government control has eliminated to a marked extent the capacity of private enterprise to speculate heavily. At the same time, the respect given to university education in India has encouraged junior members of the leading Indian business families to acquire some knowledge of the humanities, a respect for economic analysis and a new interest in research and in the field of labour-management relations.

Today labour relations are uneasy. Many of the new business leaders have the thrusting nineteenth-century businessman's contempt for the efforts of the working class to protect themselves and enhance their status. They complain that Government support for the trade unions and official bias in the labour tribunals have foisted on to industry a wage-scale which is unrelated to productivity, hampers expansion and thus actually increases unemployment and misery among the workers.

On the side of labour, the largest organisation—the Indian National Trades Union Congress, with affiliations with the Congress Party—numbers 1,400,000, but its position is challenged by the Communist-dominated All-

India Trades Union Congress with some 800,000 members. Both unions officially support extreme socialism. There is little moderate trade union leadership or developing interest in productivity. In short, relations in industry tend to rest on little more than a truce and any worsening of conditions could give the extremists the opportunity to try out the techniques of direct action which are laid down for Communist militants in the current party programme, "The Tactical Line." Once again, therefore, the possibilities of peaceful development depend upon the achievement of dynamism in the industrial economy—and its achievement within the next few years.

Yet the industrial community is still small. Agriculture employs, though not fully, 70 per cent of the working population; small enterprises provide work (but not enough) for 10 per cent and non-agricultural pursuits and industry provide jobs for 30 million. It may well be the peasant, not the town worker, who will determine the type of revolution which India must undergo. In the countryside, there are pressures at work, not perhaps as explosive as the discontent of the cities, but potent and growing. On the one hand, primitive techniques in agriculture keep the villages in a stagnant state of scarcity. On the other, the problem of land reform, though not perhaps as urgent as in China, is inescapable and widely exploited by the Communists.

It is also exceptionally complicated. To Western experience the Indian landlord-tenant relationship appears very strange. The "landlords"—zemindars, jagirdars and inamdars—who are known by fifty different names in different parts of India, are none of them quite landlords in the English country gentleman, fee simple, sense; nor are they quite the same as each other, or even quite the same in all parts of India. They might be alienees of the land revenue, or feudal nobles with their own police and courts and excise, or farmers of the revenue and semi-independent chieftains made owners of the soil by British fiat. Their tenants were often strictly speaking subjects rather than tenants; and more often still they were, and regarded themselves as being, the original owners of the land. From early days, therefore, the rights of jagirdar and inamdar and zemindar were in most parts of India regarded as limited by the rights of their tenants; the first Tenancy Act in Bengal goes back to 1859, and after that, other Acts followed in a steady stream, until by 1947 most tenants were protected reasonably well in most places. What worried the tenant was less the direct incidence of his tenure than the harassments to which he was subject—bribes to the agent, illegal cesses, unjustified suits for eviction. His rights were not always as effective in fact as they were extensive in theory. Moreover, in some areas even theoretical protection was lacking and behind the tenant followed the landless man, usually an untouchable and lodged permanently at the lowest rung of the village ladder. Thus, even if the Indian peasantry has more stability than the Chinese and has also been spared the upheavals of revolution, invasion and civil war, the seeds of disorder are there. The countryside, like the towns, has to discover the dynamism of increasing resources.



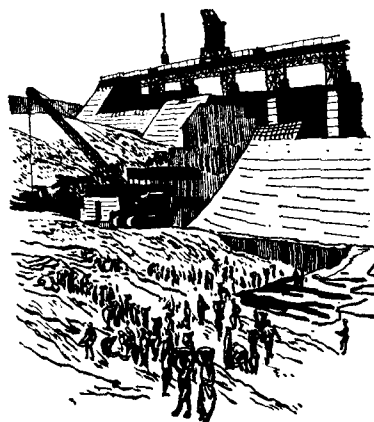
The First Five Year Plan

I. Dynamism and Planning

IN theory, at least, the steps can be laid down by which a static subsistence economy is transformed into a dynamic economy based upon exchange. The essential point is to release from agriculture the saving and the manpower needed to develop an industrial sector. It is the essence of the Communists' claim that they, with their revolutionary rural policy, their vast schemes of industrialisation and their saving held at 25 per cent of the national income, have solved the problem of economic dynamism, and this claim is undoubtedly one of their strongest appeals to Asian discontent. It is, of course, yet to be seen whether the method has much relevance to the hungry, overpopulated lands of the East.

There are, in fact, very good reasons for supposing that neither the particular Russian experiment nor the general Communist technique of development is strictly relevant to India's problem. Russia was in 1917, and indeed still is, an area in which population exercises no very great pressure on resources. It follows that the Soviet experiment has not suffered a catastrophic setback from the relative failure of productivity to rise in agriculture. A basic feature of the new Khrushchev policy for expanded food supplies is to bring millions of acres in Central Russia under the plough for the first time. Only a country with considerable reserves can thus rely on extensive cultivation to counter the rise in population. In India, the opening of new land on a very large scale is possible only as a result of elaborate irrigation schemes—in other words, only after a large outlay of the country's scarce capital. Communist China faces the same dilemma since its population of nearly 600 million already exercises an intolerable pressure on the land.

But there is another and more fundamental reason why the Communist pattern of massive industrialisation and forced saving at the expense of the peasant is likely to prove a false guide to Asia. The failure of Soviet agriculture to keep pace with Soviet growth is not a coincidence. It probably represents a flaw, a "contradiction" inherent in Communist policy. The peasant whose standards are depressed to provide capital for heavy industry has no inducement to increase productivity. He is not permitted to eat the extra food. Heavy industry does not provide consumer goods, therefore he has no inducement to sell. His output falls and forced deliveries to the cities only discourage still further his will to produce. Countries such as Hungary and Rumania, which once produced an export surplus of foodstuffs, have had to adopt domestic rationing. In the long run, no doubt, the contradiction can be overcome when at last the Communist leaders come to see that not the power of the state—expressed in heavy industry—but the needs of the people—expressed in consumer goods—are the true end of an industrial system. Then at last the countryside can recover some natural inducement to expand production. But meanwhile



agriculture lags behind. In economies with a food surplus, such as the Eastern European satellites, or in a country like Russia where there is no pressure of population upon resources, starving the countryside and building up heavy industry may prove no more than a costly error from which wisdom can be learnt. But in India or China, any failure of agriculture to keep pace—let alone to suffer such catastrophic falls as have occurred in Soviet stock-breeding or in East European grain production—would denote not an "aberration" but wholesale famine and death.

But Russia is not the only pattern of dynamism. In Japan, for instance, the economic basis of the Meiji revolution was land reform coupled with a large increase in agricultural productivity. Savings could be released from agriculture while agricultural wealth grew at the same time. Industrial development did not exclude small consumer enterprises, and as the peasant's purchasing power increased, there were goods for him to buy. He did not have to content himself with patriotic contemplation of a giant new steel mill. The issue has more than economic implications. Forced saving on a massive scale is virtually impossible to combine, in any very poor country, with the methods of democracy. Rising agricultural productivity and expanding consumer industry help to give a margin of popular content within which free institutions can function.

There is thus no basis for the Communist claim to provide the only or even the most suitable pattern for economic advance in backward areas. On the contrary, neglect of the peasant has so far proved a severe obstacle to higher standards of consumption and to political consolidation. Yet before the Western powers take any encouragement from this "contradiction" in the Soviet pattern, they would do well to remember that it is not enough to point at the shortcomings of the Soviet method if other means fail to give the peoples of Asia the advance they seek. Provided enough people are sacrificed, provided a sufficiently iron tyranny is enforced, provided the intoxication of state power can be maintained as a substitute for personal satisfaction, the Soviet method does produce results. There is much direct evidence from India today to suggest that the Indians of the cities at least want results above all.

The present Indian Government has made its choice of the methods it will use for Indian expansion. The first Five Year Plan, nominally launched in 1951, but only fully in operation for the last two years, reveals at once that the Indian Government has given first priority to agriculture and has rejected patterns of investment which put the possibility of spectacular industrialisation above the risk of inflation or of living standards held down by forced saving or—which is more usual—of both together. According to the forecasts of 1952, Indian national income in constant prices was expected to rise from £6,750 million in 1951-52 to £7,500 million in 1955-56. About eighty per cent of this increase would be absorbed by rising population and perhaps by some small and much needed increase in consumption.

The narrow margin left available for saving would, it was hoped, allow net investment to rise from five per cent of national income in 1951 to seven per cent by 1956. Even the latter proportion would be low—in advanced industrial countries it is usually at least twice as high—but it realistically reflects India's poverty and the degree to which consumption cannot physically be much further reduced. The risk remains that the percentage could fail to generate the needed momentum and might thus prove insufficient to move the whole economy forward into a rising spiral of production.

In monetary terms, total investment during the Plan period should amount to about £2,100 million—just over £1,650 million for the public sector and about £450 million in private industry. But it is very doubtful whether the machinery exists to secure the diversion to saving of the whole £2,100 million. The Plan in fact does not count on the possibility. Some £700 million of public and private investment were not specifically covered in the original estimates.

2. The Rural Sector

In its apportioning of capital between the various sectors of the economy, the Indian Government demonstrated its belief that expansion can come only if the rural community and agricultural production were given first priority. The following tables give the broad orders of magnitude.

TABLE I—DEVELOPMENT EXPENDITURES IN THE PUBLIC SECTOR 1951-56, UNDER INDIA'S FIVE YEAR PLAN

	Million £	Percentage of Total Outlay
Agriculture and community development.....	270.8	17.5
Irrigation and power.....	420.8	27.1
Transport and communications.....	372.8	24.0
Industry.....	129.8	8.4
Social services.....	255.0	16.4
Rehabilitation.....	63.8	4.1
Miscellaneous.....	39.0	2.5
TOTAL.....	1552.0*	100.0

* This figure is the total prior to additions made in 1953.

These general fields of expenditure represent first of all a concentrated effort to bring change and growth to the static, strongly traditional rural life of 70 per cent of India's people. The broad objective is an increase in agricultural production in the following categories:

TABLE II—TARGETS, UNDER INDIA'S FIVE YEAR PLAN, FOR PRINCIPAL AGRICULTURAL CROPS, 1955-56

	Output 1950-51	Target 1955-56	Estimated Percentage Increase 1950-51 to 1955-56
Food grains (million tons)	54.0	61.6	14
Cotton (million bales)....	3.0	4.2	42
Jute (million bales).....	3.3	5.4	63
Sugar cane (million tons)...	5.6	6.3	13
Oilseeds (million tons)...	5.1	5.5	8

But a variety of means was foreseen to secure first these targets and later a steady agricultural expansion in all fields.

Agriculture cannot be changed without changing the agriculturalist. The most ambitious aspect of the Plan is its aim to bring what amounts to a social revolution to over 500,000 Indian villages. Experiments in this direction began as early as 1948 with the various Grow More Food campaigns. But these first attempts suggested that a piecemeal approach—here a ditch, there a well—failed to rouse the country people's imagination and support. Since 1952, therefore, the Government has concentrated upon its plan for Community Projects.

These group together blocks of villages—usually there are about 100 villages and 50,000 people to each block—and in them, with the help of trained village workers, the attempt is made to bring new methods and new knowledge to every aspect of village life.

Since this work came to cover most of the activities of government, it was necessary to fit the new structure of Community Projects into the wide pattern of administration. A Community Projects Administration was established under the Planning Commission and in each State a Development Commissioner designated to co-ordinate activities in his area. Under him, the traditional hub of Indian local administration, the Collector, was to add responsibility for development to his existing functions of collecting revenue and keeping the peace. Below him, each Project has its officer in charge and below again, the village workers maintained direct contact with the villagers.

The Community Projects were steadily extended in 1953 and 1954. Even so, the feeling grew that the pace was still too slow. In October, 1953, the Government inaugurated a National Extension Service to press on with preliminary development work in blocks of about 100 villages each. The two services together should cover a quarter of India's rural population by the end of 1956. By 1961, it is hoped, both services will cover the entire country. By 1966, the more intensive Community Projects should be general.

An essential element in the success of this rural revolution is, naturally, to secure enough trained village workers. Forty-three centres have so far been opened, giving the students about eighteen months' training, of which a year is spent on basic agriculture and six months in practical work in the villages. Over 4,000 workers have gone through these courses. In addition, the Community Projects Administration has started training workers in "social education" and in public health to assist in the general raising of standards in village life, and one day the hope is to have at least two such officers attached to each block of 100 villages. There are also plans for training centres to bring women into rural extension work.

The success or failure of India's Plan may well depend upon this vast effort to reach the peasant and to persuade him not by violence but by education, demonstration and encouragement that a dynamic economy is to his advantage, and that he can play his part in bringing it about. But his readiness to do so depends in some degree upon factors which lie outside the scope of the Community Projects. A villager, for instance, can become interested in improved seed and in the use of fertilisers only to have his optimism blighted by a season's drought. Minor irrigation works fall within the scope of the Community Projects and are exceedingly valuable. But the large scale irrigation which can alone counter the vagaries of the monsoon and open up

new land depends upon the provision of large sums of capital and the organisation of public works on a major scale.

The original Plan therefore devoted considerable resources—£202.5 million—to the building of three large multi-purpose schemes for irrigation, power and flood control in the Damodar Valley, on the Sutlej River at Bhakra-Nangal and on the river Hirakud in Orissa. The Plan also allowed for another £127.5 million to be spent on other major and minor irrigation schemes. The result was presumed to be an additional 20 million irrigated acres—or a 40 per cent increase in irrigated land—while installed capacity of electricity would grow from 2.3 million kW. in 1951 to 3.5 million in 1956. A part of this increase was earmarked for rural electrification on which an expenditure of £202.5 million was forecast for the period of the Plan.

Lack of water or power may be a powerful deterrent to rural reorganisation, but it is not so paralysing as insecurity of tenure and uncertainty of status. If the peasant doubts whether his increased efforts will benefit him or his landlord, his instinct is to cling to the old ways, and not waste work on an increment he may not receive. Moreover, it is at this point, in the peasant's right to his land, that Communist propaganda has found its most successful point of entry in other parts of Asia. Land reform is therefore an essential factor in the hoped-for revival of the countryside. It is not, of course, a new aspiration in India. "The land belongs to Gopal," Mahatma Gandhi used to say; and "the land to the tiller" has been a Congress slogan for a quarter of a century. The aim is to create a society of small owners whose ownership will be permanent (unless they themselves wish to change over to co-operation) and not just a step on the way to collectivisation. The tiller gets the land, but the landlord keeps enough land to become a tiller himself; and he receives some compensation for the rest.

Because there is this double need, to make the tiller the owner, and to treat the landlord as gently as possible, Indian land reform is a complex problem. It is made more complex by the fact that land reform is a State subject, and each State already had a large body of land law in 1947. The State Governments have, however, decided to wipe the slate clean. The proposals for land reform cover four main heads. Zemindari, jagirdari and inamdari are to be abolished everywhere. Tenants are to be given a fixed and limited rent, the right to buy out their landlord, and security of tenure. A start has been made on prohibiting any holding of land larger than a man can cultivate himself; and the land thus made available, together with waste land and land made available by Bhoodan (voluntary land gift) donations, is to be used to give land to the landless. Since each State Government is responsible for its own programme, uniformity of approach and progress could hardly be hoped for, but the main direction of the programme is the same from one end of the Indian Union to the other.

One other impact of the Plan upon village life should be recorded. Some £22.3 million have been set aside for assisting small industries and such village crafts as oil and soap making, hand spinning and weaving, paddy husking and leather work. Handloom textiles are protected by various devices including a cess charged on mill cloth to finance the khadi and handloom industry. Excise duties on cloth, soap and footwear are adjusted to give relief to small producers.

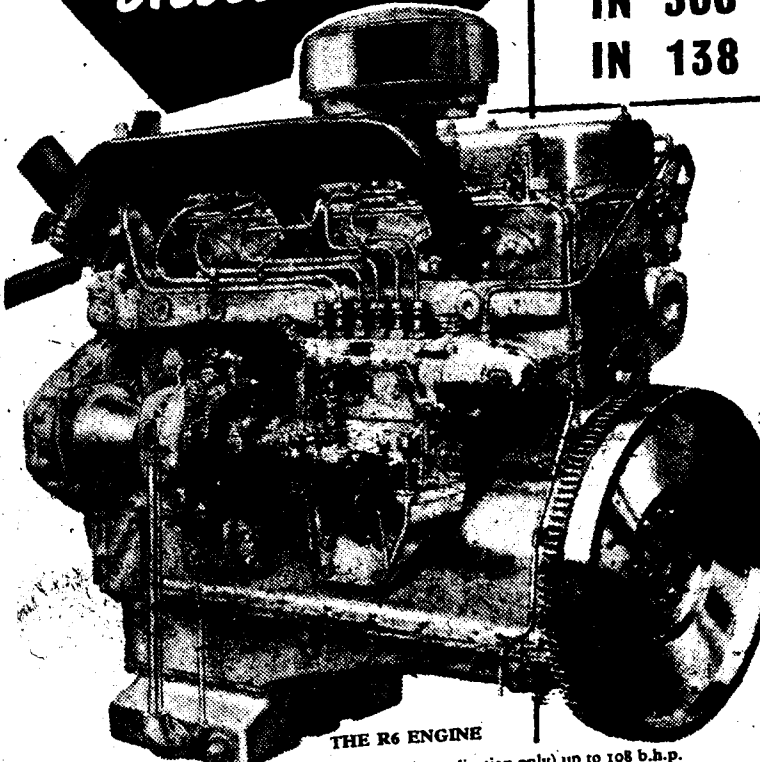
3. The Industrial Sector

Having given first priority to agriculture, the Indian government has approached the industrial sector with modesty and realism. There is no sign of the typical Communist fallacies—the forced pace of industrialisation at whatever cost, the grandiose building up of heavy industry under government management to the exclusion of the private or small-scale production of consumer goods. If the part played by government in the Indian plan is large, the fact reflects only to a certain degree the bias of thought in the Congress party towards socialism as the ultimate form for the Indian economy. The real necessity behind high public expenditure is that in the essential sectors of transport, communications and public utilities—upon which the expansion of the whole economy rests—private enterprise has neither the reserves nor the desire to provide massive investment.

Most new government enterprises in India—many of them started before the present Five Year Plan—are related directly or indirectly with the basic services of the community. The Chittaranjan Locomotive Factory, the Railway Coach Factory at Madras, the Vizagapatam Shipyard, the Indian Telephone Industries serve transport and communications. The fertiliser plant at Sindri is linked to agriculture. A heavy electrical plant is still under consideration to serve the expansion of power. The machine tool factory at Bangalore represents the main excursion into general manufacture. True, the government expects the public sector to expand. It apparently intends that the increase planned in iron and steel shall take place only under government control. But in spite of this policy, the fact remains that the first Plan has limited public investment in industry to one third of the expected investment from private enterprise.

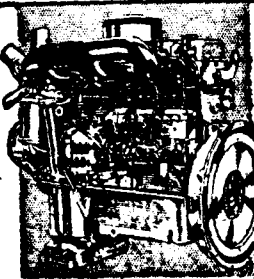
In the private sector, too, the largest expansion has been forecast, not for heavy industry to the exclusion of consumer goods, but for a balanced range of industries serving either the basic equipment of the economy or export industries or the most urgent needs of the consumer. A table (Table IV) on page 14 gives a number of industrial targets with the degree of fulfilment achieved by 1954. Here it is only necessary to point out that some of the largest increases were planned in such fields as fuel and power (the petroleum refineries and a 164 per cent increase in coal and coke), in agriculture (a 148 per cent increase in power-driven pumps and an 809 per cent increase in diesel engines), general construction (a 78 per cent increase in cement), and consumer and export goods (a 26 per cent increase in mill cloth, a 100 per cent increase in handloom cloth, a 425 per cent increase in bicycles). To accomplish these and other targets, private industry was expected to provide £240 million in fresh investment, of which it was expected about half would come from "organised industry." Moreover, these estimates leave out of account the emphasis laid by the government upon village and workshop industry, all of which is engaged in the production of consumer goods and which has the added advantage, in comparison with large-scale heavy industry, of creating maximum local employment. The Indian government has not put the building of sensational labour saving monsters of industrialisation before the more modest problems of the people's daily bread.

WORLD-WIDE DIESELIZATION

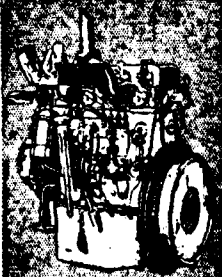


THE R6 ENGINE
(For Vehicle application only) up to 108 b.h.p.
at 2,700 r.p.m. Torques up to 240-lbs. ft. (32.11 mkg.)

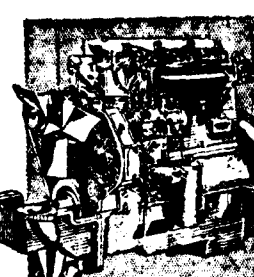
HUNDREDS OF THOUSANDS OF PERKINS DIESEL ENGINES SERVE IN 300 VARIED APPLICATIONS IN 138 DIFFERENT COUNTRIES



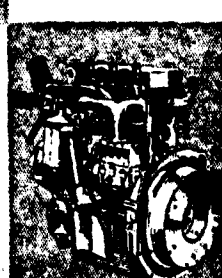
THE P6 ENGINE
(for all applications)
from 35 b.h.p. at 1,000 r.p.m. up to 83 b.h.p. at 2,400 r.p.m.
Motor car rating 90 b.h.p. at 3,000 r.p.m.
Torques up to 204-lbs. ft. (28.0 mkg.)



THE P4 ENGINE
(for all applications)
from 22 b.h.p. at 1,000 r.p.m. up to 55 b.h.p. at 2,400 r.p.m. as rated. Motor Car Rating 60 b.h.p. at 3,000 r.p.m.
Torques up to 134-lbs. ft. (18.5 mkg.)



THE L4 ENGINE
(for Agricultural, Industrial and Marine use only).
Up to 62 b.h.p. at 2,000 r.p.m. Torques up to 182-lbs. ft. (25.1 mkg.)



THE P3 ENGINE
(for all applications)
from 17 b.h.p. at 1,000 r.p.m. up to 41 b.h.p. at 2,400 r.p.m. as rated. Torques up to 101-lbs. ft. (14 mkg.)

Perkins high quality Diesel Engines are supplied in 3, 4 or 6 cylinder units for 300 applications now constantly at work in 138 countries. They have become famous everywhere for:

- Outstanding fuel economy
- Instantaneous cold starting
- Consistent reliability
- Reduced maintenance costs
- High torque characteristics
- Simplicity and accessibility
- Long life
- Universal service and spare parts facilities

Perkins

HIGH QUALITY DIESELS...

For Vehicle, Tractor and Marine applications, and with stage-by-stage "build up" for various Industrial uses.

PETERBOROUGH F. Perkins Ltd., Peterborough, Tel. 3941.
Grams: Perkoil.
AUSTRALIA Perkins Diesel (O'neal) Pty. Ltd. Princes Highway, Dandenong, Melbourne, Victoria. Tel: 157718. Cables: Diesel, Dandenong.
S. AFRICA F. Perkins (S.A.) (Pty.) Ltd. P.O. Box 9951, 156 Main Reef Road, Johannesburg. Tel: 24-3087. Cables: Sapark, Jo'burg.
CANADA F. Perkins (Canada) Ltd. 237/239 McRae Drive, Leaside, Toronto 17, Ontario. Tel: 434819. Cables: Perkoil, Toronto.
FRANCE Société Française des Moteurs Perkins 2, rue Caille-Mendel, Paris 17e. Tel: GALVani 67-35. Cables: Perkoil, Paris.



To F. Perkins Ltd. Dept. E, Peterborough, England.

Please send me details of Perkins Diesel Engines for Vehicle ☐ Marine ☐ Agricultural ☐ Industrial ☐ applications.
(Please tick appropriate sections).

NAME _____

ADDRESS _____

Pioneering for Oil

TO THE OILMEN of today goes the credit, and the adventure, of opening up many of the waste places of the earth. Under deserts, prairies, marshes and seas, otherwise bleak and unharvested, may lie oil. Oil for lamps, for cooking stoves, for industry, for farming, for the world on wheels, the ships and aircraft of all nations. The oilmen must always go out and find new sources of supply, so great is the demand. They must drill the wasteland to dredge up the liquid treasure that the earth holds imprisoned.

But that treasure has to be located first. More than a million wells have been drilled for oil through the earth's surface during the last ninety years. But only a fraction of these exploratory drillings have found oil.

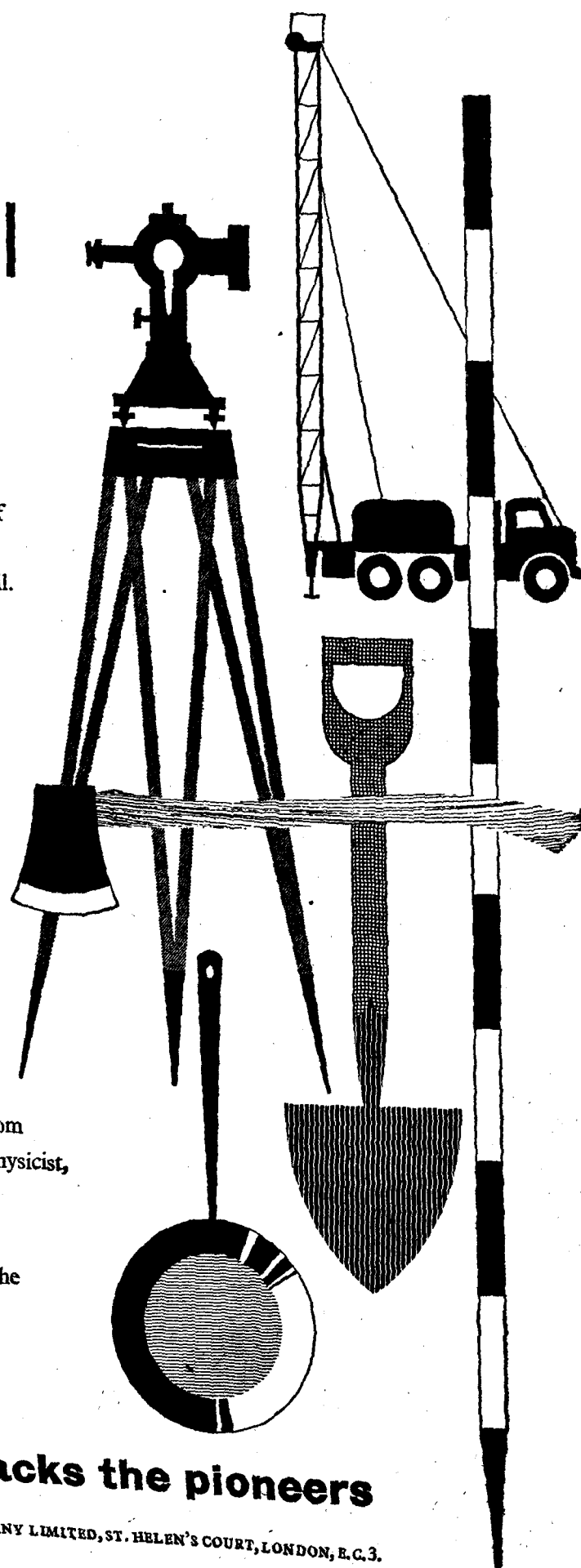
Shell Research is constantly advancing the science of oil-finding. Today the aeroplane, the helicopter and the seismograph (measuring waves from man-made earthquakes) help the geologist, the geophysicist, the mineralogist and the palaeontologist.

The search for oil is still an adventure, still an advance into the unknown. The oilmen are like the migrating cranes in Homer, settling ever onwards.



research backs the pioneers

THE SHELL PETROLEUM COMPANY LIMITED, ST. HELEN'S COURT, LONDON, E.C.3.



The Plan in Action: 1951-1954 •

I. Agriculture

THERE can be no doubt that the first three years of the Plan have seen startling improvements in India's economic position. The increase in national income has been three times greater than that of population and the per capita income of the Indian citizen has increased by about five per cent—a level which the Plan did not foresee until 1956. This remarkable growth has been due to greatly increased output throughout the economy—an estimated 18 per cent increase over 1951 in agriculture, and in industry a 40 per cent rise above 1950. Particular benefit to the consumer has followed from the achievement of unusual advances in the two main items of consumer expenditure—food grains and cotton goods. Food grains in 1953-54 increased by 11.4 million tons to 65.4 million, whereas the increase forecast for 1956 was only 7.6 million tons. Cotton reached 76 per cent of the 1956 target with an output of nearly 4 million bales.

These achievements have been primarily due to two exceptionally favourable monsoons. The Planning Commission's estimate is that, of the total increase of 11.4 million tons in food grains, at least six to seven million tons must be put down to the favourable weather. The other five million, however, may be due to basic improvements and thus prove a more permanent gain to the economy.

The two factors which more than anything else have contributed to this long-term improvement are the addition of over seven million acres of newly irrigated land and the increasing interest displayed by the peasant in agricultural productivity. Major schemes of irrigation are responsible for 2.8 million acres of newly irrigated land, the remaining acres are the fruit of a variety of small experiments such as the sinking of tubewells, the reconstruction and repair of old wells and the digging of dams, channels and tanks. Much of the work has been done by the villagers themselves under the aegis of the Community Projects.

Perhaps the best index of a growing interest in agricultural productivity is the increased demand for fertiliser. The consumption of ammonium sulphate went up by 50 per cent between 1950 and 1953, and demand in 1954 was higher still. There have been signs, too, of growing interest in improved methods of cultivation—in rice, wheat and cotton. The Planning Commission estimates that the farmers have matched, with their own work and contributions, nearly half the total expenditure incurred by the government for Community Projects—over £2 million.

It is naturally difficult to assess the success of programmes which attempt to touch the livelihood of nearly 300 million country people. In the Community Projects, for instance, so much depends upon local leadership that it is possible for the same approach to produce excellent results in one area and to make little mark upon another. Some objective standard can perhaps be found in the degree to which expenditure under various agricultural plans is keeping up with the estimates originally outlined in the

Plan. In the Part A States (the old provinces of British India) the average outlay in the first three years has amounted to about 50 per cent of the proposed figure and in the old Princely (or Part B) States, the estimate is nearer 40 per cent. In certain states, however, Travancore-Cochin for instance, the expenditure is less than 20 per cent. It is this local variety which helps to explain the different judgments passed in India itself on the success of rural policy. Some critics underline the inadequacies and the growing pains—the shortage of trained workers, the insufficient supplies of fertiliser and improved seed. The Planning Commission itself is concerned lest local schemes become the preserve of the wealthier peasants and fail to touch the mass of ordinary villagers. Other estimates of the rural revolution are, however, more optimistic.

Taking the contribution of increased irrigation to equal a 10 per cent increase in food grains, more intensive use of fertilisation seven per cent and new methods of cultivation perhaps five per cent, some Indian observers contend that there has been a 22 per cent increase in the output of food grains and that such a rise not only covers the annual growth of population but creates a reserve equal to any likely fluctuation in the monsoons. This evidence of rising agricultural productivity they attribute above all to the efforts of the people themselves and see no reason why, as more areas are brought under the dynamic influence of the Community Projects, the rising curve of output should not be maintained. In fact, if the major and minor irrigation schemes forecast for the second Five Year Plan are added, a 30 per cent increase in food grains should be secured by 1961. The problem of food production—the stumbling block so far in all Communist development—is, they maintain, on the way to solution by the non-violent methods of the Indian rural revolution.

Progress in land reform presents a fairly complex picture. The general framework is now worked out. The intermediary landlords—zemindars, jagirdars, and inamdars—are to go, according to principles which vary only in detail from one part of India to another—although only five states have actually abolished them. The land that they cultivate themselves they keep. If that is not enough to give them a reasonable holding, they are in many states allowed to resume some land from their tenants. The rest is all taken over; rent is thenceforward paid to government as land revenue, and the tenant of the land becomes an owner on payment of a sum normally fixed at so many multiples of the land revenue.

Like everything else, compensation varies considerably from state to state, but the principle is to fix it in multiples of the net rent. There are innumerable variations, but the general result is that the little man, of whom there are many hundreds of thousands, will get very nearly the same income from his three per cent bonds (most compensation is paid in three per cent twenty-year bonds) as he received from his land; the wealthy man may find his income reduced to one-tenth or less of what it was. Charities and religious foundations are completely protected against loss of income.

The abolition of these superior tenures is the biggest operation in Indian land reform. Compensation will amount to over £350 million. In many states the scale of compensation is having an inhibiting effect on the government's willingness to press forward with reform. Nevertheless the leadership of Rajput and Brahmin in the countryside, already weakened by universal suffrage, will be further eroded. Control will go finally to the great cultivating castes, the Marathas, for example, or the Reddis, or the Jats.

With this abolition of superior holders, nearly all those who were already protected in their tenancies before 1947 will become owners. Tenancy, however, remains. It probably covers less than a quarter of India altogether, but in some areas—parts of the Deccan, or the Punjab—the tenants are important, and in some districts, Nalgonda or Pepsu, for instance, their problems have led to violence. Legislation to protect them is very uneven. Bombay, since independence, has enforced a complete code, Bihar has done nothing. The Bombay legislation may be taken as typical of the policy other states will follow even if they have not yet started. Under it, rents have been reduced to one-sixth of the crop. Eviction is permissible only on strictly limited conditions. Other provisions lay it down that leases must be for a given number of years with an almost automatic right of renewal, that tenants must be compensated for improvements, and that they can buy their landlords out compulsorily at a price to be fixed by a tribunal. Very strict limits have also been placed on the tenant's power to sublet and to mortgage; experience has shown that otherwise he is liable to lose his land or to turn into an idle landlord himself.

The aim of reform is in general clear. Already in 1951 two thirds of India's agriculturalists listed themselves as owner-cultivators; in another five years the figure may be four fifths or more, and many of the rest will be protected tenants. Indian land is going to the man who tills it on a scale the world has never before seen, and by peaceful means. But there have been, inevitably, weaknesses in execution. Complaints have reached the Congress party of evasions of the law by landlords—village records have been changed, property divided among relatives to avoid its redistribution. There have been widespread evictions, particularly in the Punjab and Pepsu. But perhaps the greatest weakness in Indian land reform lies not in the programmes for the tenant, but in the lack of them for the landless labourer. He is a limited problem, since only one agricultural family in seven is landless; but in some areas, such as Travancore-Cochin and Tanjore, the problem is considerable. Government waste land is now to go to the landless; and the Bhoodan (land gift) movement has already collected enough land for some three quarters of a million families. The surplus from large holdings will in due course provide more. But the problem is not completely soluble except by industrialisation which should draw the extra people away from the land altogether.

2. Industry

The upward movement in Indian industrial production has not only produced levels of output 40 per cent above those of 1950, but it covers a steadily widening variety of

products. The following table gives the figures of production in a number of industries:

TABLE IV—ANNUAL INDUSTRIAL PRODUCTION IN SELECTED FIELDS

	Unit	Prior to Plan	1951-52	1953-54	Plan Target 1956
Iron and steel:—					
Pig iron	tons ('000)	1,572	1,740	1,651	2,835
Finished steel	"	976	1,083	1,081	1,650
Aluminium	tons	3,677	3,905	3,846	12,000
Agricultural machinery:—					
Power-driven pumps ..	no. ('000)	34	46	28	80 to 85
Diesel-engines	number	5,540	7,263	5,244	5,000
Railway rolling stock:—					
Locomotives	"	n.a.	27	86	438
Wagons	"	1,095	3,707	6,892	30,000
Coaches	"	479	673	786	4,380
Electric motors	HP ('000)	99	154	161	320
Electric transformers ..	KVA ('000)	179	202	327	450
Fertilisers:—					
Ammonium sulphate ..	tons ('000)	46	95	307	450
Superphosphate	"	55	57	66	180
Cement	"	2,692	3,281	4,028	4,800
Cloth:—					
Mill-made	mn. yds.	3,718	4,134	4,906	4,700
Handloom	"	742	900	1,200	1,700
Bicycles	no. ('000)	...	101	289	530
Sewing machines	"	...	32.9	68.4	91.5
Jute	tons ('000)	892	931	864	1,200
Woollen manufactures ..	lb. ('000)	18,000	16,900	19,600	25,000

But in spite of undeniable advances, there is some question whether the figures represent a rate of investment sufficient to secure a sustained upward movement in the entire economy. In the first place, the most spectacular expansion—that of cotton cloth—reflects to some extent the increased purchasing power flowing from two good monsoons. High consumption was enough to keep both mill producers and handloom weavers fully occupied. Yet the increase could largely be met by using existing capacity more fully. New industries have, it is true, been established. In 1953/54 alone, six new textile mills, as well as cement, paper and glassworks have gone into production and many companies have expanded their capacity. The rate of fresh investment is also increasing. The average was only £20 million in the first two years of the plan but it rose to £30 million in 1953/54. Capital formation may have risen above nine per cent of national income. Yet these figures leave well over half the original estimate to be invested in the remaining two years of the plan.

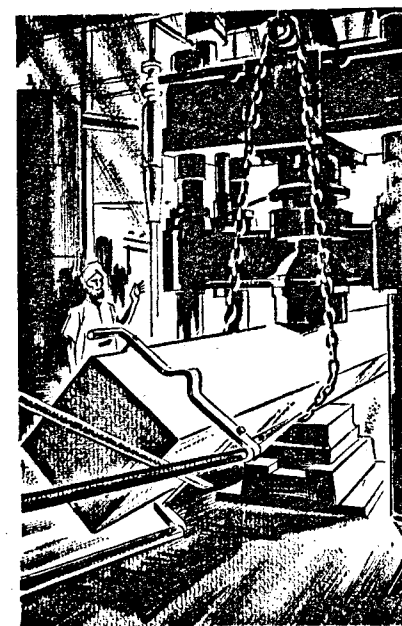
Government investment has also fallen behind in the industrial sector; only some £21.8 million have been invested so far out of an estimated £70.5 million. This shortfall means that £48.8 million will have to be found in each of the remaining two years, a formidable figure even though £24.8 million is probably covered by the new steelworks which the German consortium Krupp-Demag is erecting for the Indian government.

It is not simply a question of a general lag. The areas in which the shortfall has occurred are also significant. Government investment is behindhand in some of the basic sectors of the economy—sectors upon which the expansion of the rest depends. Steel expansion has amounted to only

P & O to INDIA

It was in 1842 that the P & O opened the India Mail Service giving to that country its first regular and reliable communication with Britain. Today P & O vessels call at Bombay and at Madras and Calcutta and are as familiar a sight in India's harbours as they were more than a century ago. Travelling to India in one of their ships is still the pleasantest way of getting there, as well as the most comfortable.

P & O Head Office • 122 Leadenhall Street, London, E.C.3
 Passenger Office • 14/16 Cockspur Street, London, S.W.1
 Agents in India • Mackinnon, Mackenzie & Co. Ltd.



FORGING AHEAD

TRADITIONALLY agricultural, India is becoming the scene of much industrial activity, her iron and steel industry being a leading example. Here, as in so many other industries in India, Hollerith is playing an important part.

The Tata Iron and Steel Company introduced Hollerith machines and methods in 1929, and rely on Hollerith for all main accounting requirements. These include accounting for Factory and Sales, Costing Department and Labour Shops, and the control of Stores and Stockyards. Hollerith also forms an essential link between Sales Control and Production.

• Publications of greatest interest to key executives are *THE TABULATOR*, issued periodically, and *IN BUSINESS, TOO* . . . describing Hollerith methods. Copies can be obtained by applying to either of the offices below—on your business noteheading, please.

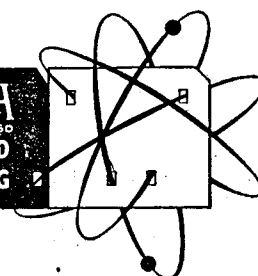
THE BRITISH TABULATING MACHINE COMPANY LTD

Head Office:
 17, Park Lane, London, W.1
 Telephone: Hyde Park 8155

HOLLERITH (INDIA) LIMITED

Liberty House, New Marine Lines
 Bombay 1 (P.O. Box 516) Tel: 32520
 And at Calcutta, Madras, New Delhi

HOLLERITH
 ALSO
 PUNCHED CARD
 ACCOUNTING



THE UNITED COMMERCIAL BANK LTD

(Incorporated in India in 1943)

Head Office :
2 ROYAL EXCHANGE PLACE, CALCUTTA

A History of Progress

The eleven years' story of the United Commercial Bank Ltd. is one in which its directors justifiably take pride. In spite of the difficult times that India has experienced in this period the Bank has never ceased to show prudent, solid progress so that it ranks today among the first five Indian banks and has won an honoured place in international banking. The Bank serves a considerable cross-section of industry, commerce, and public bodies, in addition to private individuals. The Quarterly Review, published by the Bank's Economic and Statistical Section, is highly regarded by the world's banking, financial and public institutions as are its special studies of such important commodities as jute, tea, mica, etc. The Bank's ninety branches in India, Pakistan, Malaya, Burma and London and its arrangements with over 55 foreign banks ensure both present and potential clients an efficient world service.

Chairman : G. D. Birla General Manager : B. T. Thakur
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
London Office : 15 Throgmorton Avenue, London EC2



14.9 per cent of the proposed target. The delay has been due in part to labour disputes, in part to the slow formulation of plans. Electric power and transport are also somewhat behind schedule. The aim for power for 1956 was an increase from 2.3 million kW to 3.5 million kW. Only about 42 per cent of the target has been achieved. In transport, over 50 per cent of the money earmarked for rolling stock, machinery and track improvements has been spent and 55 per cent of the target in locomotive building has been reached. The difficulty is that the very success of the economy in the last two years has enlarged the demand for transport far beyond the original estimates. The danger is that shortcomings in these sectors could have an inhibiting effect upon other areas where industrial expansion looks promising for the next two vital years of the plan.

3. Finance

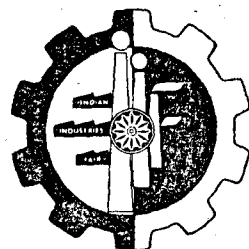
The expansion achieved in the last three years has been accomplished against a background of remarkable monetary stability. The inflationary pressure caused by Partition and later by the Korean war has been removed by the firm financial policy pursued by the Ministry of Finance—and also by the crucial American Wheat Loan. The wholesale price index (1949=100), which rose to 115 in 1951, fell to 101 by September, 1954. Similar stability is shown in the country's balance of payments in spite of considerable fluctuations in the last four years. In 1950-51 the Korean export boom gave India a favourable balance of £41.5 million. But in 1951-52 drought and crop failure forced up the imports of food, and the result was a deficit of over £97.5 million. By 1952-53 a surplus was earned once more—of £55.5 million. The favourable harvests made possible lower imports of food and cotton, and again in 1953-54 a surplus of £36 million has emerged. As a result, the sterling balances, which were reduced by £120 million in the famine year of 1951-52, have risen again to over £525 million.

The Indian consumer has enjoyed the benefit of this stable background in the form of steady and falling prices. Yet it

raises the query whether the stability has been due to a proper balance between saving and expenditure or rather to a rate of expenditure too modest to create any very extraordinary inflationary pressure. The second possibility entails the risk that expenditure has been too low to secure a lasting upswing in the whole economy. The expansion achieved could denote no more than the "conjuncture" of two exceptional monsoons with all the release of consumers' purchasing power which they have brought about. But the expansion, to be sustained, must rest on a rising rate of investment.

Expanded output has brought about a five per cent increase in consumption. The rate of investment may have risen by nearly double that figure. This is a much more encouraging outcome than the rise to seven per cent forecast by the Planning Commission for 1956. Yet official estimates of capital expenditure are lagging behind the expected rate. Moreover, those lower figures are not in fact being financed entirely from saving. Of the outlay incurred so far under the Plan, only about 60 per cent represents real savings. About 15 per cent has been provided by foreign assistance. But 25 per cent represents drawing down cash balances, the sale of securities held in reserve and short-term borrowing. The State Governments have been the main offenders. While the Central Government has more than fulfilled its obligation to provide real savings, the States have not covered 50 per cent of their outlay by the provision of real saving. Yet if the targets of the Plan are to be realised, expenditure must be far higher than at present in the last two years of the Plan. Public expenditure for 1955 is estimated at £427.5 million. The figure for 1956 would need to be some £525 million if the proposed level is to be reached. Without a marked increase in domestic savings or in foreign lending and foreign aid, there might be need for £187.5 million in deficit finance in 1955 and nearer £300 million in 1956. Such deficits would carry a real risk of renewed inflation. Nor is the problem one simply of finance. Quite as formidable is the degree of organisation, administration and skilled technical preparation needed in order to spend £975 million in two years—and to do so effectively.

ANNOUNCING Indian Industries Fair



Organised by the
Federation of Indian
Chambers of Commerce
& Industry with the
active support of the
Government of India.
Write for particulars to
the Secretary, Exhibition
Committee, 28 Ferozeshah
Road, New Delhi, India,
or to the nearest

Indian Embassy, Legation or Consulate.

New Delhi

OCTOBER 29—DECEMBER 15, 1955

BROCKLEBANKS

Shipowners since 1770

REGULAR SERVICES

between

U.K. and CONTINENTAL PORTS

and

INDIA, CEYLON and E. PAKISTAN
PORT SAID and RED SEA PORTS

from

INDIA, CEYLON and E. PAKISTAN

to

U.S.A. NORTH ATLANTIC and GULF PORTS

and thence to

UNITED KINGDOM

THOS. & JNO. BROCKLEBANK LTD.

CUNARD BUILDING
LIVERPOOL 3

The Next Two Years

1. Domestic Saving

THE Government of India is well aware of the strain which the whole economy is likely to undergo if development expenditure is to be sharply increased. Nothing has been more impressive in the last five years than the handling of India's finances and the extent to which wise policies have controlled inflation and manipulated the calculated risk of renewed inflation which is inherent in large spending in a poor country. The search for new domestic sources of real saving is needed but there can be no doubt that it will be sustained.

A first necessity is clearly to secure new saving from the agricultural sector and presumably the decision to nationalise the Imperial Bank of India and certain State banks

is related to the need to garner the savings of the rural population. Agriculture has received much of the capital expenditure of the last five years. The countryside also received the major advantage—in the cancelling of debt—from the inflation of the war and its aftermath. Moreover, land revenue is one of the major sources of income collected by the State governments and it is they that are falling behind in the provision of new savings for development. This revenue has been increased in some states but could undoubtedly be expanded more generally. The Part A States in 1951/52 collected 50 per cent more land revenue than in 1938/39. But the wholesale price of the most important goods sold by the farmers was nearly six times higher than before the war. The land revenue may have been too onerous before 1939 but, even without restoring the old burden, there is room for marked increase. State governments in Part A and Part B

States also have the right—not exercised by all—to tax agricultural income.

For the future, as irrigation and power and rural services become more widely available to the countryside, the most important task of the states may well be to accustom country people to the idea of paying for the services they receive. Attempts to increase water rates have been resisted in some areas but there has been better success with the introduction of betterment levies on newly irrigated land. The State governments have undertaken to raise £22 million from new or greater levies but this sum is small in proportion to the capital expenditure on irrigation and other services.

In the economy at large, the possibilities of raising further revenue from income and excise taxes are limited. The pressure on Indian salaries is already intense. Most goods, except foodstuffs, are subject to some customs duties or excise taxes and, even though increases may be possible, they are likely to be modest. Higher taxation of business profits needs to be cautious since it entails the risk of decreasing the source of private saving. Since, however, the business community is falling behind in the provision of new saving, higher corporation taxes coupled with generous initial allowances on new capital investment might mobilise industrial saving.

Two other possible forms of saving could supplement direct and indirect taxation. The first is the expansion of social security schemes, always provided that benefits do not outstrip contributions. In 1952, compulsory provident funds were introduced in six major industries and the scheme is being steadily extended. But perhaps the most hopeful field is that of voluntary or "small" savings where the response of the public seems likely to equal the expectations of the Plan. It is true that the recent £112.5 million 3½ per cent National Plan Loan was subscribed only with support from "special quarters." But small savings have already reached an annual figure of £37.5 million against the £40.5 million assumed in the Plan.

However vigorous the efforts made by the Ministry of Finance and the State Governments to track down these possible sources of additional revenue, it is not likely that they can, in two years, fill the potential gap of over £450 million. The likelihood is therefore that expenditure under the first Five Year Plan will fall short of its original aim by some ten to fifteen per cent. Such a shortfall could check the rate of progress which is essential to the upward movement of the entire economy.

2. Foreign Capital

India, however, is not compelled by its political orientation to depend only upon itself. It is part of the free world. No Iron Curtain cuts it off from the immense capital resources and even greater technical experience of the Atlantic world. Admittedly, the prejudices of Asian nationalism and the Government's bias towards State action offer psychological obstacles to private foreign invest-

ment but the attitudes are not irrevocable. Indian suspicions may be lessened by the slightness of India's present dependence upon foreign investment. The war liquidated a large part of its old debt and some repatriation of foreign capital continued after the war. In 1938-39, about 20 per cent of India's exports had to be devoted to servicing its foreign borrowings. The proportion of 1952 had fallen to 2.3 per cent.

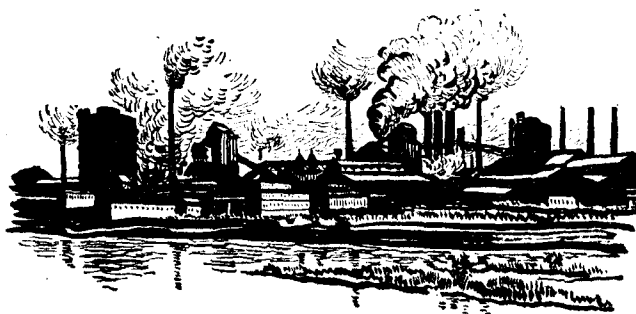
Foreign capital, moreover, is often closely associated with Indian capital, and most recent investment has been undertaken in partnership with Indians. It is true that British investors, who are the preponderant foreign interest in India, hold a high proportion of the capital in the tea

industry (60.4 per cent), in coal (14.5 per cent), in other mining ventures (28.9 per cent) and in jute (25.3 per cent). It is also true that British and American investors have major holdings in rubber, petroleum and the new refining industry. Nevertheless, the bulk of the capital in Indian industry is Indian owned. The percentage of the total owned abroad is probably no more than 16 per cent.

At the same time, foreign firms provide the Indian economy with advantages it can hardly afford to lose. Managerial and technical skill, financial experience, probity, good labour relations distinguish many foreign firms from their local competitors and the Indian government is alive to these assets. The responsible Ministers wish to see foreign enterprise shift its emphasis from trading to manufacture—one reason, no doubt, for current legislation to end the managing agency system. They wish to ensure that Indians are trained to technical and managerial responsibility. Provided these conditions are fulfilled, capital from abroad is actively sought.

Conditions of confidence have, however, to be created on both sides. The business world expects security in its investments and in its right to repatriate capital and remit profits. These, broadly speaking, it enjoys; yet anxieties remain. Recurrent official talk of "socialism" confuses business opinion. Businessmen have been disturbed by the recent introduction of a bill to modify Article 31 of the Constitution (which guarantees compensation in the case of expropriation). The legislation ending managing agencies has inevitably increased anxiety. To all this, the Minister of Finance has replied reassuringly, reaffirming the guarantee of fair compensation and pointing to the Second Five Year Plan as a vast field for new private investment. The figure of about £12,000 million has been mentioned as the total for the five years of the next Five Year Plan and the Indian government specifically seeks private participation.

It has in fact taken positive steps to secure this expansion of private investment. Earlier in the year, it set up an Industrial Development Corporation to direct government finance and assistance to both public and private enterprise. More recently, it has agreed with a consortium of British and American firms—banks, insurance companies and business enterprises—to set up, with the support of the International Bank and the Commonwealth Development Finance Company, a new body called the Industrial Credit and Invest-



ment Corporation of India which is designed to encourage and finance private industrial development in India. Its authorised capital is to be £18.8 million, of which, in the first instance, £5 million will be provided by a loan from the Indian government and £2.6 million by Indian investors. British and American companies are to provide sterling and dollars to the equivalent of £1.1 million. The step has more than financial significance, even though it is hoped that this lead will encourage other foreign investors to follow suit. Politically, it is a gesture of partnership between the Indian government and foreign and domestic private interests. Technically, it has a vital role to play in providing the experts and the technicians who can work out India's new industrial possibilities and turn them from possibilities into practical industrial plans.

3. Foreign Aid

Private capital no longer flows—as it did, for instance, into Russia before the first World War—on a scale sufficient to provide the basis of industrialisation. Private capital barely flows at all into those basic sectors of the economy—transport, communications, public utilities—upon which general expansion depends. If India's supplies of capital are to be augmented in any serious way from abroad, a part of the funds may need to come, for the time being at least, from governmental sources.

Some assistance has already been received. Between 1951 and 1954 India received, in loans and aid, £175 million—£67.8 million from the American Wheat Loan, £20 million in loans from the International Bank; in direct aid the figures were £61 million from the United States Point Four Funds and £24 million under the Colombo Plan.

There is some division of opinion on the scale of India's need. Official quarters point to the short fall in investment, to the foreign currency exchange component in many schemes and to the relatively low coverage of public outlay by real savings in the first three years of the Plan. They fear the possible recurrence of inflation if expenditure is raised according to the original estimates. But they realise that capital investment must be increased to sustain the upward movement of the economy. Foreign aid, reinforced by the loan of foreign technical skill, is a certain means of avoiding both hazards and—given the rate of expansion forecast for the next seven years, it would perhaps be reasonable to consider at least a trebling of the present scale of foreign aid. Even so, such a sum would be less than a single year's appropriation to France and Britain under the Marshall Plan.

It is true that in some industrial circles in India the need for foreign capital is beginning to be minimised. The claim is made that India has now proved its capacity to raise sufficient capital by its own efforts. The increase in capital formation to nine per cent of national income, the nature of the capital schemes under consideration, their relatively small claim on foreign exchange, the existence of sizeable sterling balances—all these add up to no more than a marginal

THE EASTERN BANK LTD

Subscribed Capital ...	£2,000,000
Paid-up Capital ...	£1,000,000
Reserve Fund ...	£1,300,000

Every description of Banking and Exchange business undertaken

Branches in

INDIA, PAKISTAN, CEYLON,
IRAQ, BAHRAIN, DOHA, ADEN,
SINGAPORE and MALAYA

Head Office

2 & 3, CROSBY SQUARE
LONDON, E.C.3

What's happening in the East?

Never before have there been so many variables in Eastern trade. Never have fluctuating economies imposed so great a need for reliable and accurate information.

The Mercantile Bank of India, with branches in every important Asian trading centre, can give you a full picture of local conditions, anywhere throughout the East; and can supplement that information with a comprehensive banking service covering all aspects of Eastern trading.

The Mercantile Bank of India Ltd

Head Office: 15 Gracechurch St, London; EC3

INDIA • PAKISTAN • BURMA • CEYLON • MALAYA • SINGAPORE
THAILAND • HONGKONG • CHINA • JAPAN • MANILA

dependence upon foreign aid. This optimistic hypothesis appears to underestimate the degree of real saving which the expenditure of the next decade should entail. Nevertheless, there is one point which the official and private estimates are in agreement—which is that India does not command the technical and administrative resources to carry through all the development plans which, in fact, the economy can sustain. Most serious Indian commentators would agree that the speed of the next phase of development depends upon securing outside assistance, probably in capital and certainly in skill for the elaboration of a whole range of industrial plans.

To give only a few examples, an immense strain would be taken off India's administrative resources and off its overworked cadres of engineers and irrigation experts if one of the great multi-purpose schemes were taken over by a consortium of foreign firms, the total capital, equipment and technical direction provided from abroad and the work carried through with the unique momentum of modern dam construction. Such a programme would entail no disadvantage to Indian technicians since the training of experts and the association of Indian construction firms with the project could be made part of the contract.

The steel industry is another obvious area for intergovernmental help, especially since the Russians, with their offer of a steel works on easy terms, have entered competitively into this field of "foreign assistance." In fact, the setting up in India of complete industrial units with the aid of foreign technicians and technical knowhow is certainly the most effective way of applying Western aid. Quite apart from specific capital schemes, however, the growth of activity under the Plan must lead to higher demand for food and clothing. The present luck of the monsoons should not be allowed to obscure the fact that one bad harvest could undo some of the advance of the last two years. An international guarantee of a certain annual import of food grains would enable the Indian government to plan more flexibly and to combat without effort any internal tendency to hoard.

★

If the perspective of assistance is extended from the first to the second Five Year Plan, the openings for external assistance are likely to be even greater. The Plan is still at a tentative stage and much depends upon the extent to which the present Plan fulfils its objectives. But it is already clear that much greater emphasis will be placed upon extending industrialisation in the second Plan and this process must make new demands on the import of capital equipment from the developed industrial economies abroad. The hope is to reach a level of investment of between £600 and £750 million a year (corresponding to 10-12 per cent of the national income). Such a figure would enable the country to provide for a steady increase in industrial employment which—on present estimates of unemployment and population growth—should grow by about two million vacancies a year. It would call for steel output rising to about six million tons annually, for a great increase in the heavy electrical industry and in transport. At least £375 million will be needed for completing existing large scale irrigation projects and for financing new schemes, even though medium and minor irrigation is to receive greater emphasis in future. Industries serving agriculture directly—fertiliser production, for instance, or agricultural

machinery—will need to be expanded to meet the demand for modern equipment likely to result from the extension of the Community Projects to the entire Union.

The importance of foreign aid is not purely economic. As the Colombo Plan has already proved on a small scale, opportunities for training and for learning new skills have as important a political and social impact. Training schemes in India and opportunities for training in developed economies abroad, introduced now and financed by foreign aid, may well be the most vital contribution the West can make to Indian advance and stability. Few steps certainly would have a better chance of counter-balancing the evident frustration of India's student and graduate class.

Nor need programmes of foreign assistance be thought of on a purely bilateral basis. If, for instance, the Colombo Plan were taken as an instrument of the free world's co-operation with India, it would undoubtedly be found that, in many cases, some other member of the Colombo group could, with advantage, be associated with schemes of assistance. British or American capital might be given by way of Burma for the provision of rice, for instance, or via Japan for machinery. The area of co-operation would thus be enlarged to create stability in free Asia as a whole.

In the last analysis, however, the question of foreign aid to India depends not upon economic possibilities but upon the Western world's political assessment of India's performance. Is India administratively a reasonable risk? On its economic performance so far, does it give any guarantee that further economic assistance has a chance of bringing about the desired results? The difficulties and the dangers should not be minimised. Some of the elements in Indian stability are wasting assets unless the upward curve of hope and prosperity can be secured. But there can be little doubt about the present answer. It is that India has a strong, stable and efficient government and administrative machine. Yet the strength and efficiency has been used to persuade, not coerce, to lead, not to drive. The Government has not plunged into grandiose industrialisation or brutal forced savings. The peasant, upon whom the whole pyramid of India is based, has been approached as a reasonable and responsible citizen, not as a kulak, a criminal or an outcast. At the same time, the policy of persuasion and moderation has not entailed weakness. The financial policy pursued by the Government has been firm. The results are there for all to see in the economic stability salvaged from war, partition, Korean inflation and the failure of the 1951 monsoon. The surge forward of the last two years would not have been so notable without steady financial control.

It can be argued that these achievements alone give India some claim on the sympathy and support of the West. Western ideals of freedom, responsibility and justice do not root themselves so effortlessly in other traditions and cultures that the supposed lovers of liberty can look on with indifference while India makes its heroic experiment. Since, however, it is probably true that fear still moves the democracies to action more speedily than the nobler emotions, the estimate should be made of the cost that would follow for the free world, in armaments, in economic dislocation, in the darkening of the world's hopes, if India were to follow China, the other vast civilisation of Asia, into the Communist camp. And of this estimate one thing can be said with certainty: it would be infinitely greater than any sum the West could now, usefully and effectively, invest in the Indian Plan.

